



Asia Coal Limited

亞洲煤業有限公司

Stock Code: 835



Journey to **SUCCESS**

2011
INTERIM REPORT

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2011

	NOTES	Continuing Operations		Discontinued Operations		Total	
		Six months ended 30th September 2011		Six months ended 30th September 2010		Six months ended 30th September 2011	
		HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (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	16	—	—	(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)
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	10	390,501	391,349
		393,430	401,193
Current assets			
Inventories — finished goods		2,965	1,556
Trade and other receivables	11	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	12	11,606	14,737
Amounts due to related parties	13	37,754	20,768
Amount due to a non-controlling shareholder of a subsidiary	13	2,828	2,812
Obligations under finance leases — due within one year		31	30
Convertible bonds	14	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	14	67,568	63,941
		67,623	64,012
Net assets		200,688	154,455
CAPITAL AND RESERVES			
Share capital	15	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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2011

	Attributable to owners of the Company								
	Share capital	Share premium	Share options reserve	Convertible bonds 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 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
At 1st April 2011 (audited)	166,875	252,994	6,354	173,550	(459)	(444,489)	154,825	(370)	154,455
Loss for the period	—	—	—	—	—	(33,015)	(33,015)	(2,309)	(35,324)
Exchange differences arising on translation of foreign operations	—	—	—	—	(314)	—	(314)	(1)	(315)
Total comprehensive expense for the period	—	—	—	—	(314)	(33,015)	(33,329)	(2,310)	(35,639)
Sub-Total	166,875	252,994	6,354	173,550	(773)	(477,504)	121,496	(2,680)	118,816
Lapse of share options	—	—	(1,152)	—	—	1,152	—	—	—
Conversion of convertible bonds	43,653	92,349	—	(54,130)	—	—	81,872	—	81,872
At 30th September 2011(unaudited)	210,528	345,343	5,202	119,420	(773)	(476,352)	203,368	(2,680)	200,688

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2011

	Six months ended	
	30th September	
	2011	2010
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net cash used in operating activities	(19,019)	(22,209)
Net cash (used in)/from investing activities		
Compensation received	—	10,000
Additions of exploration and evaluation assets	(984)	(2,057)
Purchase of property, plant and equipment	(930)	(1,730)
Net cash outflow on disposal of a subsidiary	(286)	—
Other investing cash flows	7	—
	(2,193)	6,213
Net cash from financing activities		
Increase in amount due to related parties	17,777	10,200
Proceeds from issue of shares	—	1,844
Repayment of bank overdraft	(138)	(1,354)
Other financing cash flows	(36)	(45)
	17,603	10,645
Net decrease in cash and cash equivalents	(3,609)	(5,351)
Cash and cash equivalents at 1st April	5,946	26,837
Effect of foreign exchange rate changes	25	69
Cash and cash equivalents at 30th September, represented by bank balances and cash	2,362	21,555

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2011

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2011

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2011

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2011

3. SEGMENT INFORMATION (CONTINUED)

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2011

3. SEGMENT INFORMATION (CONTINUED)

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

	At 30th September 2011 HK\$'000 (unaudited)	At 31st March 2011 HK\$'000 (audited)
Health and beauty products and services	8,343	8,878
Coal mining	390,828	391,746
Logistic services	—	6,754
Total segment assets	399,171	407,378

4. FINANCE COSTS

	Continuing operations		Discontinued operations		Total	
	Six months ended 30th September 2011 HK\$'000 (unaudited)		Six months ended 30th September 2010 HK\$'000 (unaudited)		Six months ended 30th September 2011 HK\$'000 (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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2011

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)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2011

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. 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)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2011

7. LOSS PER SHARE (CONTINUED)

From continuing and discontinued operations (continued)

	Six months ended 30th September	
	2011	2010
<u>Number of shares</u>		
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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2011

7. LOSS PER SHARE (CONTINUED)

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 16.

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 16)	(3,106)	—
	(4,706)	—

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2011

8. DISCONTINUED OPERATIONS (CONTINUED)

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. EXPLORATION AND EVALUATION ASSETS

	HK\$'000
At 1st April 2011 (audited)	391,349
Additions of exploration and evaluation works during the period	984
Exchange realignment	(1,832)
At 30th September 2011 (unaudited)	390,501

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 costs incurred for subsequent exploration and evaluation works.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2011

10. 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 were independent third parties of the Company. The GF acquisition was completed in July 2008, but the PF acquisition was terminated in February 2011. Details of the GF acquisition and the termination of PF acquisition are set out in the Group’s annual financial statements for the year ended 31st March 2011.

Pursuant to the GF sale and purchase agreement, the total consideration for the GF acquisition is subject to adjustment within 24 months following the completion of the GF acquisition and shall be determined based on the proved coal ore reserves and probable coal ore reserves in the Saikhan Ovoo coal deposit held by GF’s subsidiary, SMI by reference to the technical assessments (the “SMI Technical Assessment”) prepared by a technical adviser. The consideration for the GF acquisition can be up to a maximum of RMB760 million. During the year ended 31st March 2011, the Company entered into extension letters with the vendor and the guarantor to extend the due date for delivery 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 yet been completed. Therefore, no adjustment to acquisition consideration has been made.

During the six months ended 30th September 2011, the Group had incurred an amount of approximately HK\$984,000 (for the year ended 31st March 2011: HK\$4,254,000) for the exploration and evaluation work on the Saikhan Ovoo coal mine, including groundwater geophysical survey expenses, license fee, labour and other costs directly attributable to exploration activities. The Group has not carried out any development nor production activity on the mine during the period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2011

11. 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 HK\$'000 (unaudited)	At 31st March 2011 HK\$'000 (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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2011

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 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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2011

13. AMOUNTS DUE TO RELATED PARTIES/A NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY

	Notes	At 30th September 2011 HK\$'000 (unaudited)	At 31st March 2011 HK\$'000 (audited)
Mr. Chen Yunfei	(i), (iii)	—	904
Mr. Sun David Lee	(i)	80	284
Mr. Kwok Wing Leung, Andy	(i)	33,640	19,580
CEC Resources and Minerals Holdings Limited	(ii)	4,034	—
Amounts due to related parties		37,754	20,768
Amount due to a non-controlling shareholder of a subsidiary	(i)	2,828	2,812

Notes:

- (i) The amount is unsecured, interest-free and repayable on demand.
- (ii) The amount is unsecured, 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.
- (iii) During the six months ended 30th September 2011, the amount due to Mr. Chen Yunfei of HK\$792,000 was waived by Mr. Chen and credited to other income in the condensed consolidated statement of comprehensive income.

14. CONVERTIBLE BONDS

Upon completion of the GF acquisition in July 2008, the Company issued unsecured zero coupon convertible bond with a principal amount of HK\$218,221,675 and maturity of five years from the issue date at an initial conversion price of HK\$0.25 per share (subject to anti-dilutive adjustments) (the "GF Convertible Bonds") and the consideration shares as consideration for the GF acquisition.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2011

14. CONVERTIBLE BONDS (CONTINUED)

On 28th February 2011, the Company issued unsecured five-year zero coupon convertible bond in the principal amount HK\$110,000,000 with an initial conversion price of HK\$0.20 per share (subject to anti-dilutive adjustments) (the "Termination Convertible Bonds") as part of the settlement consideration for the deed of settlement to terminate the PF acquisition and to release the Company from all claims in connection with the PF sales and purchase agreement.

The respective rights of the bond holders and the Company in relation to the GF Convertible Bonds and the Termination Convertible Bonds are detailed in the Group's consolidated financial statements for the year ended 31st March 2011.

The GF Convertible Bonds and the Termination Convertible Bonds both contain two components, liability and equity elements. The equity element is presented in equity under the heading of "convertible bond equity reserve". The liability element is classified as current and non-current liabilities and carried at amortised cost using the effective interest method.

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

	Six months ended	
	30th September	
	2011	2010
	HK\$'000	HK\$'000
At the beginning of the period (audited)	222,442	138,203
Effective interest expense charged for the period	11,856	9,802
Converted during the period	(81,872)	—
At the end of the period (unaudited)	152,426	148,005
Less: amount included in current liabilities	(84,858)	(148,005)
Amount due after one year	67,568	—

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2011

14. CONVERTIBLE BONDS (CONTINUED)

On 16th June 2011 and 5th July 2011, an aggregate principal sum of HK\$52,000,000 and HK\$57,132,659.54 of the GF Convertible Bonds were converted by the bond holder respectively. Details of the conversion are set out in note 15.

The holders of the GF Convertible Bonds and the Termination 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 day following the third anniversary of the issue of the convertible bonds to the date immediately before the maturity date. Accordingly, the liability component of the GF Convertible Bonds is classified as a current liability as at 30th September 2011.

15. SHARE CAPITAL

	Number of shares	Nominal value HK\$'000
Note		
Ordinary shares of HK\$0.10 each:		
Authorised:		
At 1st April 2011 and 30th September 2011	30,000,000,000	3,000,000
Issued and fully paid:		
At 1st April 2011	1,668,752,800	166,875
Issue of shares upon conversion of convertible bonds	(i) 436,530,638	43,653
At 30th September 2011	2,105,283,438	210,528

Note:

- (i) On 16th June 2011 and 5th July 2011, GF Convertible Bonds with 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 respectively. The new shares rank pari passu with all the other shares in issue in all respects.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2011

16. 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)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2011

17. 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 shares 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.

(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 shares 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2011

17. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

The following table discloses movements in the Company's share options during the six months ended 30th September 2011:

	Option Scheme type	Date of grant	Vesting period	Exercisable period	Exercise price per share HK\$	At 1st April 2011	Lapsed during the period	At 30th September 2011
Directors	2007	1st September 2008	N/A	1st September 2008 to 31st August 2018	0.301	10,000,000	—	10,000,000
	2007	29th July 2010	N/A	29th July 2010 to 28th July 2020	0.200	31,000,000	(2,000,000)	29,000,000
	2007	18th October 2010	N/A	18th October 2010 to 17th October 2020	0.275	10,000,000	(10,000,000)	—
Employees	2007	22nd November 2007	N/A	22nd November 2007 to 21st November 2017	0.270	4,950,000	—	4,950,000
	2007	22nd November 2007	22nd November 2007 to 21st November 2008	22nd November 2008 to 21st November 2017	0.270	170,000	—	170,000
	2007	3rd March 2009	N/A	3rd March 2009 to 2nd March 2019	0.270	2,000,000	—	2,000,000
	2007	29th July 2010	N/A	29th July 2010 to 28th July 2020	0.200	7,000,000	(3,000,000)	4,000,000
	2007	1st December 2010	N/A	1st December 2010 to 30 November 2020	0.250	1,300,000	(300,000)	1,000,000
Consultants	2003	21st August 2006	N/A	21st August 2006 to 21st August 2016	0.210	5,442,320	—	5,442,320
	2007	22nd November 2007	N/A	22nd November 2007 to 21st November 2017	0.270	18,060,000	—	18,060,000
						89,922,320	(15,300,000)	74,622,320
Exercisable at end of the period								74,622,320
						HK\$	HK\$	HK\$
Weighted average exercise price						0.241	0.250	0.239

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 2011.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2011

18. PLEDGE OF ASSETS

As at 30th September 2011, 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 2011 HK\$'000 (unaudited)	At 31st March 2011 HK\$'000 (audited)
Property, plant and equipment	96	113
Bank deposits	1,721	1,720
	1,817	1,833

19. MAJOR NON-CASH TRANSACTION

The Group entered into the following non-cash investing and financing activities which are not reflected in the condensed consolidated statement of cash flows:

- (i) During the period, the Group disposed of its entire equity interest in TTC&T, the sales proceeds of HK\$2,000,000 had not been received in cash at the end of the reporting period. Details of the disposal are set out in note 16.
- (ii) During the period, the GF Convertible Bonds with principal amount of HK\$109,132,659.54 were converted into 436,530,638 ordinary shares of HK\$0.10 each of the Company at the conversion price of HK\$0.25 per share, details of the conversions are set out in note 15.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2011

20. RELATED PARTY DISCLOSURES

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

	Six months ended 30th September	
	2011	2010
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Salaries and other short-term benefits	705	2,336
Equity-settled share-based payment expense	—	1,829
Contributions to retirement benefit schemes	—	3
	705	4,168

21. CAPITAL COMMITMENTS

The capital commitments of the Group as at 30th September 2011 are as follows:

- (i) The capital commitments in respect of the exploration work to be performed contracted but not provided for in the condensed consolidated financial statements amounted to HK\$109,000 (31st March 2011: HK\$251,000).
- (ii) As set out in note 10, the consideration for the GF acquisition is subject to adjustment. Pursuant to the GF sale and purchase agreement, the total consideration for the GF acquisition will be determined by reference to the SMI Technical Assessment and can be up to a maximum of RMB760 million.

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

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, m³	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.

MANAGEMENT DISCUSSION AND ANALYSIS

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/controllering 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.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (CONTINUED)

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.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (CONTINUED)

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.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (CONTINUED)

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 Oovo 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.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (CONTINUED)

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

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

As at 30th September 2011, 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	
Sun David Lee	9,000,000 (Note 1)	—	9,000,000	0.43
Kwok Wing Leung, Andy	13,942,320 (Note 2)	401,533,775 (Note 3)	415,476,095	19.73
Yeung Ting Lap, Derek Emory	10,692,660 (Note 4)	—	10,692,660	0.51
Chiu Kam Hing, Kathy	2,000,000 (Note 5)	—	2,000,000	0.09
Ho Man Kin, Tony	2,000,000 (Note 6)	—	2,000,000	0.09
Li Kar Fai, Peter	2,000,000 (Note 7)	—	2,000,000	0.09

OTHER INFORMATION

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

Notes:

1. 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.
2. 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.
3. 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.
4. 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.
5. 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.
6. 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.
7. 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 2011, 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 2011, the following corporations and person, 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	2,727,911,312	129.57
CEC Resources and Minerals Holdings Limited (Note 1)	Interests of a controlled corporation and beneficial owner	Long position	2,727,911,312	129.57
Sino Minerals Capital Limited (Note 1)	Interests of a controlled corporation	Long position	2,072,355,634	98.44
Sino Mining Investment Limited (Note 1)	Interests of a controlled corporation and beneficial owner	Long position	2,072,355,634	98.44
CEC Resources Limited (Note 1)	Beneficial Owner	Long position	1,635,999,574	77.71
Billion Pacific Ventures Limited (Note 2)	Beneficial Owner	Long position	401,533,775	19.07
Chan Yuk Lam	Beneficial Owner	Long position	155,468,900	7.38

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 and the underlying shares in the Company. In particular, CEC Resources and Minerals Holdings Limited is interested in the underlying shares in the Company in accordance with the terms of the deed of settlement dated 1st November 2010 into which CEC and the Company entered, the details of which were disclosed in the circular of the Company dated 28th January 2011 (the “2011 Circular”). As such, China Enterprise Capital Limited is deemed to be interested in the shares and the underlying shares in the Company held by CEC Resources and Minerals Holdings Limited by virtue of the SFO.

Sino Mining Investment Limited is also directly interested in the underlying shares in the Company. Sino Minerals Capital Limited is interested in more than one-third of the issued share capital of Sino Mining Investment Limited. As such, Sino Minerals Capital Limited is deemed to be interested in the underlying shares in the Company held by Sino Mining Investment 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 and the 2011 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.

OTHER INFORMATION

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

Notes: (continued)

2. 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.
3. 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 2011.

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 2011.

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 2011 are as follows:

Grantee	Option Scheme Type	Date of Grant	Exercisable Period	Exercise price per share HK\$	Number of share options				
					Balance at 01/04/2011	Granted during the period	Exercised during the period	Lapsed during the period	Balance at 30/09/2011
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
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
Jin Langchuan Director (Resigned on 06/09/2011)	2007	01/09/2008	01/09/2008 to 31/08/2018	0.301	10,000,000	—	—	—	10,000,000
Chen Yunfei Director (Resigned on 30/06/2011)	2007	18/10/2010	18/10/2010 to 17/10/2020	0.275	10,000,000	—	—	(10,000,000)	—
Lu He Director (Resigned on 30/06/2011)	2007	29/07/2010	29/07/2010 to 28/07/2020	0.200	2,000,000	—	—	(2,000,000)	—
Sub-total:					51,000,000	—	—	(12,000,000)	39,000,000

OTHER INFORMATION

SHARE OPTION SCHEMES (CONTINUED)

Grantee	Option Scheme Type	Date of Grant	Exercisable Period	Exercise price per share HK\$	Number of share options				Balance at 30/09/2011
					Balance at 01/04/2011	Granted during the period	Exercised during the period	Lapsed during the period	
Employees	2007	22/11/2007	22/11/2007 to 21/11/2017	0.270	4,950,000	—	—	—	4,950,000
	2007	22/11/2007	22/11/2008 to 21/11/2017	0.270	170,000	—	—	—	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	—	—	(3,000,000)	4,000,000
	2007	01/12/2010	01/12/2010 to 30/11/2020	0.250	1,300,000	—	—	(300,000)	1,000,000
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:					38,922,320	—	—	(3,300,000)	35,622,320
Total:					89,922,320	—	—	(15,300,000)	74,622,320

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 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 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.

OTHER INFORMATION

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 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

CORPORATE INFORMATION

DIRECTORS

Executive directors

Sun David Lee
Kwok Wing Leung, Andy

Non-executive director

Yeung Ting Lap, Derek Emory

Independent non-executive directors

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

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
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