



亞洲煤業
ASIA COAL

Asia Coal Limited

亞洲煤業有限公司

Stock Code: 835

2012
Interim Report



CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th September 2012

	Notes	Continuing Operations		Discontinued Operation		Total	
		Six months ended 30th September 2012		Six months ended 30th September 2012		Six months ended 30th September 2012	
		HK\$'000 (unaudited)	2011 HK\$'000 (unaudited)	HK\$'000 (unaudited)	2011 HK\$'000 (unaudited)	HK\$'000 (unaudited)	2011 HK\$'000 (unaudited)
Revenue	3	3,789	3,943	–	869	3,789	4,812
Cost of sales		(1,245)	(1,808)	–	(1,170)	(1,245)	(2,978)
Gross profit (loss)		2,544	2,135	–	(301)	2,544	1,834
Other income		74	911	–	1	74	912
Selling and distribution expenses		(8,546)	(12,439)	–	–	(8,546)	(12,439)
Administrative expenses		(4,904)	(9,298)	–	(1,300)	(4,904)	(10,598)
Finance costs	4	(10,691)	(11,927)	–	–	(10,691)	(11,927)
Loss on disposal of a subsidiary		–	–	–	(3,106)	–	(3,106)
Loss for the period	6	(21,523)	(30,618)	–	(4,706)	(21,523)	(35,324)
Other comprehensive expense:							
Exchange differences arising on translation of foreign operations		(27)	(307)	–	(8)	(27)	(315)
Total comprehensive expense for the period		(21,550)	(30,925)	–	(4,714)	(21,550)	(35,639)
(Loss) profit for the period attributable to:							
Owners of the Company						(21,525)	(33,015)
Non-controlling interests						2	(2,309)
						(21,523)	(35,324)
Total comprehensive (expense) income attributable to:							
Owners of the Company						(21,552)	(33,329)
Non-controlling interests						2	(2,310)
						(21,550)	(35,639)
LOSS PER SHARE	7						
From continuing and discontinued operations Basic and diluted						(1.02) HK cents	(1.74) HK cents
From continuing operations Basic and diluted						(1.02) HK cents	(1.61) HK cents
From discontinued operation Basic and diluted						N/A	(0.13) HK cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th September 2012

	Notes	At 30th September 2012 HK\$'000 (unaudited)	At 31st March 2012 HK\$'000 (audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		1,294	2,028
Exploration and evaluation assets	10	145,201	145,000
		146,495	147,028
Current assets			
Inventories — finished goods		2,164	2,266
Trade and other receivables	11	3,623	2,876
Pledged bank deposits		1,725	1,723
Bank balances and cash		3,947	3,346
		11,459	10,211
Current liabilities			
Trade and other payables and accrued charges	12	11,012	13,531
Amounts due to related parties	13	62,283	50,610
Amount due to a non-controlling shareholder of a subsidiary	13	—	2,819
Loan from a third party	14	2,511	—
Obligations under finance leases — due within one year		23	22
Convertible bonds	15	97,321	90,876
Secured bank overdrafts		1,500	1,342
		174,650	159,200
Net current liabilities		(163,191)	(148,989)
Total assets less current liabilities		(16,696)	(1,961)
Non-current liabilities			
Obligations under finance leases — due after one year		17	29
Convertible bonds	15	75,451	71,401
		75,468	71,430
Net liabilities		(92,164)	(73,391)
CAPITAL AND RESERVES			
Share capital	16	210,528	210,528
Reserves		(302,792)	(281,240)
Equity attributable to owners of the Company		(92,264)	(70,712)
Non-controlling interests		100	(2,679)
		(92,164)	(73,391)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th September 2012

	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 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
At 1st April 2012 (audited)	210,528	345,343	4,203	119,420	(923)	(749,283)	(70,712)	(2,679)	(73,391)
(Loss) profit for the period	—	—	—	—	—	(21,525)	(21,525)	2	(21,523)
Exchange differences arising on translation of foreign operations	—	—	—	—	(27)	—	(27)	—	(27)
Total comprehensive (expense) income for the period	—	—	—	—	(27)	(21,525)	(21,552)	2	(21,550)
Sub-Total	210,528	345,343	4,203	119,420	(950)	(770,808)	(92,264)	(2,677)	(94,941)
Lapse of share options	—	—	(685)	—	—	685	—	—	—
Derecognised non-controlling interests on liquidation of a subsidiary	—	—	—	—	—	—	—	2,777	2,777
At 30th September 2012 (unaudited)	210,528	345,343	3,518	119,420	(950)	(770,123)	(92,264)	100	(92,164)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30th September 2012

	Six months ended 30th September	
	2012	2011
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net cash used in operating activities	(12,895)	(19,019)
Net cash used in investing activities		
Additions of exploration and evaluation assets	(208)	(984)
Purchase of property, plant and equipment	(26)	(930)
Net cash outflow on disposal of a subsidiary	—	(286)
Other investing cash flows	(3)	7
	(237)	(2,193)
Net cash from financing activities		
Increase in amount due to related parties	11,130	17,777
Loan from a third party	2,500	—
Other financing cash flows	(53)	(36)
	13,577	17,741
Net increase (decrease) in cash and cash equivalents	445	(3,471)
Cash and cash equivalents at 1st April	2,004	4,615
Effect of foreign exchange rate changes	(2)	25
Cash and cash equivalents at 30th September	2,447	1,169
Represented by:		
Bank balances and cash	3,947	2,362
Bank overdrafts	(1,500)	(1,193)
	2,447	1,169

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th September 2012

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\$163,191,000 and its total liabilities exceeded its total assets by HK\$92,164,000 as at 30th September 2012 and incurred a loss of approximately HK\$21,523,000 for the period then ended. In addition, the coal mining business has not yet started to contribute any cash flow to the Group as at the end of the reporting period. The condensed consolidated financial statements have been prepared on a going concern basis as the directors believe that the measures as detailed below will improve the financial position of the Group.

- (i) The Group obtained a confirmation from a director of the Company such that the said director will not demand the repayment of the amount due to him of approximately HK\$54 million in the next twelve months from the date of approval of these interim financial statements.
- (ii) CEC Resources and Minerals Holdings Limited, a substantial shareholder of the Company, has agreed to provide continuous financial support to the Group as is necessary to enable the Group to meet its financial obligations as they fall due.
- (iii) The management has prepared a detailed cost-saving plan to reduce administrative expenses including directors’ emoluments and discretionary bonus.
- (iv) The management intends to reduce all non-essential costs of development of mine basin until the Group has sufficient funding for the operation.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th September 2012

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 2012.

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.

Amendments to HKFRS 7	Disclosures — Transfers of Financial Assets
Amendments to HKAS 12	Deferred Tax — Recovery of Underlying Assets

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.

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 operation are set out in note 8.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th September 2012

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 operation		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	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
HK\$'000		HK\$'000		HK\$'000		HK\$'000		HK\$'000		
(unaudited)		(unaudited)		(unaudited)		(unaudited)		(unaudited)		
Revenue										
External sales	3,789	3,943	–	–	3,789	3,943	–	869	3,789	4,812
Segment loss	(8,348)	(12,709)	(157)	(2,403)	(8,505)	(15,112)	–	(1,601)	(8,505)	(16,713)
Unallocated income										
– Interest income					3	3	–	1	3	4
– Other income					39	792	–	–	39	792
Unallocated expenses										
– Central administration costs					(2,369)	(4,374)	–	–	(2,369)	(4,374)
– Finance costs					(10,691)	(11,927)	–	–	(10,691)	(11,927)
– Loss on disposal of a subsidiary					–	–	–	(3,106)	–	(3,106)
Loss for the period					(21,523)	(30,618)	–	(4,706)	(21,523)	(35,324)

Segment loss represents the loss incurred by each segment without allocation of interest 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 2012

3. SEGMENT INFORMATION (CONTINUED)

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

	At 30th September 2012 HK\$'000 (unaudited)	At 31st March 2012 HK\$'000 (audited)
Health and beauty products and services	6,521	5,722
Coal mining	145,366	145,235
Total segment assets	151,887	150,957

4. FINANCE COSTS

	Continuing operations		Discontinued operation		Total	
	Six months ended 30th September 2012 HK\$'000 (unaudited)		Six months ended 30th September 2011 HK\$'000 (unaudited)		Six months ended 30th September 2012 HK\$'000 (unaudited)	
Interest on:						
– bank overdrafts	41	34	–	–	41	34
– loan from to a third party	11	–	–	–	11	–
– amount due to a related party	143	34	–	–	143	34
– obligations under finance leases	1	3	–	–	1	3
Effective interest expense on convertible bonds	10,495	11,856	–	–	10,495	11,856
	10,691	11,927	–	–	10,691	11,927

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th September 2012

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 operation		Total	
	Six months ended 30th September		Six months ended 30th September		Six months ended 30th September	
	2012	2011	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Directors' remuneration	702	705	—	—	702	705
Depreciation of property, plant and equipment	703	1,298	—	555	703	1,853
Loss on disposal of property, plant and equipment	46	306	—	—	46	306
Write-down of inventories	—	105	—	—	—	105
Impairment loss recognised in respect of trade receivables	—	—	—	567	—	567
Interest income	(3)	(3)	—	(1)	(3)	(4)
Gain on liquidation of a subsidiary (included in other income) (Note 1)	(39)	—	—	—	(39)	—
Compensation income (Note 2)	—	—	—	—	—	—

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th September 2012

6. LOSS FOR THE PERIOD (CONTINUED)

Note 1: During the period ended 30th September 2012, upon the liquidation of a subsidiary, the Group and the non-controlling shareholder of the subsidiary waived the balance with a group company and amount due to a non-controlling shareholder of the subsidiary respectively. A gain on liquidation of a subsidiary amounting to HK\$39,000 was therefore recognised.

Note 2: 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 were 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/controllers 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 2012.

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	
	2012	2011
	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	(21,525)	(33,015)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th September 2012

7. LOSS PER SHARE (CONTINUED)

From continuing and discontinued operations (continued)

	Six months ended 30th September	
	2012	2011
<u>Number of shares</u>		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	2,105,283,438	1,900,264,801

The calculation of diluted loss per share for the six months ended 30th September 2011 and 2012 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	
	2012	2011
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss for the period attributable to owners of the Company	(21,525)	(33,015)
Less: Loss for the period from discontinued operation	—	(2,400)
Loss for the purposes of basic and diluted loss per share from continuing operations	(21,525)	(30,615)

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 2012

7. LOSS PER SHARE (CONTINUED)

From discontinued operation

Basic and diluted loss per share from discontinued operation for the six months ended 30th September 2011 is calculated based on the loss for the period from discontinued operation 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 OPERATION

In July 2011, the Group entered into a sale and purchase agreement with an independent third party to dispose of its entire equity interest in TTC&T LLC ("TTC&T"), which carried out the Group's logistic services business. The logistic services segment was discontinued upon the completion of disposal of TTC&T on 31st July 2011. Details of the assets and liabilities disposed of and the calculation of the loss on disposal are disclosed in note 17.

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

	Six months ended 30th September	
	2012	2011
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss from logistics services business for the period	—	(1,600)
Loss on disposal of a subsidiary (note 17)	—	(3,106)
	—	(4,706)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th September 2012

8. DISCONTINUED OPERATION (CONTINUED)

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

	Six months ended 30th September	
	2012	2011
	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 (2011: nil).

10. EXPLORATION AND EVALUATION ASSETS

	HK\$'000
At 1st April 2012 (audited)	145,000
Additions of exploration and evaluation works during the period	208
Exchange realignment	(7)
At 30th September 2012 (unaudited)	145,201

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 2012

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 2012.

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. During the current period the SMI Technical Assessment has not been delivered. As at 31st March 2012, the delivery date of the SMI Technical Assessment was not further extended and is still under negotiation with the vendor at the date of approval of these condensed consolidated financial statements.

During the period ended 30th September 2012, the Group had incurred an amount of approximately HK\$208,000 (for the year ended 31st March 2012: HK\$1,036,000) for the exploration and evaluation work on the Saikhan Ovoo coal mine, including 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 2012

10. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

In 2009, the Parliament of Mongolia enacted the Mining Prohibition Law (the "MPL") which prohibits minerals exploration and mining in areas such as headwaters of rivers and lakes, forest areas and areas adjacent to rivers and lakes (the "Defined Prohibited Areas"). Pursuant to the MPL, the Mongolian government was supposed to define the boundaries of the relevant prohibited areas by 16th October 2009 but it had not done so by the prescribed time. It also states that any previously granted licenses that overlap the Defined Prohibited Areas will be terminated within five months following the enactment of the law.

The MPL further states that affected license holders shall be compensated but details as to how the compensation is determined have not been specified in the MPL and the Mongolian government has not yet released any further guidance on how to interpret the MPL. The Mineral Resources Authority of Mongolia (the "MRAM") has prepared a preliminary list of licences that overlap with the Defined Prohibited Areas under the MPL.

During the reporting period, legal counsel of SMI has confirmed two mining rights are within the area designated, on a preliminary basis, as land where mineral exploration and mining are prohibited under the MPL. However, there has been no revocation of these licenses as at 30th September 2012 and the date of approval of these condensed consolidated financial statements. The management also considers that even if the licenses were revoked due to the MPL, the Mongolian government would pay a reasonable compensation to the Group. Hence, the management concluded that there is no impairment on the mining rights in this regard. However, the implementation of the MPL represents a significant uncertainty to the Group, which might have a significant effect on the condensed consolidated financial statements of the Group. If the Group's affected mining concessions were revoked due to the MPL and the Group was paid with compensation significantly less than the carrying amount of the exploration and evaluation assets, the Group would incur a significant impairment loss on the exploration and evaluation assets.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th September 2012

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 receivable by age, presented based on the invoice date at the end of the reporting period:

	At 30th September 2012 HK\$'000 (unaudited)	At 31st March 2012 HK\$'000 (audited)
Trade receivables:		
0 to 90 days	351	215
91 to 180 days	25	—
	376	215
Other receivables, deposits and prepayments	3,247	2,661
	3,623	2,876

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 2012 HK\$'000 (unaudited)	At 31st March 2012 HK\$'000 (audited)
Trade payables:		
0 to 90 days	745	2,073
91 to 180 days	17	—
181 to 365 days	12	1,815
Over 365 days	288	291
	1,062	4,179
Deposits received from customers	3,562	2,465
Accrued charges	4,043	4,376
Other payables	2,345	2,511
	11,012	13,531

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th September 2012

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

	Notes	At 30th September 2012 HK\$'000 (unaudited)	At 31st March 2012 HK\$'000 (audited)
Mr. Sun David Lee	(i)	800	400
Mr. Kwok Wing Leung, Andy	(i)	54,246	43,116
CEC Resources and Minerals Holdings Limited	(ii)	7,237	7,094
Amounts due to related parties		62,283	50,610
Amount due to a non-controlling shareholder of a subsidiary	(iii)	—	2,819

Notes:

- (i) The amounts represented amounts due to directors of the Company. The amounts are unsecured, interest-free and repayable on demand.
- (ii) The amount represented amount due to the substantial shareholder of the Company. 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. The maturity date is extended to 12th January 2013.
- (iii) The amount is unsecured, interest-free and repayable on demand. During the period ended 30th September 2012, the amount due to a non-controlling shareholder of a subsidiary was waived by the non-controlling shareholder of a subsidiary upon the liquidation of the subsidiary.

14. LOAN FROM A THIRD PARTY

The amount is unsecured, carries interest at 4% per annum and shall be repaid in full on the maturity date, i.e. six months from the first drawdown date, unless extended by the third party at its sole discretion.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th September 2012

15. 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.

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 2012.

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 2012.

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th September 2012

15. CONVERTIBLE BONDS (CONTINUED)

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

	Six months ended 30th September	
	2012	2011
	HK\$'000	HK\$'000
At the beginning of the period (audited)	162,277	222,442
Effective interest expense charged for the period	10,495	11,856
Converted during the period	—	(81,872)
At the end of the period (unaudited)	172,772	152,426
Less: amount included in current liabilities	(97,321)	(84,858)
Amount due after one year	75,451	67,568

On 22nd October 2012, an aggregate principal sum of HK\$10,000,000 of the Termination Convertible Bonds was converted by the bond holder. Details of the conversion are set out in note 22.

16. SHARE CAPITAL

	Number of shares	Nominal value
		HK\$'000
Ordinary shares of HK\$0.10 each:		
Authorised:		
At 1st April 2012 and 30th September 2012	30,000,000,000	3,000,000
Issued and fully paid:		
At 1st April 2012 and 30th September 2012	2,105,283,438	210,528

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th September 2012

17. DISPOSAL OF A SUBSIDIARY

As detailed in note 8, the Group discontinued its logistic services operation at the time of disposal of its subsidiary, TTC&T in July 2011. The net liabilities of TTC&T at the end of the date of disposal were as follows:

Consideration received

	HK\$'000 (audited)
Cash received	2,000

Analysis of assets and liabilities over which control was lost

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th September 2012

17. DISPOSAL OF A SUBSIDIARY (CONTINUED)

Loss on disposal of a subsidiary

	HK\$'000 (audited)
Consideration received	2,000
Net liabilities disposed of	1,581
Balance with 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 subsidiary	(3,106)

During the period ended 30th September 2011, the loss on disposal is included in the loss for the period from discontinued operation in the condensed consolidated statement of comprehensive income.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th September 2012

18. 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 2012

18. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

The following table discloses movements in the Company's share options during the six months ended 30th September 2012:

	Option Scheme type	Date of grant	Vesting period	Exercisable period	Exercise price per share HK\$	At 1st April 2012	Lapsed during the period	At 30th September 2012
Directors	2007	29th July 2010	N/A	29th July 2010 to 28th July 2020	0.200	29,000,000	(2,000,000)	27,000,000
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	4,000,000	(4,000,000)	—
	2007	1st December 2010	N/A	1st December 2010 to 30 November 2020	0.250	1,000,000	—	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
						64,622,320	(10,950,000)	53,672,320
Exercisable at end of the period								53,672,320
						HK\$	HK\$	HK\$
Weighted average exercise price						0.229	0.232	0.228

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th September 2012

19. PLEDGE OF ASSETS

As at 30th September 2012, 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 2012 HK\$'000 (unaudited)	At 31st March 2012 HK\$'000 (audited)
Property, plant and equipment	50	63
Bank deposits	1,725	1,723
	1,775	1,786

20. RELATED PARTY DISCLOSURES

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

	Six months ended 30th September 2012 HK\$'000 (unaudited)	2011 HK\$'000 (unaudited)
Salaries and other short-term benefits	702	705
Equity-settled share-based payment expense	—	—
Contributions to retirement benefit schemes	—	—
	702	705

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th September 2012

21. CAPITAL COMMITMENTS

The capital commitments of the Group as at 30th September 2012 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 2012: HK\$109,000).
- (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.

22. EVENTS AFTER THE REPORTING PERIOD

On 22nd October 2012, Termination Convertible Bonds with principal amount of HK\$10,000,000 was converted into 50,000,000 ordinary shares of HK\$0.10 each of the Company at the conversion price of HK\$0.20 per share.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the six months ended 30th September 2012 (the "Period"), the Group continued to engage in coal mining business and distribution of health and beauty products and services.

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	Volume, 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, a new Dermagram product line, the Blemish Control Solution, has been launched during the Period to provide more comprehensive product range for the customers.

FINANCIAL REVIEW

Results Analysis

The Group's unaudited consolidated turnover for the Period was approximately HK\$3,789,000, representing a 21% decrease from approximately HK\$4,812,000 recorded in the corresponding period last year. The decrease was mainly due to the unaudited consolidated turnover recorded in the correspondence period last year included the revenue from the logistic services segment before its discontinuance.

FINANCIAL REVIEW (CONTINUED)

Results Analysis (continued)

The Group recorded a gross profit of approximately HK\$2,544,000, representing a HK\$710,000 or 38.7% increase as compared to the corresponding period last year. The gross profit margin for the Period also increased to 67.1% from 38.1% 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 and the gross loss recorded by the logistic services segment before its discontinuance in the correspondence period last year.

Loss attributable to owners of the Company for the Period decreased to approximately HK\$21,525,000 from HK\$33,015,000 as recorded in the corresponding period last year. The decrease in loss was mainly due to the decrease in selling and distribution expenses and administrative expenses by approximately HK\$3,893,000 and HK\$5,694,000 respectively and the nonrecurring loss on disposal of a subsidiary amounting to approximately HK\$3,106,000 recorded in the correspondence period last year.

Segmental Analysis

Coal Mining

Approximately HK\$208,000 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\$3,789,000, representing a 3.9% slightly decrease as compared to the corresponding period last year. However, the gross profit generated by the segment increased by 19.2% to approximately HK\$2,544,000 and the gross profit margin of the segment also increased from 54.1% of the corresponding period last year to 67.1% for the Period under review. The improvements over the corresponding period last year are mainly due to greater portion of revenue was contributed by the higher-margin Dermagram products rather than the lower-margin OEM products.

FINANCIAL REVIEW (CONTINUED)

Liquidity, Financial Position and Capital Structure

As at 30th September 2012, the Group held cash and bank balances amounting to approximately HK\$5,672,000 (31st March 2012: HK\$5,069,000) while the total borrowings were approximately HK\$238,266,000 (31st March 2012: HK\$216,648,000). As at 30th September 2012, the borrowings included bank overdrafts and the outstanding liability component of the convertible bonds issued in July 2008 (the "GF Convertible Bonds") and in February 2011 (the "Termination Convertible Bonds"). The GF Convertible Bonds and the Termination Convertible Bonds with respective outstanding principal amounts of HK\$109,089,015 and HK\$110,000,000 are zero coupon, unsecured and have a maturity of five years from the issue date. The holders of the convertible bonds have the right to require the Company to redeem at 100% of the principal amount of all or part of the outstanding amount of the convertible bonds from the next date following the third anniversary of the issue date to the date immediately before the maturity date. As at 30th September 2012, the borrowings also included amounts due to related parties. These amounts are unsecured, interest-free and repayable on demand except for an amount due to a related party, CEC Resources and Minerals Holdings Limited of approximately HK\$7,237,000 which carries interest at 4% per annum and shall be repaid in full on the maturity date, i.e. three months from the first drawdown date, unless extended by CEC Resources and Minerals Holdings Limited at its sole discretion. The maturity date is extended to 12th January 2013. As at 30th September 2012, the borrowings also included loan from a third party. The amount is unsecured, carries interest at 4% per annum and shall be repaid in full on the maturity date, i.e. six months from the first drawdown date, unless extended by that third party 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 (252.1%) (31st March 2012: (299.2%)). The ratio of total borrowings over total assets was 150.8% (31st March 2012: 137.8%).

On 22nd October 2012, Termination Convertible Bonds with principal amount of HK\$10,000,000 were converted into 50,000,000 ordinary shares of HK\$0.10 each of the Company at the conversion price of HK\$0.20 per share.

FINANCIAL REVIEW (CONTINUED)

Liquidity, Financial Position and Capital Structure (continued)

In view of the liquidity position of the Group, the Group had obtained a confirmation from a director of the Company that the said director will not demand the repayment of the amount due to him of approximately HK\$54 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 2012, bank deposits and property, plant and equipment with respective carrying values of approximately HK\$1,725,000 and HK\$50,000 were pledged to secure the Group's banking facilities and finance lease obligations.

Foreign Exchange Risk Management

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

FINANCIAL REVIEW (CONTINUED)

Material Acquisition & Disposal

As disclosed in the Company's annual report 2011/12, 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 2012, the total consideration for the GF acquisition is subject to adjustment and will be determined based on the Proved Coal Ore Reserves and Probable Coal Ore Reserves held by SMI pursuant to the Saikhan Uul Licences by reference to the technical assessment (the "SMI Technical Assessment") prepared by technical advisers. The consideration for the GF acquisition can be up to a maximum of RMB760 million. Pursuant to the GF Agreement, the Company should deliver to the vendor the SMI Technical Assessment within 24 months following the completion of the GF acquisition, i.e. on or before 29th July 2010. During the year ended 31st March 2011, the Company entered into extension letters with the vendor and the guarantor to extend the delivery date of the SMI Technical Assessment to 31st March 2012. As at 31st March 2012, the delivery date of the SMI Technical Assessment was not further extended and is still under negotiation with the vendor at the date of the approval of these condensed consolidated financial statements.

Contingent Liabilities

As at 30th September 2012, the Group had no significant contingent liabilities.

PROSPECTS AND OUTLOOK

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

PROSPECTS AND OUTLOOK (CONTINUED)

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 2012, the Group had a total of 57 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 the Group performance.

OTHER INFORMATION

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

As at 30th September 2012, the interests of the directors of the Company ("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	8,500,000 (Note 2)	406,976,095 (Note 3)	415,476,095	19.73
Yeung Ting Lap, Derek Emory	10,692,660 (Note 4)	—	10,692,660	0.51
Ho Man Kin, Tony	2,000,000 (Note 5)	—	2,000,000	0.09
Li Kar Fai, Peter	2,000,000 (Note 6)	—	2,000,000	0.09

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 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.
6. 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 2012, 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 2012, 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	406,976,095	19.33

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 2012.

Save 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 2012.

SHARE OPTION SCHEMES

Details of the outstanding options under the share option schemes of the Company during the six months ended 30th September 2012 are as follows:

Grantee	Option Scheme Type	Date of Grant	Exercisable Period	Exercise price per share HK\$	Number of share options				Balance at 30/09/2012
					Balance at 01/04/2012	Granted during the Period	Exercised during the Period	Lapsed during the Period	
Directors									
Sun David Lee	2007	29/07/2010	29/07/2010 to 28/07/2020	0.20	9,000,000	—	—	—	9,000,000
Kwok Wing Leung, Andy	2007	29/07/2010	29/07/2010 to 28/07/2020	0.20	7,000,000	—	—	—	7,000,000
Yeung Ting Lap, Derek Emory	2007	29/07/2010	29/07/2010 to 28/07/2020	0.20	7,000,000	—	—	—	7,000,000
Ho Man Kin, Tony	2007	29/07/2010	29/07/2010 to 28/07/2020	0.20	2,000,000	—	—	—	2,000,000
Li Kar Fai, Peter	2007	29/07/2010	29/07/2010 to 28/07/2020	0.20	2,000,000	—	—	—	2,000,000
Chiu Kam Hing, Kathy (Retired on 27/08/2012)	2007	29/07/2010	29/07/2010 to 28/07/2020	0.20	2,000,000	—	—	(2,000,000)	—
Sub-total:					29,000,000	—	—	(2,000,000)	27,000,000

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 30/09/2012
					Balance at 01/04/2012	Granted during the Period	Exercised during the Period	Lapsed during the Period	
Employees	2007	22/11/2007	22/11/2007 to 21/11/2017	0.27	4,950,000	—	—	(4,950,000)	—
	2007	22/11/2007	22/11/2008 to 21/11/2017	0.27	170,000	—	—	—	170,000
	2007	03/03/2009	03/03/2009 to 02/03/2019	0.27	2,000,000	—	—	—	2,000,000
	2007	29/07/2010	29/07/2010 to 28/07/2020	0.20	4,000,000	—	—	(4,000,000)	—
	2007	01/12/2010	01/12/2010 to 30/11/2020	0.25	1,000,000	—	—	—	1,000,000
Consultants	2003	21/08/2006	21/08/2006 to 21/08/2016	0.21	5,442,320	—	—	—	5,442,320
	2007	22/11/2007	22/11/2007 to 21/11/2017	0.27	18,060,000	—	—	—	18,060,000
Sub-total:					35,622,320	—	—	(8,950,000)	26,672,320
Total:					64,622,320	—	—	(10,950,000)	53,672,320

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.

CORPORATE GOVERNANCE CODE

The Company has, throughout the six months ended 30th September 2012, met the code provisions of the Corporate Governance Code (the “CG 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 2012, the Company did not have a chief executive. The day-to-day management of the Group’s business was handled by the executive Directors 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, are necessary.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. The Company, having made specific enquiry, confirms that all Directors have fully complied with the Model Code throughout the six months ended 30th September 2012.

NOMINATION COMMITTEE

The nomination committee of the Company (the “Nomination Committee”) was established by the Company on 23rd March 2012 in compliance with the CG Code provision. The Nomination Committee comprising one executive Director namely Mr. Sun David Lee (chairman) and two independent non-executive Directors namely Mr. Ho Man Kin, Tony and Mr. Li Kar Fai, Peter.

The primary duties of the Nomination Committee are to review its composition, identifying and selecting suitable Board members, assessing independence of the independent non-executive Directors, considering appointment or reappointment of the Directors and make recommendations to the Board and succession planning for the Directors and ensure the proposed Director’s knowledge, experience and contribution to the Group.

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 2012 with the management.

DISCLOSURE OF INFORMATION ON DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, changes in the information of the Directors since the date of Annual Report 2011/2012 of the Company are set out as follows:

Ms. Chiu Kam Hing, Kathy retired as an independent non-executive Director from the Board at the conclusion of the annual general meeting of the Company held on 27th August 2012.

Mr. Edward John Hill III has been appointed as an independent non-executive Director with effect from 27th August 2012.

PUBLICATION OF INTERIM REPORT

The Company's 2012 Interim Report containing all the information required by Appendix 16 to the Listing Rules will be published on the websites of Hong Kong Exchanges and Clearing Limited and the Company in due course.

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

Hong Kong, 27th November 2012

CORPORATE INFORMATION

DIRECTORS

Executive directors

Sun David Lee (*Chairman*)
Kwok Wing Leung, Andy

Non-executive director

Yeung Ting Lap, Derek Emory

Independent non-executive directors

Ho Man Kin, Tony
Li Kar Fai, Peter
Edward John Hill III

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE PRINCIPAL PLACE OF BUSINESS

Unit 1301
13/F., Bonham Trade Centre
50 Bonham Strand
Sheung Wan, Hong Kong

COMPANY SECRETARY

Chow Kim Hang

AUDITOR

Deloitte Touche Tohmatsu

PRINCIPAL SHARE REGISTRAR

Butterfield Fulcrum Group
(Bermuda) Limited
26 Burnaby Street
Hamilton HM 11
Bermuda

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

NOMINATION COMMITTEE

Sun David Lee
Ho Man Kin, Tony
Li Kar Fai, Peter

PRINCIPAL BANKERS

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

LEGAL ADVISER

Tsun & Partners

WEBSITE ADDRESS

www.asiacoallimited.com

SHARE LISTING

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