Asia Coal Limited
亞洲煤業有限公司

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

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2011

The board of directors (the "Board") of Asia Coal Limited (the "Company") announces the unaudited interim results of the Company and its subsidiaries (the "Group") for the six months ended 30th September 2011, together with the unaudited comparative figures for the corresponding period in 2010 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2011

		Continuing Operations		Discontinued Operations		Total	
		Six months ended 30th September		Six months ended 30th September		Six months ended 30th September	
		2011	2010	**2011**	2010	**2011**	2010
	NOTES	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)
Revenue	3	**3,943**	3,666	**869**	–	**4,812**	3,666
Cost of sales		**(1,808)**	(2,798)	**(1,170)**	–	**(2,978)**	(2,798)
Gross profit		**2,135**	868	**(301)**	–	**1,834**	868
Other income		**911**	10,223	**1**	–	**912**	10,223
Selling and distribution expenses		**(12,439)**	(7,808)	**–**	–	**(12,439)**	(7,808)
Administrative expenses		**(9,298)**	(18,805)	**(1,300)**	–	**(10,598)**	(18,805)
Finance costs	4	**(11,927)**	(9,813)	**–**	–	**(11,927)**	(9,813)
Impairment loss on prepayments		**–**	(15,653)	**–**	–	**–**	(15,653)
Loss on disposal of a subsidiary	12	**–**	–	**(3,106)**	–	**(3,106)**	–
Loss for the period	6	**(30,618)**	(40,988)	**(4,706)**	–	**(35,324)**	(40,988)
Other comprehensive (expense) income:							
Exchange differences arising on translation of foreign operations		**(307)**	73	**(8)**	–	**(315)**	73
Total comprehensive expense for the period		**(30,925)**	(40,915)	**(4,714)**	–	**(35,639)**	(40,915)

	NOTES	Continuing Operations		Discontinued Operations		Total	
		Six months ended 30th September		Six months ended 30th September		Six months ended 30th September	
		2011	2010	**2011**	2010	**2011**	2010
		HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)
Loss for the period attributable to:							
Owners of the Company						**(33,015)**	(40,870)
Non-controlling interests						**(2,309)**	(118)
						(35,324)	(40,988)
Total comprehensive expense attributable to:							
Owners of the Company						**(33,329)**	(40,800)
Non-controlling interests						**(2,310)**	(115)
						(35,639)	(40,915)
LOSS PER SHARE	*7*						
From continuing and discontinued operations							
Basic and diluted						**(1.74) HK cents**	(2.45) HK cents
From continuing operations							
Basic and diluted						**(1.61) HK cents**	(2.45) HK cents
From discontinued operations							
Basic and diluted						**(0.13) HK cents**	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30TH SEPTEMBER 2011

	NOTES	At 30th September 2011 HK$'000 (unaudited)	At 31st March 2011 HK$'000 (audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**2,929**	9,844
Exploration and evaluation assets		**390,501**	391,349
		393,430	401,193
Current assets			
Inventories – finished goods		**2,965**	1,556
Trade and other receivables	*10*	**6,103**	6,231
Pledged bank deposits		**1,721**	1,720
Bank balances and cash		**2,362**	5,946
		13,151	15,453
Current liabilities			
Trade and other payables and accrued charges	*11*	**11,606**	14,737
Amounts due to related parties		**37,754**	20,768
Amount due to a non-controlling shareholder of a subsidiary		**2,828**	2,812
Obligations under finance leases – due within one year		**31**	30
Convertible bonds		**84,858**	158,501
Secured bank overdrafts		**1,193**	1,331
		138,270	198,179
Net current liabilities		**(125,119)**	(182,726)
Total assets less current liabilities		**268,311**	218,467
Non-current liabilities			
Obligations under finance leases - due after one year		**55**	71
Convertible bonds		**67,568**	63,941
		67,623	64,012
Net assets		**200,688**	154,455
CAPITAL AND RESERVES			
Share capital		**210,528**	166,875
Reserves		**(7,160)**	(12,050)
Equity attributable to owners of the Company		**203,368**	154,825
Non-controlling interests		**(2,680)**	(370)
		200,688	154,455

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2011

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$125,119,000 as at 30th September 2011 and incurred a loss of approximately HK$35,324,000 for the period then ended. The Group had obtained a confirmation from a director that the said director will not demand the repayment of the amount due to him of approximately HK$33.6 million in the next twelve months from the date of approval of these interim financial statements. In addition, CEC Resources and Minerals Holdings Limited, a substantial shareholder of the Company, has also agreed to provide continuous financial support to the Group as is necessary to enable the Group to meet its financial obligations as they fall due.

Additionally, the directors are currently exploring potential fundraising options to improve the cash position of the Group. Further to the fundraising plan as mentioned 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 fundraising plan 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 2011.

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

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

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

HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[1]
HKFRS 9	Financial Instruments[2]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
HKAS 1 (Revised)	Presentation of Financial Statements[3]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[4]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]

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

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

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

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

The application of HKFRS 9 *Financial Instruments* (as issued in November 2010) will not affect the classification and measurement of the Group's financial liabilities.

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

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

3. SEGMENT INFORMATION

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

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

Note: The segment was discontinued following the disposal of a subsidiary in July 2011. Details of the discontinued operations are set out in note 8.

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

	Continuing operations						Discontinued operations		Total	
	Health and beauty products and services		Coal mining		Total		Logistic services			
	Six months ended 30th September		Six months ended 30th September		Six months ended 30th September		Six months ended 30th September		Six months ended 30th September	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
	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	**3,943**	3,666	**–**	–	**3,943**	3,666	**869**	–	**4,812**	3,666
Segment loss	**(12,709)**	(9,501)	**(2,403)**	(18,852)	**(15,112)**	(28,353)	**(1,601)**	–	**(16,713)**	(28,353)
Unallocated income										
– Interest income					**3**	1	**1**	–	**4**	1
– Compensation income					**–**	10,000	**–**	–	**–**	10,000
– Other income					**792**	–	**–**	–	**792**	–
Unallocated expenses										
– Central administration costs					**(4,374)**	(12,823)	**–**	–	**(4,374)**	(12,823)
– Finance costs					**(11,927)**	(9,813)	**–**	–	**(11,927)**	(9,813)
– Loss on disposal of a subsidiary					**–**	–	**(3,106)**	–	**(3,106)**	–
Loss for the period					**(30,618)**	(40,988)	**(4,706)**	–	**(35,324)**	(40,988)

Segment loss represents the loss incurred by each segment without allocation of interest income, compensation income, other income, central administration costs, finance costs and loss on disposal of a subsidiary. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

4. FINANCE COSTS

	Continuing operations		Discontinued operations		Total	
	Six months ended 30th September		Six months ended 30th September		Six months ended 30th September	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)
Interest on:						
– bank overdrafts	**34**	7	**–**	–	**34**	7
– amount due to a related party	**34**	–	**–**	–	**34**	–
– obligations under finance leases	**3**	4	**–**	–	**3**	4
Effective interest expense on convertible bonds	**11,856**	9,802	**–**	–	**11,856**	9,802
	11,927	9,813	**–**	–	**11,927**	9,813

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:

	Continuing operations		Discontinued operations		Total	
	Six months ended 30th September		Six months ended 30th September		Six months ended 30th September	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)
Directors' remuneration (including share-based payments)	**705**	4,168	**–**	–	**705**	4,168
Depreciation of property, plant and equipment	**1,298**	888	**555**	–	**1,853**	888
Share-based payments	**–**	2,171	**–**	–	**–**	2,171
Loss on disposal of property, plant and equipment	**306**	70	**–**	–	**306**	70
Write-down of inventories	**105**	–	**–**	–	**105**	–
Impairment loss recognised in respect of trade receivables	**–**	–	**567**	–	**567**	–
Compensation income (included in other income) *(Note)*	**–**	(10,000)	**–**	–	**–**	(10,000)
Interest income	**(3)**	(1)	**(1)**	–	**(4)**	(1)

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. 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/controlling 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.

Up to the date of approval of these interim financial statements, the Group has not yet received the balance of the compensation of HK$40 million. In the opinion of the directors, the realisation of the remaining HK$40 million is not probable, therefore it is not recognised in the condensed consolidated financial statements for the six months ended 30th September 2011.

7. LOSS 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:

	Six months ended 30th September	
	2011	2010
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Loss for the period attributable to owners of the Company for the purposes of basic and diluted loss per share	**(33,015)**	(40,870)

	Six months ended 30th September	
	2011	2010
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**1,900,264,801**	1,666,513,456

The calculation of diluted loss per share for the six months ended 30th September 2010 and 2011 has not assumed the conversion of the Company's convertible bonds and exercise of the share options as these potential ordinary shares are anti-dilutive during both periods.

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:

	Six months ended 30th September	
	2011	2010
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Loss for the period attributable to owners of the Company	**(33,015)**	(40,870)
Less: Loss for the period from discontinued operations	**(2,400)**	–
Loss for the purposes of basic and diluted loss per share from continuing operations	**(30,615)**	(40,870)

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 loss per share from discontinued operations for the six months ended 30th September 2011 is calculated based on the loss for the period from discontinued operations of HK$2,400,000 and the number of shares detailed above for basic and diluted loss per share from continuing and discontinued operations.

8. DISCONTINUED OPERATIONS

In July 2011, the Group entered into a sale and purchase agreement with an independent third party to dispose of its entire equity interest in TTC&T LLC ("TTC&T"), which carried out the Group's logistic services business. The logistic services segment was discontinued with the disposal of TTC&T completed on 31st July 2011. Details of the assets and liabilities disposed of and the calculation of the loss on disposal are disclosed in note 12.

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

	Six months ended 30th September	
	2011	2010
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Loss from logistics services business for the period	**(1,600)**	–
Loss on disposal of a subsidiary *(note 12)*	**(3,106)**	–
	(4,706)	–

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

	Six months ended 30th September	
	2011	2010
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Net cash from operating activities	**276**	–
Net cash used in investing activities	**(464)**	–
Net cash from financing activities	**16**	–
Net cash outflows	**(172)**	–

9. DIVIDENDS

The directors do not recommend the payment of an interim dividend for the period (2010: nil).

10. TRADE AND OTHER RECEIVABLES

The Group has a policy of allowing credit periods ranging from 15 days to 90 days to its trade customers.

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

	At 30th September 2011	At 31st March 2011
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Trade receivables:		
0 to 90 days	**135**	708
91 to 180 days	**17**	–
	152	708
Other receivables, deposits and prepayments	**5,951**	5,523
	6,103	6,231

11. 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 2011 *HK$'000* **(unaudited)**	At 31st March 2011 *HK$'000* (audited)
Trade payables:		
0 to 90 days	**1,134**	3,577
91 to 180 days	**1,230**	1,780
181 to 365 days	**1,895**	–
Over 365 days	**565**	523
	4,824	5,880
Deposits received from customers	**2,996**	2,383
Accrued charges	**3,763**	5,216
Other payables	**23**	1,258
	11,606	14,737

12. DISPOSAL OF A SUBSIDIARY

As detailed in note 8, the Group disposed of its subsidiary, TTC&T in July 2011.

Analysis of assets and liabilities over which control was lost

	HK$'000 (unaudited)
Property, plant and equipment	5,391
Trade and other receivables	81
Bank balances and cash	286
Trade and other payables and accrued charges	(619)
Amount due to a group company	(6,720)
Net liabilities disposed of	(1,581)

Loss on disposal of a subsidiary

	HK$'000 (unaudited)
Consideration receivable	2,000
Net liabilities disposed of	1,581
Amount due to a group company waived	(6,720)
Cumulative exchange differences in respect of the net liabilities of the subsidiary reclassified from equity to profit or loss on loss of control of subsidiary	33
Loss on disposal of a subsidiary	(3,106)

The loss on disposal is included in the loss for the period from discontinued operations in the condensed consolidated statement of comprehensive income.

Net cash outflow on disposal of a subsidiary

	HK$'000 (unaudited)
Net cash outflow arising from disposal:	
Bank balances and cash disposed of	(286)

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the six months ended 30th September 2011 (the "Period"), the Group continued to engage in coal mining business and distribution of health and beauty products and services. But the logistic services business has been discontinued during the Period.

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

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

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

In the health and beauty segment, three additional new Dermagram shops or beauty centers have been opened in Hong Kong during the Period to provide better services and more convenient shop location to the customers. New Dermagram product lines including the Sakura Whitening Program, the Derma V Program and the UV Solution have been launched during the Period to provide more comprehensive product range for the customers.

In July 2011, the Group disposed of a subsidiary in the logistic services segment at a consideration of HK$2,000,000 because of the continuing losses and unsatisfactory performance of the segment and has discontinued its logistic services business.

Financial Review

Results Analysis

The Group's unaudited consolidated turnover for the Period was approximately HK$4,812,000, representing a 31% increase from approximately HK$3,666,000 recorded in the corresponding period last year. The increase was mainly contributed by the revenue from the logistic services segment before its discontinuance during the Period.

The Group recorded a gross profit of approximately HK$1,834,000, representing a HK$966,000 or 111% increase as compared to the corresponding period last year. The gross profit margin for the Period also increased to 38.1% from 23.7% of the corresponding period last year. The higher gross profit and gross profit margin for the Period were attributable to the health and beauty segment as detailed in the segmental analysis section below.

Loss attributable to owners of the Company for the Period decreased to approximately HK$33,015,000 from HK$40,870,000 as recorded in the corresponding period last year. The decrease in loss was mainly due to the decrease in administrative expenses by approximately HK$8,207,000 and the nonrecurring impairment loss on prepayments of approximately HK$15,653,000 recorded in the corresponding period last year, but the effect of which was partly offset by the increase in selling and distribution expenses by approximately HK$4,631,000, the loss on disposal of a subsidiary amounting to approximately HK$3,106,000 recorded during the Period and the nonrecurring compensation income of HK$10,000,000 recorded in the corresponding period last year.

As disclosed in the Company's annual report 2010/11, the acquisition of Seawise Group Limited was terminated and a deed of settlement (the "Deed") 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 Deed, 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 Deed. Up to the date of approval of these condensed consolidated financial statements, the Group has not yet received the balance of the compensation of HK$40 million. In the opinion of the directors, the realisation of the remaining HK$40 million is not probable, therefore it is not recognised in the condensed consolidated financial statements for the period ended 30th September 2011.

Segmental Analysis

Coal Mining

Approximately HK$984,000 additional expenditures for the exploration and evaluation work of the Saikhan Ovoo coal deposit were incurred and capitalised as exploration and evaluation assets during the Period.

Health and Beauty Products and Services

Turnover contributed by the health and beauty segment for the Period amounted to HK$3,943,000, representing an 8% increase as compared to the corresponding period last year. The gross profit generated by the segment increased by 146% to approximately HK$2,135,000 and the gross profit margin of the segment also increased from 23.7% of the corresponding period last year to 54.1% for the Period under review. The improvements over the corresponding period last year are mainly due to significant increase in sales of Dermagram products and facial services as more retail shops and beauty centers are opened, new Dermagram product lines are launched and brand awareness is enhanced. The segment recorded a higher gross profit margin for the Period as greater proportion of revenue was contributed by the higher-margin Dermagram products and facial services while the revenue generated by the lower-margin OEM products lessened during the Period due to the rather unsteady demand and delivery schedule for the OEM products.

Logistic Services

During the Period, the logistic services segment generated revenue of approximately of HK$869,000 and gross loss of approximately HK$301,000 before its discontinuance. Because of the continuing losses and unsatisfactory performance of the segment, the Group disposed of TTC&T LLC, a subsidiary that carried out the logistic services business at a consideration of HK$2,000,000 and has discontinued this business segment during the Period. The loss for the Period from the discontinued operation was approximately HK$4,706,000, including loss on disposal of a subsidiary of approximately HK$3,106,000.

Liquidity, Financial Position and Capital Structure

As at 30th September 2011, the Group held cash and bank balances amounting to approximately HK$4,083,000 (31st March 2011: HK$7,666,000) while the total borrowings were approximately HK$194,121,000 (31st March 2011: HK$246,165,000). As at 30th September 2011, the borrowings included bank overdrafts and the outstanding liability component of the convertible bonds issued in July 2008 (the "GF Convertible Bonds") and in February 2011 (the "Termination Convertible Bonds"). The GF Convertible Bonds and the Termination Convertible Bonds with respective outstanding principal amounts of HK$109,089,015 and HK$110,000,000 are zero coupon, unsecured and have a maturity of five years from the issue date. The holders of the convertible bonds have the right to require the Company to redeem at 100% of the principal amount of all or part of the outstanding amount of the convertible bonds from the next date following the third anniversary of the issue date to the date immediately before the maturity date. As at 30th September 2011, the borrowings also included amounts due to related parties and a non-controlling shareholder of a subsidiary. These amounts are unsecured, interest-free and repayable on demand except for an amount due to a related party, CEC Resources and Minerals Holdings Limited of approximately HK$4,034,000 which carries interest at 4% per annum and shall be repaid in full on the maturity date, i.e. three months from the first drawdown date, unless extended by CEC Resources and Minerals Holdings Limited at its sole discretion. The gearing ratio, defined as the ratio of total borrowings less cash and bank balances to equity attributable to owners of the Company, was 93.4% (31st March 2011: 154.0%).

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

In view of the decrease in cash and bank balances of the Group, the Group had obtained a confirmation from a director that the said director will not demand the repayment of the amount due to him of approximately HK$33.6 million in the next twelve months from the date of approval of these condensed consolidated financial statements. In addition, a substantial shareholder of the Company has also agreed to provide continuous financial support to the Group to enable the Group to meet its financial obligations as they fall due. Additionally, the directors have a plan to raise additional funds to improve the cash position of the Group and to implement various cost-saving measures. Provided that the fundraising plan and the cost-saving 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 meet its financial obligations as they fall due for the foreseeable future.

Charges on Assets

As at 30th September 2011, bank deposits and property, plant and equipment with respective carrying values of approximately HK$1,721,000 and HK$96,000 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.

Material Acquisition & Disposal

1. As disclosed in the Company's annual report 2010/11, on 25th January 2008, the Group entered into an agreement (the "GF Agreement") to acquire Giant Field Group Limited ("GF") which, through its wholly-owned subsidiary, SMI LLC ("SMI"), holds the mineral mining and other rights to the Saikhan Ovoo coal deposit. As at 30th September 2011, the total consideration for the GF acquisition is subject to adjustment and will be determined based on the Proved Coal Ore Reserves and Probable Coal Ore Reserves held by SMI pursuant to the Saikhan Uul Licences by reference to the technical assessment (the "SMI Technical Assessment") prepared by technical advisers. The consideration for the GF acquisition can be up to a maximum of RMB760 million. Pursuant to the GF Agreement, the Company should deliver to the vendor the SMI Technical Assessment within 24 months following the completion of the GF acquisition, i.e. on or before 29th July 2010. During the year ended 31st March 2011, the Company entered into extension letters with the vendor and the guarantor to extend the delivery date of the SMI Technical Assessment to 31st March 2012. Up to the date of approval of these condensed consolidated financial statements, the SMI Technical Assessment has not been completed yet.

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

Contingent Liabilities

As at 30th September 2011, the Group had no significant contingent liabilities.

Prospects and Outlook

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

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

Human Resources

As at 30th September 2011, the Group had a total of 63 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

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 2011, met the code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Listing Rules. The current practices will be reviewed and updated regularly so that the latest development in corporate governance can be followed and observed.

For the six months ended 30th September 2011, the Company did not have a chief executive officer. The day-to-day management of the Group's business was handled by the executive directors of the Company collectively. The Board believes that the present arrangement is adequate to ensure an effective management and control of the Group's present business operations. The Board continually reviews the effectiveness of the Group's corporate governance structure to assess whether any changes, including the appointment of a chief executive officer, are necessary.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. The Company, having made specific enquiry, confirms that all directors of the Company have fully complied with the Model Code throughout the six months ended 30th September 2011.

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 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 primary duties of the Audit Committee are to review the accounting principles and practices adopted by the Group, as well as to discuss and review the internal control and financial reporting matters of the Company. The Audit Committee has reviewed the unaudited interim financial report for the six months ended 30th September 2011 with the management.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

The Company's 2011 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.

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

Hong Kong, 29th November 2011

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