



亞洲煤業
ASIA COAL

Interim Report 2010

Asia Coal Limited
亞洲煤業有限公司

Stock Code: 835

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2010

	NOTES	Six months ended 30th September	
		2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)
Revenue	3	3,666	3,519
Cost of sales		(2,798)	(2,081)
Gross profit		868	1,438
Other income		10,223	89
Selling and distribution expenses		(7,808)	(1,840)
Administrative expenses		(18,805)	(23,154)
Finance costs	4	(9,813)	(8,552)
Impairment loss on prepayments	10	(15,653)	—
Impairment loss on an intangible asset		—	(800)
Loss for the period	6	(40,988)	(32,819)
Other comprehensive income:			
Exchange differences arising on translation of foreign operations		73	142
Total comprehensive expense for the period		(40,915)	(32,677)
Loss for the period attributable to:			
Owners of the Company		(40,870)	(32,763)
Non-controlling interests		(118)	(56)
		(40,988)	(32,819)
Total comprehensive expense attributable to:			
Owners of the Company		(40,800)	(32,620)
Non-controlling interests		(115)	(57)
		(40,915)	(32,677)
LOSS PER SHARE	7		
Basic and diluted		HK cents (2.45)	HK cents (1.98)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30TH SEPTEMBER 2010

	NOTES	At 30th September 2010 HK\$'000 (unaudited)	At 31st March 2010 HK\$'000 (audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		3,807	3,021
Exploration and evaluation assets	9	387,155	383,828
Prepayments	10	—	16,278
		390,962	403,127
Current assets			
Inventories — finished goods		2,087	1,674
Trade and other receivables	11	7,772	5,678
Pledged bank deposits		1,719	1,719
Bank balances and cash		21,555	26,837
		33,133	35,908
Current liabilities			
Trade and other payables and accrued charges	12	11,107	7,761
Amount due to a related party	13	10,400	200
Obligations under finance leases — due within one year		29	48
Secured bank overdrafts		—	1,354
Convertible bond	14	148,005	—
		169,541	9,363
Net current (liabilities) assets		(136,408)	26,545
Total assets less current liabilities		254,554	429,672
Non-current liabilities			
Obligations under finance leases — due after one year		86	101
Convertible bond	14	—	138,203
		86	138,304
NET ASSETS		254,468	291,368
CAPITAL AND RESERVES			
Share capital	15	166,875	166,192
Reserves		87,463	124,931
Equity attributable to owners of the Company		254,338	291,123
Non-controlling interests		130	245
		254,468	291,368

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2010

	Attributable to owners of the Company								
	Share capital	Share premium	Share options reserve	Convertible bond equity reserve	Translation reserve	Accumulated losses	Total	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st April 2009 (audited)	165,254	249,005	4,465	108,238	(1,264)	(161,180)	364,518	—	364,518
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 (expense) 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 non-controlling 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
At 1st April 2010 (audited)	166,192	251,311	3,754	108,238	(947)	(237,425)	291,123	245	291,368
Loss for the period	—	—	—	—	—	(40,870)	(40,870)	(118)	(40,988)
Exchange differences arising on translation of foreign operations	—	—	—	—	70	—	70	3	73
Total comprehensive income (expense) for the period	—	—	—	—	70	(40,870)	(40,800)	(115)	(40,915)
Sub-Total	166,192	251,311	3,754	108,238	(877)	(278,295)	250,323	130	250,453
Recognition of share-based payment expenses	—	—	2,171	—	—	—	2,171	—	2,171
Issue of shares upon exercise of share options	683	1,683	(522)	—	—	—	1,844	—	1,844
At 30th September 2010 (unaudited)	166,875	252,994	5,403	108,238	(877)	(278,295)	254,338	130	254,468

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2010

	Six months ended 30th September	
	2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)
Net cash used in operating activities	(22,209)	(30,436)
Net cash from/(used in) investing activities		
Compensation received	10,000	—
Additions of exploration and evaluation assets	(2,057)	(9,672)
Purchase of property, plant and equipment	(1,730)	(1,950)
Increase in prepayments	—	(11,600)
Other investing cash flows	—	(369)
	6,213	(23,591)
Net cash from financing activities		
Increase in amount due to a related party	10,200	—
Proceeds from issue of shares	1,844	—
Repayment of bank overdraft	(1,354)	—
Capital contribution from a non-controlling shareholder of a subsidiary	—	388
Other financing cash flows	(45)	(55)
	10,645	333
Net decrease in cash and cash equivalents	(5,351)	(53,694)
Cash and cash equivalents at 1st April	26,837	102,039
Effect of foreign exchange rate changes	69	3
Cash and cash equivalents at 30th September, represented by bank balances and cash	21,555	48,348

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2010

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 and with the Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

In preparing the condensed 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 exceed its current assets by HK\$136,408,000 as at 30th September 2010 and incurred a loss of approximately HK\$40,988,000 for the period then ended. The directors of the Company are currently in re-negotiating the terms and conditions of the convertible bond issued by the Company with the bond holder, but this process has not yet been finalised at the date of approval of these interim financial statements. The bond holder confirmed (subject to finalisation re-negotiation), at of the date of approval of these interim financial statements, they have currently no intention to redeem the convertible bond. Additionally, the directors are currently exploring potential fundraising options to improve the cash position of the Group. Further to the re-negotiation process above, the condensed consolidated financial statements have been prepared on a going concern basis as the directors of the Company believe that the following cost-saving measures can improve the Group’s liquidity position.

- (i) The management has made a detailed cost-saving plan to reduce administrative expenses including directors’ emoluments and discretionary bonus.
- (ii) The management would reduce all non-essential costs of development of mine basin until the Group has sufficient funding for the operation.

Provided that the re-negotiation process, the potential fundraising options and the cost-saving 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.

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 Group’s annual financial statements for the year ended 31st March 2010.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2010

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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.

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009 that are effective for annual periods beginning on or after 1st July 2009 and 1st January 2010, as appropriate
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 32 (Amendment)	Classification of Right Issues
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC) — Int 17	Distributions of Non-cash Assets to Owners

The Group applies Hong Kong Financial Reporting Standard (“HKFRS”) 3 (Revised) Business Combinations prospectively to business combinations for which the acquisition date is on or after 1st April 2010. The requirements in HKAS 27 (Revised) Consolidated and Separate Financial Statements in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1st April 2010.

As there was no transaction during the current interim period in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

The application of the other new and revised HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2010

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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

HKFRSs (Amendments)	Improvements to HKFRSs 2010 ¹
HKAS 24 (Revised)	Related Party Disclosures ³
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters ²
HKFRS 7 (Amendment)	Disclosures — Transfers of Financial Assets ⁵
HKFRS 9	Financial Instruments ⁴
HK(IFRIC) — Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement ³
HK(IFRIC) — Int 19	Extinguishing Financial Liabilities with Equity Instruments ²

¹ Effective for annual periods beginning on or after 1st July 2010 and 1st January 2011, as appropriate

² Effective for annual periods beginning on or after 1st July 2010

³ Effective for annual periods beginning on or after 1st January 2011

⁴ Effective for annual periods beginning on or after 1st January 2013

⁵ Effective for annual periods beginning on or after 1st July 2011

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective for annual reporting period beginning on or after 1st January 2013, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2010

3. SEGMENT INFORMATION

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

- 1) Health and beauty products
- 2) Coal mining

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

	Health and beauty products		Coal mining		Total	
	Six months ended 30th September		Six months ended 30th September		Six months ended 30th September	
	2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)	2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)	2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)
Revenue						
External sales	3,666	3,519	–	–	3,666	3,519
Segment loss	(9,501)	(2,582)	(18,852)	(2,093)	(28,353)	(4,675)
Corporate income						
– Compensation income (note)					10,000	–
– Interest income					1	34
Central administration costs					(12,823)	(19,626)
Finance costs					(9,813)	(8,552)
Loss for the period					(40,988)	(32,819)

Note: The compensation income was received for the termination of a sale and purchase agreement. Details are set out in note 6.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2010

3. SEGMENT INFORMATION (CONTINUED)

Segment loss represents the loss incurred by each segment without allocation of corporate income, 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.

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

	At 30th September 2010 HK\$'000 (unaudited)	At 31st March 2010 HK\$'000 (audited)
Health and beauty products	10,781	5,930
Coal mining	388,358	402,659
Total segment assets	399,139	408,589

4. FINANCE COSTS

	Six months ended 30th September	
	2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)
Interest on:		
– bank overdrafts	7	—
– obligations under finance leases	4	6
Effective interest expense on convertible bond	9,802	8,546
	9,813	8,552

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2010

5. TAXATION

No provision for Hong Kong Profits Tax has been made 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.

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

6. LOSS FOR THE PERIOD

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

	Six months ended 30th September	
	2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)
Directors' remuneration (including share-based payments)	4,168	12,966
Depreciation and amortisation	888	304
Share-based payments	2,171	—
Loss (gain) on disposal of property, plant and equipment	70	(11)
Write-down of inventories	—	82
Compensation income (included in other income) (note)	(10,000)	—
Interest income	(1)	(34)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2010

6. LOSS FOR THE PERIOD (CONTINUED)

Note: On 30th April 2009, the Company as the purchaser, Wonder Champion Investment Limited 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 Group Limited (the "Seawise Acquisition"). Both the vendor and the guarantor are independent third parties of the Company. Details are set out in the circular of the Company dated 20th May 2010 (the "Circular"). Since the vendor was unable to fulfill certain conditions precedent, the Seawise Acquisition was terminated. On 28th July 2010, the Company entered into a deed of settlement with the director/controllers/shareholder of the vendor and the guarantor. Pursuant to the deed of settlement, the guarantor has agreed to compensate the Company a total sum of HK\$50 million with HK\$10 million already paid to and received by the Company and the remaining HK\$40 million to be paid within 6 months of the deed of settlement in cash and/or issued shares of Hong Kong listed issuer tradable on The Stock Exchange of Hong Kong Limited.

In the opinion of directors, the realisation of the balance of the compensation of HK\$40 million is not virtually certain as at 30th September 2010 therefore it is not recognised in the condensed consolidated financial statements for the six months ended 30th September 2010.

7. LOSS PER SHARE

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

	Six months ended 30th September	
	2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)
Loss for the period attributable to owners of the Company for the purposes of basic and diluted loss per share	(40,870)	(32,763)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2010

7. LOSS PER SHARE (CONTINUED)

	Six months ended 30th September	
	2010	2009
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	1,666,513,456	1,652,542,800

The calculation of diluted loss per share for the six months ended 30th September 2009 and 2010 has not assumed the conversion of the Company's convertible bond and exercise of the share options as these potential ordinary shares were anti-dilutive during both periods.

8. DIVIDENDS

The directors do not recommend the payment of an interim dividend for the period (2009: nil).

9. EXPLORATION AND EVALUATION ASSETS

	HK\$'000
At 1st April 2010 (audited)	383,828
Additions of exploration and evaluation works during the period	2,682
Exchange realignment	645
At 30th September 2010 (unaudited)	387,155

The exploration and evaluation assets represented the considerations paid for acquisitions of mineral mining licences and exploration licences in respect of the Saikhan Ovoo coal deposits in the Bulgan province of Mongolia in previous year and the subsequent exploration and evaluation works.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2010

9. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

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 are independent third parties of the Company. Details of the GF and PF acquisition are set out in the Group’s annual financial statements for the year ended 31st March 2010.

GF Acquisition

As set out in the Company’s announcement dated 9th August 2010, the Company has entered into an extension letter with the vendor and the guarantor such that the due date for the Company to deliver to the vendor the SMI Technical Assessment was extended from 29th July 2010 to (i) 9th September 2010; or (ii) subject to the reaching of a satisfactory conclusion by the parties hereto in relation to the PF acquisition on or before 9th September 2010, 31st January 2011 (or such later date as the vendor, the guarantor and the Company may agree in writing). On 26th November 2010, the vendor, the guarantor and the Company entered into an extension letter to further extend the delivery date of the SMI Technical Assessment to 31st January 2011.

The SMI Technical Assessment has not yet been completed up to the date of approval of these interim financial statements. Therefore, no adjustment to acquisition consideration has been made.

During the period ended 30th September 2010, the Group had incurred the amount of approximately HK\$2,682,000 (for the year ended 31st March 2010: HK\$12,022,000) for the exploration and evaluation work on the Saikhan Ovoo coal mine, including topography survey expenses, license fee, labour and other costs directly attributable to exploration activities. The Group has not carried out any development nor production activity during the period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2010

9. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

PF Acquisition

Up to 30th September 2010, the PF acquisition had not yet been completed. During the period ended 30th September 2010, the Group had reviewed and assessed the Sinotum resources technical assessment by a technical adviser (“Sinotum Resources Technical Assessment”). All the conditions of the PF Agreement (as defined in the circular of the Company dated 19th May 2008) have been fulfilled as of the date of approval of these interim financial statements and the parties thereto are thus legally bound to proceed to the completion of the PF acquisition in accordance with its terms. However, the Company was of the opinion that it is simply not economical to mine and sell the low rank brown coal resources with low calorific value held at the Erdenetsogt coal deposit due to lack of an export market and without a readily available power plant in the vicinity. Thus, on 1st November 2010, the Company entered into a deed of settlement with the vendor and the guarantor to terminate the PF Agreement. The termination is subject to fulfillment of conditions precedent of the deed of settlement (including the approval of independent shareholders of the Company) and payment of settlement consideration by the Company. Details of these are set out in notes 10 and 20.

10. PREPAYMENTS

As at 31st March 2010, the prepayments represented payments made to technical advisers for conducting the technical assessments for both the GF and PF acquisitions of which HK\$625,000 was related to the GF acquisition. During the period ended 30th September 2010, HK\$625,000 was transferred to exploration and evaluation assets.

As explained in note 9, the Company was of the opinion that it is not economical to mine and sell the low rank brown coal held at the Erdenetsogt coal deposit and therefore entered into a deed of settlement with the vendor and the guarantor to terminate the PF acquisition. As a result, the prepayments for conducting Sinotum Resources Technical Assessment of HK\$15,653,000 was fully impaired and recognised in profit or loss during the period. Details of the deed of settlement are set out in note 20.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2010

11. 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 at the end of the reporting period:

	At 30th September 2010 HK\$'000 (unaudited)	At 31st March 2010 HK\$'000 (audited)
Trade receivables:		
0 to 90 days	207	218
91 to 180 days	8	—
181 to 365 days	—	—
Over 365 days	7	7
	222	225
Other receivables, deposits and prepayments	7,550	5,453
	7,772	5,678

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2010

12. 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:

	At 30th September 2010 HK\$'000 (unaudited)	At 31st March 2010 HK\$'000 (audited)
Trade payables:		
0 to 90 days	1,946	1,503
91 to 180 days	660	1,235
181 to 365 days	539	54
Over 365 days	479	464
	3,624	3,256
Deposits received from customers	1,852	102
Accrued charges	3,310	4,352
Other payables	2,321	51
	11,107	7,761

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2010

13. 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. The amount is unsecured, interest-free and repayable on demand.

14. CONVERTIBLE BOND

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

	Six months ended 30th September	
	2010 HK\$'000	2009 HK\$'000
At the beginning of the period (audited)	138,203	120,505
Effective interest expense charged for the period	9,802	8,546
At the end of the period (unaudited)	148,005	129,051
Less: amount included in current liabilities	(148,005)	—
Amount due after one year	—	129,051

As set out in note 9, the above convertible bond was issued to CEC Resources, a shareholder of the Company, for the GF acquisition.

The holder of the convertible bond 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 bond from the next day following the third anniversary of the issue of the convertible bond to the date immediately before the maturity date. Accordingly, the liability of the convertible bond is classified as a current liability as at 30th September 2010.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2010

15. SHARE CAPITAL

	Number of shares	Nominal value HK\$'000
Ordinary shares of HK\$0.10 each:		
Authorised:		
At 1st April 2010 and 30th September 2010	30,000,000,000	3,000,000
Issued and fully paid:		
At 1st April 2010	1,661,922,800	166,192
Issue of shares upon exercise of share options	6,830,000	683
At 30th September 2010	1,668,752,800	166,875

16. SHARE-BASED PAYMENT TRANSACTIONS

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.

The 2003 Scheme was terminated when the 2007 Scheme (as defined below) came into effect on 28th September 2007. Upon the termination of the 2003 Scheme, no further options would be granted under the 2003 Scheme but the options granted prior to such termination continued to be valid and exercisable in accordance with provision of the 2003 Scheme.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2010

16. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

(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.

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 2010:

	Option Scheme type	Date of grant	Vesting period	Exercisable period	Exercise price per share HK\$	At 1st April 2010	Granted during the period	Exercised during 30th September 2010	At 30th September 2010
Directors	2007	1st September 2008	–	1st September 2008 to 31st August 2018	0.301	10,000,000	–	–	10,000,000
	2007	29th July 2010	–	29th July 2010 to 28th July 2020	0.200	–	31,000,000	–	31,000,000
Employees	2007	22nd November 2007	–	22nd November 2007 to 21st November 2017	0.270	11,250,000	–	(6,300,000)	4,950,000
	2007	22nd November 2007	22nd November 2007 to 21st November 2008	22nd November 2008 to 21st November 2017	0.270	700,000	–	(530,000)	170,000
	2007	3rd March 2009	–	3rd March 2009 to 2nd March 2019	0.270	2,000,000	–	–	2,000,000
	2007	29th July 2010	–	29th July 2010 to 28th July 2020	0.200	–	7,000,000	–	7,000,000
Consultants	2003	21st August 2006	–	21st August 2006 to 21st August 2016	0.210	5,442,320	–	–	5,442,320
	2007	22nd November 2007	–	22nd November 2007 to 21st November 2017	0.270	18,060,000	–	–	18,060,000
						47,452,320	38,000,000	(6,830,000)	78,622,320
Exercisable at end of the period									78,622,320
									HK\$
Weighted average exercise price									0.236

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2010

16. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

In respect of the share options exercised during the period, the weighted average share price at the date of exercise was HK\$0.28.

The outstanding number of share options of the Company exercisable at 30th September 2009 was 56,832,320. No share options were exercised for the six months ended 30th September 2009.

During the period ended 30th September 2010, 38,000,000 options with an exercise price of HK\$0.20 per share were granted on 29th July 2010. The estimated fair value of the options granted on 29th July 2010 was approximately HK\$2,171,000. The fair value was calculated using the Binomial Option Pricing Model. The inputs into the model are as follows:

Grant date	29th July 2010
Number of options granted	38,000,000
Share price as at the date of grant	HK\$0.184
Exercise price	HK\$0.20
Expected volatility	88.45%
Contractual life	10 years
Risk-free rate	2.24%
Expected dividend yield	Nil

Expected volatility of the options granted on 29th July 2010 was determined by using the historical volatility of the Company's share price over the last 500 weeks before the date of grant. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. The Binomial Option Pricing Model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

During the six months ended 30th September 2010, the Group recognised an aggregate amount of approximately HK\$2,171,000 as expenses in relation to the share options granted by the Company. No such expenses were recognised during the six months ended 30th September 2009.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2010

17. PLEDGE OF ASSETS

As at 30th September 2010, certain assets of the Group with the following carrying amounts had been pledged to secure the short-term banking facilities and finance lease arrangements granted to the Group:

	At 30th September 2010 HK\$'000 (unaudited)	At 31st March 2010 HK\$'000 (audited)
Property, plant and equipment	130	178
Bank deposits	1,719	1,719
	1,849	1,897

18. RELATED PARTY DISCLOSURES

The compensation to key management personnel in respect of the period is as follows:

	Six months ended 30th September 2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)
Salaries and other short-term benefits	2,336	15,999
Equity-settled share-based payment expense	1,829	—
Contributions to retirement benefit schemes	3	57
	4,168	16,056

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2010

19. CAPITAL COMMITMENTS

The capital commitments of the Group as at 30th September 2010 are as follows:

- (i) There were no capital commitments in respect of the exploration work to be performed contracted but not provided for in the condensed consolidated financial statements (31st March 2010: HK\$625,000).
- (ii) As set out in note 9, 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 these interim financial statements. 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 the PF acquisition can be up to maximum of RMB760 million and RMB3,600 million respectively. As explained in notes 9 and 20, the Company entered into a deed of settlement with the vendor to terminate the PF Agreement and shall pay the settlement consideration, details of which are set out in note 20. The termination is subject to fulfillment of conditions precedent of the deed of settlement including the approval of independent shareholders of the Company.

In addition, the Group is committed to issue new shares to Mr. Yeung Ting Lap, Derek Emory, a director of the Company, upon payment of adjusted consideration of the GF acquisition and the PF acquisition.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2010

20. EVENTS AFTER REPORTING PERIOD

On 1st November 2010, the Company entered into a deed of settlement (the "Deed of Settlement") on an arm's length basis with the vendor and guarantor to terminate the PF acquisition and to release the Company from all claims in connection with the PF sales and purchase agreement. The settlement consideration shall be satisfied by (i) the issue of the five-year zero coupon convertible bonds in the principal amount of HK\$110,000,000 at an initial conversion price of HK\$0.20 per share ("Termination Convertible Bonds") by the Company to the vendor, and (ii) the payment in cash to reimburse the vendor and the guarantor of the fees and disbursements of the advisers incurred by them in connection with the preparation and negotiations of the PF Deed of Settlement, the Termination Convertible Bonds and other related documents provided that such fees shall be up to an amount not exceeding HK\$800,000 (collectively, the "Settlement Consideration"). Details are set out in the Company's announcement dated 2nd November 2010 (the "Announcement"). The Deed of Settlement is subject to the approval of independent shareholders of the Company and regulatory authorities, which are not yet approved up to the date of approval of these interim financial statements.

In the event that the conditions as set out in the Announcement have not been fulfilled or otherwise waived by the vendor (if such condition(s) are waivable) by 4th March 2011 (or such later date as may be agreed by the parties), the provisions of the Deed of Settlement shall have no effect and no party shall have any liability under the Deed of Settlement without prejudice of the rights of any of the parties in respect of the antecedent breaches in relation to the Deed of Settlement. For the avoidance of doubt such termination of the Deed of Settlement shall not affect the rights and obligations of the parties existing before termination and all such rights, liabilities and obligations of the PF Agreement shall remain unaffected and maintain their status quo ante as if the Deed of Settlement had not been entered into by the parties.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the six months ended 30th September 2010 (the “Period”), the Group continued to engage in coal mining business and distribution of health and beauty products.

In the coal mining segment, the Group continued to hold the mineral mining and other rights to the Saikhan Ovoo coal deposit in the Bulgan province of Mongolia. The Company engaged a technical adviser to complete further exploration and independent review on the Sakhian Ovoo coal deposit and to produce a technical report (the “Resources Report”) to JORC compliant international standards. The Resources Report shows estimated resources in excess of 180 million tonnes. The coal resources estimated based on the analytical work on 165 coal samples taken from 27 fully cored boreholes with a total of 5,222 metres drilled are as follows:

JORC Class	Volumn, m³	Tonnes
Measured	6,646,000	11,613,000
Indicated	64,800,000	112,750,000
Inferred	33,866,000	60,327,000
Total	105,312,000	184,690,000

There is a wide range in the rank of the coal from high volatile C bituminous coal to anthracitic coal. The analytical results generally show increasing volatile matter (decrease in rank) with increasing depths. Sixteen of the samples from 4 boreholes fall in the range of soft-coking coal. Limited washability data from 9 boreholes suggest that the coal can be washed to produce a laboratory product with less than 10% ash at a reasonable 60% yield.

The deposit is amenable to conventional mining methods such as open cut mining and underground mining. The Company will identify areas of low strip ratio and good coal quality as the initial stage of mining by open cut mining operations. Further work is required to identify the best area for underground mining targeting moderate to thick seams and the best coal quality with favourable geotechnical conditions.

Approximately HK\$3 million additional expenditures for the exploration and review works performed by the technical adviser were incurred and capitalized as exploration and evaluation assets during the Period.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (CONTINUED)

In the health and beauty segment, three additional new Dermagram shops or beauty centers have been opened during the Period to promote and sell Dermagram products and provide beauty services to customers. Opening more retail shops and beauty centers allows the Group to provide better services to customers and also enhance the Dermagram brand image. During the Period, the Group has ceased to distribute Dermagram products through the major distributor so that the Group will have more flexibility and greater control over the pricing and marketing strategies of Dermagram. The Group has also ceased to distribute LaVie products through the major distributor in November 2010 as the health and beauty segment will focus its efforts on developing the Dermagram brand.

FINANCIAL REVIEW

Operating Results

The Group's unaudited consolidated turnover for the Period was approximately HK\$3,666,000, representing a slight increase of 4% from approximately HK\$3,519,000 in the corresponding period last year. The gross profit margin for the Period slid to 23.7% from 40.9% of the corresponding period last year mainly due to keen competition in the cosmetic and beauty sector and the lower profit margin contributed by the new OEM products introduced during the Period.

Loss attributable to owners of the Company for the Period increased to approximately HK\$40,870,000 from HK\$32,763,000 as recorded in the corresponding period last year. The increase in loss was mainly due to the increase in selling and distribution expenses, impairment loss on prepayments and increase in the finance costs on the convertible bond issued in July 2008 as consideration for acquisition of the exploration and evaluation assets.

The selling and distribution expenses increased by approximately HK\$5,968,000 as compared to the corresponding period last year as more Dermagram retail shops and beauty centers have been opened and greater advertising and marketing spending was incurred to enhance brand recognition.

The increase in loss was also attributed to the impairment loss on prepayments of HK\$15,653,000. As explained in the material acquisitions section below, the Company entered into a deed of settlement (the "PF Deed of Settlement") with the Vendor, CEC Resources Limited ("CEC Resources") and the Guarantor, China Enterprise Capital Limited ("CEC") to terminate the PF Agreement in November 2010. As a result, the prepayments which represented payments made to technical advisers for conducting Sinotum Resources Technical Assessment were fully impaired during the Period.

FINANCIAL REVIEW (CONTINUED)

Liquidity and Financial Position

As at 30th September 2010, the Group held cash and bank balances amounting to approximately HK\$23,274,000 (31st March 2010: HK\$28,556,000) while the total borrowings were approximately HK\$158,405,000 (31st March 2010: HK\$138,203,000). As at 30th September 2010, the borrowings represented the liability component of the convertible bond issued in July 2008 of HK\$148,005,000 as consideration for the acquisition of GF. The zero coupon convertible bond of principal amount of HK\$218,221,675 is unsecured and has a maturity of five years from the issue date. The holder of the convertible bond 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 bond from the next day following the third anniversary of the issue date to the date immediately before the maturity date. As at 30th September 2010, the borrowings also included amount due to a related party of HK\$10,400,000 which is unsecured, interest free and repayable on demand. The gearing ratio, defined as the ratio of total borrowings less cash and bank balances to equity attributable to owners of the Company, was 53.1% (31st March 2010: 37.7%).

In view of the decrease in cash and bank balances of the Group, the directors of the Company implementing a series of cost-saving measures and re-negotiating the terms of the convertible bond to improve the liquidity of the Group. Additionally, the directors are currently exploring potential fundraising options to improve the cash position of the Group although the directors have no concrete plan for raising fund as at the date hereof. Provided that these measures are successful and can effectively improve the liquidity of the Group, the directors are satisfied that the Group will have sufficient financial resources to fund its operational requirements.

Charges on Assets

As at 30th September 2010, bank deposits and property, plant and equipment with respective carrying values of approximately HK\$1,719,000 and HK\$130,000 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 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.

FINANCIAL REVIEW (CONTINUED)

Material Acquisitions

1. As disclosed in the Company's annual report 2009/10, 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 30th September 2010, the total consideration for the GF acquisition is subject to adjustment. The consideration for the GF acquisition 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 a technical adviser. The consideration for the GF acquisition can be up to 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 GF acquisition, i.e. on or before 29th July 2010. In light of the positive results of the Resources Report as set out in the Company's announcement dated 9th August 2010, the Company has entered into an extension letter with the Vendor and the Guarantor such that the date for the Company to deliver to the Vendor the SMI Technical Assessment was extended from 29th July 2010 to (i) 9th September 2010; or (ii) subject to the reaching of a satisfactory conclusion by the parties hereto in relation to the PF Agreement on or before 9th September 2010, 31st January 2011 (or such later date as the Vendor, the Guarantor and the Company may agree in writing). On 26th November 2010, the Vendor, the Guarantor and the Company entered into an extension letter to further extend the delivery date of the SMI Technical Assessment to 31st January 2011.
2. On 25th January 2008, the Group also entered into an agreement (the "PF Agreement") to acquire Power Field Holdings Limited ("PF"). PF, through its wholly-owned subsidiary, Sinotum Mongolia LLC ("Sinotum"), holds the mineral exploration and other rights to the Erdenetsogt coal deposit in the Dornogobi province of Mongolia. The consideration for the PF acquisition shall be determined based on the coal ore resources and reserves by reference to the technical assessment prepared by a technical adviser. The consideration can be up to maximum of RMB3,600 million and shall be satisfied by the issue of convertible bonds of the Company.

All the conditions of the PF Agreement have been fulfilled and the parties thereto are thus legally bound to proceed to completion of the PF acquisition in accordance with its terms.

FINANCIAL REVIEW (CONTINUED)

Material Acquisitions (continued)

2. (continued)

Due to the change of circumstances and business environment, on 1st November 2010, the Company entered into the PF Deed of Settlement with the Vendor and the Guarantor to terminate the PF Agreement.

The Board has considered the various factors in its decision to enter into the PF Deed of Settlement. Upon completion of the Sinotum Resources Technical Assessment, the coal from the PF mine is confirmed to be low rank brown coal with low calorific value not suitable for export. With the global financial turmoil in late 2008, the price for low rank brown coal deteriorated drastically and the potential energy sector partner's interest in the project vanished. The original business plan of the Company is no longer worthwhile to pursue.

Furthermore, the magnitude of the potential negative impact on the share capital structure of the Company and the dilution effect on the shareholdings of existing shareholders upon completion of the PF acquisition is another factor considered by the Board.

The Board has also considered other alternatives, but the high capital investment on long time construction of power infrastructure for the coal available for the PF mine and no return during such investment period would adversely affect the financial aspect of the Group, in particular its cash flow.

As such, rather than completing the PF acquisition and holding the resources for an indefinite period of time to the detriment of the shareholders' interest, the Board considers that it will be in the interests of the Company to terminate the PF acquisition. Any unilateral termination of the PF Agreement without a settlement, however, would likely bring about claims for damages or specific performance by CEC Resources against the Company. The Board therefore decided to settle the matter in an amicable manner by paying the compensation.

FINANCIAL REVIEW (CONTINUED)

Material Acquisitions (continued)

2. (continued)

Subject to the fulfillment of conditions of the PF Deed of Settlement as set out in the Company's announcement dated 2nd November 2010 (including the approval of independent shareholders of the Company), the Company shall pay the settlement consideration, being (i) the issue of the five-year zero coupon convertible bonds in the principal amount of HK\$110,000,000 at an initial conversion price of HK\$0.20 per share ("Termination Convertible Bonds") by the Company to the Vendor; and (ii) the payment in cash to reimburse of the Vendor and the Guarantor of the fees and disbursements of the advisers incurred by them in connection with the preparation and negotiations of the PF Deed of Settlement, the Termination Convertible Bonds and other related documents and any transactions contemplated by such documents provided that such fees shall be up to an amount not exceeding HK\$800,000.

In the event the conditions have not been fulfilled or otherwise waived by the Vendor (if such condition(s) are waivable) by 4th March 2011 (or such later date as may be agreed by the parties), the provisions of the PF Deed of Settlement shall have no effect and no party shall have any liability under the PF Deed of Settlement without prejudice of the rights of any of the parties in respect of the antecedent breaches in relation to the PF Deed of Settlement. For the avoidance of doubt, such termination of the PF Deed of Settlement shall not affect the rights and obligations of the parties existing before termination and all such rights, liabilities and obligations of the PF Agreement shall remain unaffected and maintain their status quo ante as if the PF Deed of Settlement had not been entered into by the parties.

3. As disclosed in the Company's annual report 2009/10, the acquisition of the entire issued share capital of Seawise Group Limited (the "Seawise Acquisition") was terminated. A deed of settlement (the "Seawise Deed of Settlement") was entered into between the director/controlling shareholder of vendor, Ms. Liu Polly Rong, the Company and the guarantor, Mr. Zeng Jian in late July 2010. Pursuant to the terms of the Seawise Deed of Settlement, the guarantor has agreed to compensate the Company a total sum of HK\$50,000,000 with HK\$10,000,000 already paid to and received by the Company and the remaining HK\$40,000,000 to be paid within 6 months of the Seawise Deed of Settlement in cash and/or issued shares of Hong Kong listed issuer tradable on The Stock Exchange of Hong Kong Limited.

FINANCIAL REVIEW (CONTINUED)

Material Acquisitions (continued)

3. (continued)

The director/controlling shareholder of vendor, the guarantor and the Company hereby mutually released and discharged each other from all claims, demands, actions, proceedings, causes of actions, damages, compensations, and liabilities, rights and remedies of whatever nature arising under the sale and purchase agreement and the transactions contemplated thereunder.

Contingent Liabilities

As at 30th September 2010, 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.

The Group will focus on exploration and exploitation for coal within the licensed areas in Mongolia and will also focus its efforts to identify and pursue other feasible resources projects. Additionally, the Group is exploring opportunities in providing value added services related to the coal industry such as logistics and logistics support.

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 2010, the Group had a total of 61 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.

OTHER INFORMATION

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

As at 30th September 2010, 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	
Jin Langchuan	10,000,000 (Note 1)	—	10,000,000	0.60
Sun David Lee	9,000,000 (Note 2)	—	9,000,000	0.54
Kwok Wing Leung, Andy	13,942,320 (Note 3)	401,533,775 (Note 4)	415,476,095	24.90
Yeung Ting Lap, Derek Emory	10,692,660 (Note 5)	—	10,692,660	0.64
Lu He	2,000,000 (Note 6)	—	2,000,000	0.12
Chiu Kam Hing, Kathy	2,000,000 (Note 7)	—	2,000,000	0.12
Ho Man Kin, Tony	2,000,000 (Note 8)	—	2,000,000	0.12
Li Kar Fai, Peter	2,000,000 (Note 9)	—	2,000,000	0.12

OTHER INFORMATION

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

Notes:

1. 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.
2. The personal interests of Mr. Sun David Lee represent an interest in underlying shares in respect of 9,000,000 share options granted by the Company entitling Mr. Sun David Lee to subscribe for 9,000,000 shares of HK\$0.10 each in the share capital of the Company as detailed in the section "Share Option Schemes" below.
3. The personal interests of Mr. Kwok Wing Leung, Andy include an interest in underlying shares in respect of 7,000,000 share options granted by the Company entitling Mr. Kwok Wing Leung, Andy to subscribe for 7,000,000 shares of HK\$0.10 each in the share capital of the Company as detailed in the section "Share Option Schemes" below.
4. 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.
5. Out of 10,692,660 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"). The personal interests of Mr. Yeung Ting Lap, Derek Emory include an interest in underlying shares in respect of 7,000,000 share options granted by the Company entitling Mr. Yeung Ting Lap, Derek Emory to subscribe for 7,000,000 shares of HK\$0.10 each in the share capital of the Company as detailed in the section "Share Option Schemes" below.
6. The personal interests of Ms. Lu He represent an interest in underlying shares in respect of 2,000,000 share options granted by the Company entitling Ms. Lu He to subscribe for 2,000,000 shares of HK\$0.10 each in the share capital of the Company as detailed in the section "Share Option Schemes" below.
7. The personal interests of Ms. Chiu Kam Hing, Kathy represent an interest in underlying shares in respect of 2,000,000 share options granted by the Company entitling Ms. Chiu Kam Hing, Kathy to subscribe for 2,000,000 shares of HK\$0.10 each in the share capital of the Company as detailed in the section "Share Option Schemes" below.

OTHER INFORMATION

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

Notes: (continued)

8. The personal interests of Mr. Ho Man Kin, Tony represent an interest in underlying shares in respect of 2,000,000 share options granted by the Company entitling Mr. Ho Man Kin, Tony to subscribe for 2,000,000 shares of HK\$0.10 each in the share capital of the Company as detailed in the section "Share Option Schemes" below.
9. The personal interests of Mr. Li Kar Fai, Peter represent an interest in underlying shares in respect of 2,000,000 share options granted by the Company entitling Mr. Li Kar Fai, Peter to subscribe for 2,000,000 shares of HK\$0.10 each in the share capital of the Company as detailed in the section "Share Option Schemes" below.

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 2010, 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.

OTHER INFORMATION

DISCLOSABLE INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS UNDER THE 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 2010, 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:

Name of shareholder	Capacity	Long/Short position	Number of shares and underlying shares held	% of the issued share capital
China Enterprise Capital Limited (Note 1)	Interests of a controlled corporation	Long position	14,812,133,600	887.62
CEC Resources and Minerals Holdings Limited (Note 1)	Interests of a controlled corporation and beneficial owner	Long position	14,812,133,600	887.62
Sino Minerals Capital Limited (Note 1)	Interests of a controlled corporation	Long position	14,656,602,500	878.30
Sino Mining Investment Limited (Note 1)	Interests of a controlled corporation	Long position	14,656,602,500	878.30
CEC Resources Limited (Note 1)	Beneficial Owner	Long position	14,656,602,500	878.30
Liu Rong, Polly (Note 2)	Interests of a controlled corporation	Long position	7,622,625,000	456.79
Wonder Champion Investment Limited (Note 2)	Beneficial Owner	Long position	7,622,625,000	456.79
Billion Pacific Ventures Limited (Note 3)	Beneficial Owner	Long position	401,533,775	24.06
Chan Yuk Lam	Beneficial Owner	Long position	155,468,900	9.32

OTHER INFORMATION

DISCLOSABLE INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS UNDER THE 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 by virtue of the SFO. 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 by virtue of the SFO.

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 by virtue of the SFO. 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 (the “Agreement”) (as further amended and supplemented by supplemental agreements dated 26th May 2009, 1st September 2009, 1st March 2010 and 28th April 2010) 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 “2009 Circular”) and the circular of the Company dated 20th May 2010 (the “2010 Circular”).

OTHER INFORMATION

DISCLOSABLE INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS UNDER THE 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 2009 Circular and the 2010 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.

However, as certain condition precedent of the Agreement could not be satisfied on 30th June 2010, or such later date as the parties to the Agreement agreed, the Agreement had ceased and terminated thereafter. Accordingly, Wonder Champion and Ms. Liu Rong, Polly ceased to have interest in the shares and the underlying shares in the Company.

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 2010.

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 2010.

OTHER INFORMATION

SHARE OPTION SCHEMES

Details of the outstanding options under the share option schemes of the Company during the six months ended 30th September 2010 are as follows:

Grantee	Option Scheme Type	Date of Grant	Exercisable Period	Exercise price per share HK\$	Number of share options				
					Balance at 01/04/2010	Granted during the period	Exercised during the period	Lapsed during the period	Balance at 30/09/2010
Jin Langchuan Director	2007	01/09/2008	01/09/2008 to 31/08/2018	0.301	10,000,000	–	–	–	10,000,000
Sun David Lee Director	2007	29/07/2010	29/07/2010 to 28/07/2020	0.200	–	9,000,000	–	–	9,000,000
Kwok Wing Leung, Andy Director	2007	29/07/2010	29/07/2010 to 28/07/2020	0.200	–	7,000,000	–	–	7,000,000
Yeung Ting Lap, Derek Emory Director	2007	29/07/2010	29/07/2010 to 28/07/2020	0.200	–	7,000,000	–	–	7,000,000
Lu He Director	2007	29/07/2010	29/07/2010 to 28/07/2020	0.200	–	2,000,000	–	–	2,000,000
Chiu Kam Hing, Kathy Director	2007	29/07/2010	29/07/2010 to 28/07/2020	0.200	–	2,000,000	–	–	2,000,000
Ho Man Kin, Tony Director	2007	29/07/2010	29/07/2010 to 28/07/2020	0.200	–	2,000,000	–	–	2,000,000
Li Kar Fai, Peter Director	2007	29/07/2010	29/07/2010 to 28/07/2020	0.200	–	2,000,000	–	–	2,000,000
Sub-total:					10,000,000	31,000,000	–	–	41,000,000

OTHER INFORMATION

SHARE OPTION SCHEMES (CONTINUED)

Grantee	Option Scheme Type	Date of Grant	Exercisable Period	Number of share options					
				Exercise price per share HK\$	Balance at 01/04/2010	Granted during the period	Exercised during the period	Lapsed during the period	Balance at 30/09/2010
Employees	2007	22/11/2007	22/11/2007 to 21/11/2017	0.270	11,250,000	–	(6,300,000)	–	4,950,000
	2007	22/11/2007	22/11/2008 to 21/11/2017	0.270	700,000	–	(530,000)	–	170,000
	2007	03/03/2009	03/03/2009 to 02/03/2019	0.270	2,000,000	–	–	–	2,000,000
	2007	29/07/2010	29/07/2010 to 28/07/2020	0.200	–	7,000,000	–	–	7,000,000
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
Sub-total:					37,452,320	7,000,000	(6,830,000)	–	37,622,320
Total:					47,452,320	38,000,000	(6,830,000)	–	78,622,320

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.

OTHER INFORMATION

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has, throughout the six months ended 30th September 2010, 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

Ms. Hu Suling held both positions of chairman and chief executive officer of the Company during the period from 1st April 2010 to 27th September 2010 until her resignation with effect from 28th September 2010. Hence, during the said period from 1st April 2010 to 27th September 2010, the Company did not have a separate chairman and chief executive officer and 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 office, are necessary.

CHANGES IN INFORMATION WITH REGARD TO DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in the biographical details of the directors during the interim period until the date of this interim report, since the publication of 2009/10 Annual Report of the Company are set out as follows:

Under the amendment to the service contract with Mr. Yeung Ting Lap, Derek Emory, a non-executive director, with effect from 1st November 2010, Mr. Yeung Ting Lap, Derek Emory is entitled to receive a director’s fee of HK\$15,000 per month as recommended by the Remuneration Committee as defined below and determined by the Board by reference to his duties and responsibilities and the prevailing market conditions.

With effect from 3rd November 2010, Mr. Li Kar Fai, Peter, an independent non-executive director, has been appointed as the independent non-executive director of Brilliance Worldwide Holdings Limited which shares are listed in the Growth Enterprise Market of the Stock Exchange.

Save as those disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

OTHER INFORMATION

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 2010.

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 two independent non-executive directors namely Mr. Ho Man Kin, Tony (chairman) and Mr. Li Kar Fai, Peter 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 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 primarily 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 2010 with the management.

OTHER INFORMATION

PUBLICATION OF INTERIM REPORT

The Company's 2010 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

Chen Yunfei

Chairman

Hong Kong, 30th November 2010

CORPORATE INFORMATION

DIRECTORS

Executive directors

Chen Yunfei
Jin Langchuan
Sun David Lee
Kwok Wing Leung, Andy

Non-executive director

Yeung Ting Lap, Derek Emory

Independent non-executive directors

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

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

REMUNERATION COMMITTEE

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

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
Corporation Limited
Standard Chartered Bank
(Hong Kong) Limited
DBS Bank (Hong Kong) Limited

LEGAL ADVISERS

Tsun & Partners

WEBSITE ADDRESS

www.asiacoallimited.com

SHARE LISTING

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