Asia Coal Limited
亞洲煤業有限公司

Stock Code: 835

Annual Report 2013/14

Contents

Corporate Information

DIRECTORS

Executive Directors
Zhu Xinjiang *(Chairman)*
Cheung Siu Fai
Sun David Lee
Yeung Ting Lap, Derek Emory

Independent Non-executive Directors
Edward John Hill III
Ho Man Kin, Tony
Li Kar Fai, Peter

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2 Church Street
Hamilton HM 11
Bermuda

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Central
Hong Kong

COMPANY SECRETARY
Chan Kwong Leung, Eric

AUDITOR
Deloitte Touche Tohmatsu
35/F., One Pacific Place
88 Queensway
Hong Kong

PRINCIPAL SHARE REGISTRAR
MUFG Fund Services (Bermuda) Limited
26 Burnaby Street
Hamilton HM 11
Bermuda

BRANCH SHARE REGISTRAR
Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

AUDIT COMMITTEE
Li Kar Fai, Peter *(Chairman)*
Edward John Hill III
Ho Man Kin, Tony

REMUNERATION COMMITTEE
Ho Man Kin, Tony *(Chairman)*
Edward John Hill III
Li Kar Fai, Peter

NOMINATION COMMITTEE
Zhu Xinjiang *(Chairman)*
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 ADVISERS AS TO HONG KONG LAWS
Troutman Sanders
34th Floor, Two Exchange Square
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SHARE LISTING
Listed on The Stock Exchange of Hong Kong Limited
Stock Code: 835

Chairman's Statement

Dear Shareholders,

It is my great pleasure to announce the annual results of Asia Coal Limited (the "Company" together with its subsidiaries, the "Group") for the Financial Year 2013/14.

The year 2013 marked an important milestone in the Group's business with a newly established strategic focus on developing coal and energy-related business and the appointment of a new management team comprising of experts with extensive energy, finance and management experience.

China and many countries are now actively looking for various sources of energy to support the robust economic growth and business activities. The demand for coal energy is expected to stay strong in meeting Asia's increasing energy needs. The specter of credit crunch in China has deepened the distress of some indebted coal mines in recent years. Their owners have to dispose high-quality coal mining assets at lower price when they are on the edge of default. Nevertheless, we view it as an unprecedented opportunity for us to expand our foothold in the coal energy business and to acquire quality assets.

By fully exploiting opportunities along the coal industry chain, ranging from exploration, production, trading, to coal gasification business, we believe stable income would be generated to support the sustainable and healthy development of the Company.

In order to realize the Company's goal to becoming a professional, environmental friendly and international company that focuses on energy business and to expand our business, the Group has diversed the following strategies:

- To expand the scale of the Company and increase its income through mergers and acquisitions of high quality energy projects.

- To search operating projects with stable and audited sales and cashflow, as well as high potential of development.

- To raise the production level and maximize the potential of acquired projects by bringing in technical and management experts, and introducing state-of-the-art technologies.

After a year of solid ground work, the Group announced the commencement of coal trading business in May 2014. Backed by its domestic and overseas resource channels, the Group plans to provide a series of coal trading related services ranging from purchase to delivery of high quality coal to China's enterprises and production plants and offer value added service through its merchandising and logistic networks. It is the Group's plan to first focus on developing the Southern China market and subsequently expanding into other cities, in order to build an extensive sales network within China progressively. With the discontinuation of the beauty business, the Group will increase its efforts to explore opportunities in coal and energy businesses.

Chairman's Statement

The future of the Group lies in the hands of a dedicated team of Board members, management and staff. I would like to take this opportunity to thank the valuable support and trust from the Board of Directors, shareholders and customers, and the relentless efforts of our management team and employees to build a strong business foundation for our future growth. We will continue to work towards our goals and to maximize shareholder value in the long term.

Yours faithfully,
Zhu Xinjiang
Chairman

Hong Kong, 27th June 2014

Management Discussion and Analysis

BUSINESS REVIEW

During the year, the Group engaged in coal mining business and distribution of beauty products and services.

Pursuant to the announcement made by the Company on 9th June 2014, the Group discontinued the health and beauty segment upon the expiration of the services agreement as detailed in the segmental analysis section below.

It is the Company's long term business development strategy to establish the Group as a coal and energy company. On 30th May 2014, the Group received a notification from an independent third party that it has accepted the tender of the Group to supply coal for the month of June 2014. With the acceptance of the tender, the Group commenced the coal trading business. As the Company intends to further expand and develop its coal trading business, further actions will be taken to capture other business opportunities.

FINANCIAL REVIEW

Results Analysis

For the year ended 31st March 2014, the Group generated a consolidated turnover of approximately HK$12.5 million, representing an increase of HK$3.8 million or 43.2% as compared to that of last financial year. The increase in turnover was attributable by the health and beauty segment as detailed in the segmental analysis section below.

The Group recorded a gross profit of approximately HK$9.6 million, representing an increase of HK$4.1 million as compared to that of last year. The gross profit margin also increased from 62.6% as recorded in previous year to 76.7% for the year. The higher gross profit and gross profit margin were attributable by the health and beauty segment as detailed in the segmental analysis section below.

Loss attributable to owners of the Company increased to approximately HK$144 million, from HK$53 million as recorded in the previous financial year. The increase in loss was mainly due to the impairment loss on exploration and evaluation assets amounting to approximately HK$115 million, arising from the revocation of the mining license for mining in Saikan Uul held by SMI LLC as detailed in the segmental analysis section below.

Segmental Analysis

Coal Mining

SMI LLC ("SMI", a wholly-owned subsidiary of the Company) has received a letter from the Minerals Authority of Mongolia (the "Letter") informing SMI that the mining license number MV-011985 for mining in Saikan Uul (the "License") held by SMI had been revoked. The License was revoked initially on 22nd September 2008 because the relevant annual license fee was paid on 17th September 2008, a few days after the due date of 5th September 2008. However, the License was subsequently restored by an order of the then director of Minerals Authority on 13th November 2008 (the "Restoration Order"). SMI has paid the relevant annual license fee in a timely manner since 2008. The Letter states that the Restoration Order has been invalidated and that the initial decision to revoke the License has been restored.

FINANCIAL REVIEW *(Continued)*

Segmental Analysis *(Continued)*

Coal Mining *(Continued)*

The Company disputes the revocation of the License and has submitted a formal request to the Office of Government Cabinet of Mongolia and Ministry of Mining of Mongolia and filed an appeal to the court to cancel the decision to revoke the License (the "Appeal"). Up to the date of approval of these consolidated financial statements, no final decision about the Appeal has been received by the Group.

After seeking legal advice, as the ultimate outcome of the Appeal cannot presently be estimated, full impairment loss on the exploration and evaluation asset of approximately HK$115 million was recognised during the year. However, if the Appeal is finally successful and the revocation order is subsequently cancelled, the impairment of exploration and evaluation assets may be reversed in a subsequent period.

Health and Beauty Products and Services

On 6th December 2013, the Group disposed one of the subsidiaries at a consideration of HK$1 to Mr. Andy Kwok Wing Leung ("Mr. Kwok") because of the continuing losses of the subsidiary. On the same date, the Company entered into an agreement (the "Services Agreement") with Mr. Kwok whereby the Company has appointed Mr. Kwok to manage the health and beauty segment for the Group for a period of six months ended 31st May 2014 at a monthly fee of HK$100,000 and Mr. Kwok has undertaken to the Company that during the said six months there will not be any net loss suffered from the health and beauty segment.

Pursuant to the announcement made by the Company on 9th June 2014, the Group could not reach any agreement with Mr. Kwok to extend the term of the Services Agreement after its expiration. Upon the expiration of the Services Agreement, the directors of the Company decided to discontinue its health and beauty segment. Since the health and beauty segment has been recording loss, the discontinuation of the health and beauty segment is not expected to result in adverse effect on the consolidated financial position of the Group.

During the year under review, turnover contributed by the health and beauty segment amounted to approximately HK$12.5 million, representing an increase of HK$3.8 million or 43.2% as compared to the previous financial year. The gross profit of the segment increased by HK$4.1 million to approximately HK$9.6 million this year and the gross profit margin of the segment increased from 62.6% as recorded in previous year to 76.7% for this year. Such increase is mainly due to the appointment of Mr. Kwok to manage the health and beauty segment, who is experienced in the beauty industry. Sales and gross profit of the health and beauty segment was boosted up under his management.

The segmental loss for the year decreased slightly to approximately HK$18.7 million from HK$19.8 million as recorded in the previous financial year mainly due to the undertaken by Mr. Kwok that during the six months ended 31st May 2014 there will not be any net loss suffered from the health and beauty segment pursuant to the Services Agreement.

FINANCIAL REVIEW *(Continued)*

Liquidity, Financial Position and Capital Structure

As at 31st March 2014, the Group held cash and bank balances amounting to approximately HK$20,131,000 (2013: HK$4,592,000) while the total borrowings of the Group were approximately HK$24,481,000 (2013: HK$26,289,000). As at 31st March 2014, the borrowings included amounts due to related parties and bank and other borrowings.

The gearing ratio, defined as the ratio of total borrowings less cash and bank balances to equity attributable to owners of the Company, was (216.8)% (2013: 23.3%).

On 22nd April 2013, the Company entered into a placing agreement with a placing agent, pursuant to which the placing agent has conditionally agreed to place, on a best effort basis, to not less than six independent placees for up to 400,000,000 placing shares at the placing price of HK$0.12 per placing share (collectively, the "Placing"). The Placing was completed on 29th April 2013. An aggregate of 400,000,000 placing shares have been successfully placed to not less than six independent placees at the placing price of HK$0.12 per placing share. The net proceeds from the Placing amounted to HK$47.6 million. The net proceeds from the Placing is intended to be used for repaying the outstanding debts due to CEC Resources and Mineral Holdings Limited and Elmfield Limited and the remaining for general working capital of the Group.

In view of the cash position of the Group, the Group had obtained a confirmation from Sharp Victory Holdings Limited ("Sharp Victory"), the substantial shareholder of the Company, that it has agreed not demand the repayment of the amount due to it of approximately HK$14.7 million in the next twelve months from the date of approval of these consolidated financial statements. In addition, Sharp Victory 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. Moreover, the Group commenced the coal trading business in June 2014, the Group intends to further expand and develop its coal trading business, and further actions will be taken to capture other business opportunities. Additionally, the directors of the Company have a plan to raise additional funds to improve the cash position of the Group. Provided that these measures are successful and can effectively improve the liquidity position of the Group, the directors of the Company are satisfied that the Group will have sufficient financial resources to meet its financial obligations as they fall due for the foreseeable future.

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.

Charges on Assets

As at 31st March 2014, the Group had no charges on assets.

Management Discussion and Analysis

FINANCIAL REVIEW *(Continued)*

Contingent Liabilities

As at 31st March 2014, the Group had no significant contingent liabilities.

Prospects and Outlook

The global demand for energy has been robust for decades. In view of the scarcity of conventional energy and the high exploration cost of non-conventional energy, coal has become a new source of energy for some Asian countries to support the economic growth. With the PRC remains as one of the economic powerhouses in the world, it is now consuming more than 3.5 billion tonnes of coal per year. Coal now provides more than two-thirds of the PRC's total energy and four-fifths of its electricity. According to the International Energy Agency, coal demand will grow at an average rate of 2.3% per year through 2018. The market situation provides enormous opportunities for energy companies to explore.

After a year of transformation, the Group is well poised to capture growth opportunities in the energy sector, especially in the sector of coal energy. Following the commencement of the coal trading business in the PRC and the discontinuation of the health and beauty segment, the Group has refined its focus on the coal energy sector and will proactively leverage different platforms and networks to increase access to coal energy projects with high potential. The Group will continue to expand its customer base across different industries and markets, providing quality coal sourcing and supplying services to the customers.

The Group has set the following goals:

- To increase asset value and coal production capacity through merger and acquisition;

- To increase coal trading volume, both domestically and internationally;

- To seek collaboration with leading energy companies or availability of joint venture opportunities with peers to expand the outreach to different opportunities in the market.

Leveraged on a strong business foundation and an experienced management team, the management believes the year 2014 would be a year of progression to grow the business and to work towards the goal of becoming an international energy company.

Human Resources

As at 31st March 2014, the Group had a total of 14 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's performance.

Corporate Governance Report

COMPLIANCE OF CORPORATE GOVERNANCE CODE

The board (the "Board") of directors (the "Directors") of the Company has always recognized the importance of shareholders' accountability and transparency and is committed to maintaining high standards of corporate governance. The Company has, throughout the year ended 31st March 2014, applied the principles and complied with the requirements of the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") save and except certain deviation as more specifically described below. The current practices will be reviewed and updated regularly so that the latest development in corporate governance can be followed and observed.

DIRECTORS

Model Code For Securities Transactions By Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. The Company, having made specific enquiry, confirms that all Directors have fully complied with the Model Code throughout the financial year ended 31st March 2014.

Directors and Directors' Independence

The Board currently comprises seven Directors and their respective roles are set out as follows:

Executive Directors

Mr. Zhu Xinjiang	*(Chairman) (appointed as chairman of the Company on 2nd May 2013 and subsequently re-designated from Non-executive Director to Executive Director)*
Mr. Cheung Siu Fai	*(appointed on 15th May 2014)*
Mr. Sun David Lee	*(re-designated from Executive Director to Non-executive Director on 2nd May 2013 and re-designated from Non-executive Director to Executive Director on 23rd October 2013)*
Mr. Yeung Ting Lap, Derek Emory	*(re-designated from Non-executive Director to Executive Director on 23rd October 2013)*

Independent Non-executive Directors

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

DIRECTORS *(Continued)*

Directors and Directors' Independence *(Continued)*

During the year, the Board held twelve Board meetings and meets as and when required. The company secretary of the Company (the "Company Secretary") assisted the chairman and the Executive Directors in establishing the meeting agenda, and each Director was able to request inclusion of items in the agenda. All such meetings were convened in accordance with the bye-laws of the Company (the "Bye-laws"). Code provision A.1.3 of the CG Code requires that notice of at least 14 days should be given of a regular board meeting to give all directors an opportunity to attend. During the year, certain regular Board meetings were convened with less than 14 days' notice to enable the Board members to react timely and carry out expeditious decision making in respect of certain business updates which were significant to the Group's business. As a result, the aforesaid regular Board meetings were held with a shorter notice period than required with the consent of all Directors for that time being. The Board will do its best endeavor to meet the requirement of code provision A.1.3 of the CG Code in the future. Adequate and appropriate information are circulated to the Directors normally three days in advance of Board meetings or such period accepted by them. In addition to regular Board meetings, the chairman of the Board held a meeting with the Independent Non-executive Directors without the presence of the Executive director during the year.

During the year, the Board at all times met the requirements under Rule 3.10 of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one of them possessing appropriate professional qualifications, or accounting or related financial management expertise.

The Company has received, from each of the Independent Non-executive Directors, the respective annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the Independent Non-executive Directors are independent.

The Board members have no financial, business, family or other material/relevant relationship with each other. Given the nature and business objective of the Company, the Board has a balance of skill and experience appropriate for the requirements of the business of the Company. The list of current Directors and their respective biographies are set out on pages 20 to 22 of this annual report.

Pursuant to bye-law 110.(A) of the Bye-laws, at each annual general meeting of the Company one-third of the Directors for the time being shall retire from office by rotation, provided that every Director shall be subject to retirement by rotation at least once every three years. All retiring Directors shall be eligible for re-election. All Independent Non-executive Directors have been appointed for specific terms.

Pursuant to bye-law 101 of the Bye-laws, any director appointed by the Board either to fill a casual vacancy or as an addition to the existing Board, shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at such meeting.

DIRECTORS *(Continued)*

Role and Function of the Board

While daily operation and administration are delegated to the management, the Board is responsible for the types of decisions relating to the following aspects:

- Formulation of operational and strategic direction of the Group;
- Monitoring the financial performance of the Group;
- Overseeing the performance of the management;
- Ensuring a prudent and effective framework of internal control is in place to enable risks to be assessed and managed; and
- Setting the Company's values and standards.

The Board held meetings from time to time whenever necessary. Minutes of the Board, the Audit Committee, the Nomination Committee and the Remuneration Committee meetings are circulated to all Directors or relevant committee members for their perusal and comments and approved minutes are kept by the Company for inspection by the Directors. The Board also ensures that it is supplied in a timely manner with the agenda and all necessary information in a form and of a quality appropriate to enable it to discharge its duties.

The attendance record of individual Directors at Board and committee meetings as well as the annual general meeting during the year is set out in the table on page 12 of this annual report.

Every Board member has full access to the advice and services of the Company Secretary with a view to ensuring that Board procedures, and all applicable rules and regulations are followed and they are also entitled to have full access to Board papers and related materials so that they are able to make an informed decision and to discharge their duties and responsibilities.

The Company has arranged appropriate and adequate Directors and Officers Liability Insurance to protect the Directors and officers of the Group against their potential legal liabilities.

DIRECTORS *(Continued)*

The Separate Roles of Chairman and Chief Executive

Code provision A.2.1 of the CG Code requires that the roles of chairman and chief executive should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

During the period from 1st April 2013 to 1st May 2013, the Company did not officially have a position of chief executive officer and Mr. Sun David Lee was the chairman of the Board and provided leadership to the Board to ensure that the Board works effectively and all important issues were discussed in a timely manner. On 2nd May 2013, Mr. Zhu Xinjiang was appointed as the chairman of the Board and Dr. Kung Chi Kang, Silver ("Dr. Kung") was appointed as the chief executive officer of the Company. During the period from 2nd May 2013 to 14th October 2013, the positions of the chairman and the chief executive officer of the Company were held by separate individuals so as to maintain an effective segregation of duties.

Subsequent to Dr. Kung's resignation as the chief executive officer of the Company on 15th October 2013, the Company did not officially have a position of chief executive officer and Mr. Zhu Xinjiang, the chairman of the Board, still provides leadership to the Board to ensure that the Board works effectively and all important issues were discussed in a timely manner. 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 business operations. The Board will continue to review the effectiveness of the Group's structure in order to assess whether any changes, including the appointment of a chief executive officer, are necessary.

During the year, details of individual Directors' attendance at the Board meetings, Board Committees meetings and the annual general meeting (the "AGM") held on 19th August 2013 are set out as follows:

	Number of attendance/Eligible to attended				
	Board Meetings	Audit Committee Meetings	Remuneration Committee Meetings	Nomination Committee Meetings	AGM
Executive Directors					
Mr. Zhu Xinjiang[1]	10/12	N/A	N/A	1/2	0/1
Mr. Sun David Lee[2]	9/12	N/A	N/A	N/A	0/1
Mr. Yeung Ting Lap, Derek Emory[3]	10/12	2/2	3/3	N/A	0/1
Dr. Kung Chi Kang, Silver[4]	5/7	N/A	N/A	N/A	1/1
Independent Non-executive Directors					
Mr. Ho Man Kin, Tony[5]	12/12	3/3	3/3	2/2	0/1
Mr. Li Kar Fai, Peter[6]	12/12	3/3	3/3	2/2	1/1
Mr. Edward John Hill III[7]	11/12	1/1	0/0	N/A	0/1

DIRECTORS *(Continued)*

The Separate Roles of Chairman and Chief Executive *(Continued)*

Notes:

1. Mr. Zhu Xinjiang was re-designated from Non-executive Director to Executive Director and was appointed as the chairman of the Board and the Nomination Committee respectively on 2nd May 2013.

2. Mr. Sun David Lee was re-designated from Executive Director to Non-executive Director and resigned as the chairman of the Board and the Nomination Committee respectively on 2nd May 2013. On 23rd October 2013, he was re-designated from Non-executive Director to Executive Director.

3. Mr. Yeung Ting Lap, Derek Emory was re-designated from Non-executive Director to Executive Director and resigned as a member of each of the Audit Committee and Remuneration Committee on 23rd October 2013.

4. Dr. Kung Chi Kang, Silver was re-designated from Non-executive Director to Executive Director and was appointed as the chief executive officer of the Company on 2nd May 2013. He resigned from his positions on 15th October 2013.

5. Mr. Ho Man Kin, Tony is the chairman of the Remuneration Committee.

6. Mr. Li Kar Fai, Peter is the chairman of the Audit Committee.

7. Mr. Edward John Hill III was appointed as a member of each of the Audit Committee and the Remuneration Committee on 23rd October 2013.

Code provision E.1.2 of the CG Code requires that the chairman of the board should attend the annual general meeting. Mr. Zhu Xinjiang, the chairman of the Board, was unable to attend the AGM due to his other business engagements.

Code provision A.6.7 of the CG Code requires that the independent non-executive directors and other non-executive directors, as equal board members, should attend general meetings and develop a balanced understanding of the views of shareholders. Certain Directors were unable to attend the AGM, as shown in the last column of above table, due to their other business engagements.

DIRECTORS INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

Directors are encouraged to participate in continuing professional development to develop and refresh their knowledge and skills. The Company has maintained a training record in order to assist the Directors to record the training that they have undertaken and they are asked to submit a training record to the Company on annual basis.

During the year, all Directors have complied with the code provisions in relation to continuous professional development through attending training courses, workshops or reading materials relevant to their professional qualifications and/or duties as Director.

CORPORATE GOVERNANCE FUNCTIONS

The Board is also responsible for performing the corporate governance duties as set out below:

(1) To develop and review the Company's policies and practices on corporate governance;

(2) To review and monitor the training and continuous professional development of directors and senior management;

(3) To review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(4) To develop, review and monitor the code of conduct and compliance manual (if any) applicable to directors and employees; and

(5) To review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

NOMINATION COMMITTEE

The Nomination Committee is responsible for reviewing the structure, size and composition of the Board on a regular basis and making recommendations regarding any proposed changes, identifying and recommending individuals suitably qualified to become board members, and assessing the independence of Independent Non-executive Directors. As at 31st March 2014, the Nomination Committee comprises one Executive Director namely Mr. Zhu Xinjiang (Chairman) and two Independent Non-executive Directors namely Mr. Ho Man Kin, Tony and Mr. Li Kar Fai, Peter. The Nomination Committee held two meetings during the year.

During the year, the Nomination Committee performed the following duties:

(1) reviewed the structure, size and composition of the Board;

(2) assessed the independence of Independent Non-executive Directors; and

(3) made recommendation to the Board on nominating the retiring Directors for re-election at the AGM for 2013.

The complete attendance record of individual committee members is set out in the table on page 12 of this annual report.

With effect from 1st September 2013, code provision A.5.6 of the CG Code requires that the nomination committee (or the board) should have a policy concerning diversity of board members. During the year, the Company did not have any policy concerning diversity of Board members.

In compliance with the requirement set out in code provision A.5.6 of the CG Code, the Board has approved the adoption of the board diversity policy on 27th June 2014 which sets out the approach to achieve diversity on the Board with a view to achieving a sustainable and balanced development of the Company. The Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, professional qualification, skills, knowledge and length of service of the Directors. On the recommendation of the Nomination Committee, the Board also approved and adopted the revised terms of reference of the Nomination Committee in light of the requirements of the code provision A.5.6, and the same are published on the websites of the Stock Exchange and the Company.

REMUNERATION COMMITTEE

The Remuneration Committee is responsible for establishing policies, reviewing and determining the remuneration of the Directors and the senior management of the Company. The Remuneration Committee is also responsible for making recommendations to the Board on, among other things, the Company's policy and structure for the remuneration of all Directors and senior management of the Company. No individual director is involved in decisions relating to his own remuneration. The Remuneration Committee has adopted the model under code provision B.1.2(c)(ii) of the CG Code to make remunerations to the Board on the remuneration packages of individual Executive Directors and senior management.

As at 31st March 2014, the Remuneration Committee comprises three Independent Non-executive Directors, namely Mr. Ho Man Kin, Tony (Chairman), Mr. Li Kar Fai, Peter and Mr. Edward John Hill III. There were three meetings held by the Remuneration Committee during the year to (i) review the policy and structure of the remuneration for the Directors; and (ii) make recommendations to the Board on the remuneration of the Directors for the year ended 31st March 2014. The complete attendance record of individual committee members is set out in the table on page 12 of this annual report.

Details of the remuneration paid to Directors and member of senior management by band for the year ended 31st March 2014 are disclosed in the note 15 of this annual report.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board is responsible for overseeing the internal control system of the Group. To facilitate the effectiveness and efficiency of operations and to ensure compliance with relevant laws and regulations, the Group emphasizes the importance of a sound internal control system which is also indispensable for mitigating the Group's risk exposures.

The Group's internal control system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage and eliminate risks of failure in operational systems and fulfillment of the business objectives. The internal control system is reviewed on an ongoing basis by the Board in order to make it practical and effective in providing reasonable assurance in relation to protection of material assets and identification of business risks. The Board is satisfied that, based on information furnished to it and on its own observations, the present internal controls of the Group are satisfactory.

The Group is committed to the identification, monitoring and management of risks associated with its business activities and has implemented a practical and effective control system which includes a defined management structure with limits of authority, a sound cash management system and periodic review of the Group's performance by the Audit Committee and the Board.

The Board has conducted review of the effectiveness of its internal control system and is of the view that the internal control system adopted for the year ended 31st March 2014 is sound and is effective to safeguard the interests of the shareholders' investment and the Group's assets.

AUDIT COMMITTEE

The Audit Committee is responsible for reviewing the accounting principles and practices adopted by the Group, as well as discussing and reviewing the internal control and financial report matters of the Company. The Audit Committee has reviewed the Group's annual results for the year ended 31st March 2014. The Audit Committee comprises three Independent Non-executive Directors, namely Mr. Ho Man Kin, Tony, Mr. Li Kar Fai, Peter and Mr. Edward John Hill III. 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 auditor of the Company.

During the year, there were two meetings held by the Audit Committee to (i) review with the auditor the audited financial statements for the year ended 31st March 2013 and review the unaudited interim financial statements for the six months ended 30th September 2013, with recommendations to the Board for approval; (ii) review report on internal control system covering financial, operational, procedural compliance and risk management functions; (iii) review with the management of the Company the accounting principles and practices adopted by the Group; and (iv) reviewed and recommended to the Board the auditor's re-appointment and remuneration. The complete attendance record of individual committee members is set out in the table on page 12 of this annual report.

ACCOUNTABILITY AND AUDIT

The Directors are responsible for the preparation of the financial statements of the Group for the relevant accounting periods under applicable statutory and regulatory requirements which give a true and fair view of the Group's financial position on a going concern basis and other price-sensitive announcements and financial disclosures. Management provides the Board with the relevant information it needs to discharge these responsibilities.

The responsibilities of the auditors with respect to these financial statements are set out in the "Independent Auditor's Report" on pages 35 to 36 of this annual report.

AUDITOR'S REMUNERATION

During the year ended 31st March 2014, the fees paid/payable to the external auditor, Messrs. Deloitte Touche Tohmatsu, in respect of its audit and non-audit services provided to the Group were as follows:

Nature of services rendered	**Fee paid/payable** HK$'000
Audit services	1,050
Non-audit services	20
	1,070

Corporate Governance Report

COMPANY SECRETARY

Mr. Chow Kim Hang resigned as the Company Secretary on 8th July 2013. Mr. Chen Kwok Wang was appointed as the Company Secretary on 8th July 2013 and resigned on 7th March 2014.

The Company has appointed Mr. Chan Kwong Leung, Eric as the Company Secretary since 7th March 2014. According to Rule 3.29 of the Listing Rules, he has taken no less than 15 hours of relevant professional training during year ended 31st March 2014. Mr. Chan Kwong Leung, Eric is delegated by an external service provider and the primary contact person in the Company is Mr. Sun David Lee, the Executive Director.

CORPORATE COMMUNICATION WITH SHAREHOLDERS/INVESTORS

The CG Code requires the Company to have a dialogue with shareholders and the Board recognises the importance of maintaining effective communications with shareholders. Annual reports and interim reports provide shareholders with comprehensive information on the Group's operational and financial performances while general meetings offer a platform for shareholders to state and exchange views with the Board directly.

The management communicates continually with analysts and institutional investors and provides them up-to-date and comprehensive information regarding the Group's development. The Company practices timely dissemination of information including annual reports, interim reports, announcements and press releases, and is updated in a timely manner to ensure transparency.

SHAREHOLDERS' RIGHTS

Procedures for convening a special general meeting

Shareholders shall have the right to request the Board to convene a special general meeting (the "SGM") of the Company. Shareholders holding in aggregate of not less than one-tenth of the paid up capital of the Company may send a written request to the Board of the Company to request for the SGM.

The written requisition, duly signed by the shareholders concerned, must state the purposes of the meeting and must be deposited at the Company's head office and principal place of business in Hong Kong at Unit A, 60/F, Bank of China Tower, 1 Garden Road, Central, Hong Kong or at the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

The Company would take appropriate actions and make necessary arrangements, and the shareholders concerned would be responsible for the expenses incurred in giving effect thereto in accordance with the requirements under Section 74 of the Companies Act 1981 of Bermuda (the "Companies Act") once a valid requisition is received.

SHAREHOLDERS' RIGHTS *(Continued)*

Procedures for shareholders to put forward proposals at general meetings

The following shareholders are entitled to put forward a proposal (which may properly be put to the meeting) for consideration at a general meeting of the Company:

(a) any number of members representing not less than one-twentieth of the total voting rights of the Company on the date of the requisition; or

(b) not less than 100 members holding shares in the Company.

The requisition specifying the proposal, duly signed by the shareholders concerned, together with a statement of not more than 1,000 words with respect to the matter referred to in the proposal must be deposited at the Company's head office and principal place of business in Hong Kong at Unit A, 60/F, Bank of China Tower, 1 Garden Road, Central, Hong Kong or at the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. The Company would take appropriate actions and make necessary arrangements, and the shareholders concerned would be responsible for the expenses incurred in giving effect thereto in accordance with the requirements under Sections 79 and 80 of the Companies Act once valid documents are received.

If a shareholder wishes to propose a person other a retiring director for election as a director at a general meeting, the shareholder should follow the "Procedures for shareholders to propose a person for election as a Director", which can be found on the website of the Company.

Shareholders may at any time send in their enquiries and concerns to the Board in writing via the following channel:

The Board of Directors/Company Secretary
Asia Coal Limited
Unit A, 60/F
Bank of China Tower
1 Garden Road
Central
Hong Kong
Email: ir@asiacoallimited.com
Telephone: (852) 2152 0098
Facsimile: (852) 2152 0810

Shareholders may also make enquiries with the Board at the general meetings of the Company.

INVESTOR RELATIONS

There was no significant change in the Company's constitutional documents during the year ended 31st March 2014.

Biographical Details of Directors

EXECUTIVE DIRECTORS

Mr. Zhu Xinjiang ("Mr. Zhu")

Mr. Zhu, aged 39, was appointed as a Non-executive Director of the Company in March 2013 and was re-designated as the Chairman and an Executive Director of the Company in May 2013. Mr. Zhu is also a director of other members of the Group. Mr. Zhu has over 8 years of experience in the property development business and holds management positions in property development companies in Guangdong province of the People's Republic of China (the "PRC"). Mr. Zhu is a citizen of the PRC, the sole shareholder and director of Sharp Victory Holdings Limited, a substantial shareholder of the Company, and a real estate developer in Guangzhou of the PRC. Mr. Zhu indirectly owns 廣州仲源房地產開發有限公司 (Guangzhou Zhongyuan Real Estate Development Limited), a real estate development company in Guangzhou of the PRC and has been its executive director and chairman since 2005. Mr. Zhu has extensive experience in management of property development business, corporate merger and acquisition, distressed asset management, investment planning, business acquisition and development and corporate management.

Mr. Sun David Lee ("Mr. Sun")

Mr. Sun, aged 48, served as an Executive Director of the Company from August 2008 to May 2013, the Chairman of the Company from June 2011 to May 2013, a Non-executive Director of the Company from May 2013 to Oct 2013. From October 2013, Mr. Sun was re-designated from a Non-executive Director to an Executive Director of the Company. Mr. Sun is also a director of other members of the Group. Mr. Sun holds a Juris Doctor from the University of Illinois College of Law and a Bachelor of Art degree from Cornell University, the United States of America. Mr. Sun is currently an executive director of China Outfitters Holdings Limited and an independent non-executive director of Dynasty Fine Wines Group Limited, the shares of both of these companies are listed on the main board of the Stock Exchange. Mr. Sun is currently responsible for brands sourcing and transaction management of China Outfitters Holdings Limited and he is a director of CEC Management Limited. Prior to helping to form CEC Management Limited, he was the managing director and general counsel of Pacific Alliance Group Limited. Mr. Sun was the Director for Strategy and Business Development Asia at InBev. Prior to his position at InBev, he was a consultant in the Corporate Finance and Strategy Practice of McKinsey & Company, Inc. in Hong Kong. Prior to his position at McKinsey & Company, Inc., he practised law as an associate in the corporate group at Linklaters. Mr. Sun was also an executive director of Sino Distillery Group Limited (formerly known as BIO-DYNAMIC GROUP LIMITED) from May 2005 to December 2012, the shares of which are listed on the main board of the Stock Exchange.

Mr. Yeung Ting Lap, Derek Emory ("Mr. Yeung")

Mr. Yeung, aged 41, was appointed as a Non-executive Director of the Company in September 2005 and was re-designated as an Executive Director of the Company in October 2013. Mr. Yeung is also a director of other members of the Group. Mr. Yeung holds a Bachelor Degree in Applied Mathematics and Economics from Brown University and a Master Degree in Business Administration and Accounting from Northeastern University, both in the United States of America. Mr. Yeung is currently the chief executive officer and co-founder of She.Com International Holdings Limited ("she.com"), an independent non-executive director of Dynasty Fine Wines Group Limited, the shares of which are listed on the main board of the Stock Exchange, and a director of Post Production Office Group. Prior to founding she.com, Mr. Yeung was an associate with Telecom Venture Group Limited and a consultant with Arthur Andersen & Company both in Boston and Hong Kong. He is a certified public accountant, a member of the Chinese People's Political Consultative Conference of Qingdao City, a member of the Municipal Services Appeals Board, and Information and Communication Technologies Subcommittee of the West Kowloon Cultural District Authority. Mr. Yeung was also a non-executive director of Sino Distillery Group Limited (formerly known as BIO-DYNAMIC GROUP LIMITED) for the period from May 2005 to December 2012, the shares of which are listed on the main board of the Stock Exchange.

Mr. Cheung Siu Fai ("Mr. Cheung")

Mr. Cheung, aged 44, was appointed as an Executive Director of the Company in May 2014. Mr. Cheung is also a director of other members of the Group. Mr. Cheung holds a Master Degree in Business Administration from The Chinese University of Hong Kong and a Bachelor Degree in Electronic Engineering from The Hong Kong Polytechnic University. Mr. Cheung is a Certified Financial Analyst. Mr. Cheung is the partner of Hammer Capital Group Limited. Prior to founding Hammer Capital Group Limited, he was the Head of Asia Pacific of the Strategic Equity Solutions of Merrill Lynch (Asia Pacific) Limited ("Merrill Lynch"). Prior to his position at Merrill Lynch, he was the Head of Asia Pacific of the Strategic Equity Solutions and the Managing Director of the Structured Products of Asia of Citigroup Global Markets Asia Limited. He has also held key positions in various major investment banks in Asia Pacific like Calyon Corporate & Investment Bank (presently known as Crédit Agricole Corporate & Investment Bank) and JPMorgan Chase & Co..

Biographical Details of Directors

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ho Man Kin, Tony ("Mr. Ho")

Mr. Ho, aged 43, was appointed as an Independent Non-executive Director of the Company in March 2006. Mr. Ho holds a Bachelor's degree in Management Science from the University of St. Andrews. Mr. Ho was the Head of Special Situation Investments – Greater China, LaSalle Investment Management in Hong Kong and held key positions in various corporate advisory assignments. Mr. Ho has also worked as an equity investment analyst for various major investment banks in Hong Kong.

Mr. Li Kar Fai, Peter ("Mr. Li")

Mr. Li, aged 49, was appointed as an Independent Non-executive Director of the Company in March 2006. Mr. Li holds a Bachelor's degree in Accountancy from the City University of Hong Kong and is a member of the Hong Kong Institute of Certified Public Accountants. Mr. Li has extensive experience in corporate finance and accounting. Mr. Li is an independent non-executive director of Brilliance Worldwide Holdings Limited, the shares of which are listed on the Growth Enterprise Market of the Stock Exchange.

Mr. Edward John Hill III ("Mr. Hill")

Mr. Hill, aged 39, was appointed as an Independent Non-executive Director of the Company in August 2012. Mr. Hill holds a Bachelor of Art Degree in East Asian Languages and Cultures (China Focus) and a Bachelor of Science Degree in Business Administration, both in the University of Kansas. Mr. Hill has over 13 years of experience across several different areas of banking, including mergers and acquisitions advisory, equity and debt capital markets, special situations trading, leveraged finance and corporate credit. Mr. Hill was a director of Technology, Media and Telecom and Financial Sponsors Investment Banking, Royal Bank of Scotland in Hong Kong.

Directors' Report

The directors of the Company (the "Director") have pleasure in presenting their annual report and the audited consolidated financial statements of the Company for the year ended 31st March 2014.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. Its subsidiaries are principally engaged in the coal-related business and the distribution of personal care and beauty products.

RESULTS

The results of the Group for the year are set out in the consolidated statement of profit or loss and other comprehensive income on page 37 of this annual report.

RESERVES

Details of the movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 39 of this annual report.

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial years, as extracted from the audited consolidated financial statements, is set out on page 88 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in the property, plant and equipment of the Group are set out in note 17 to the consolidated financial statements.

SHARE CAPITAL

Details of movements during the year in the share capital are set out in note 25 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

At 31st March 2014, there are distributable reserves of the Company amounting to approximately HK$57,979,000 (2013: HK$57,979,000), calculated under The Companies Act 1981 of Bermuda.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate purchases attributable to the Group's largest supplier and five largest suppliers taken together accounted for 25% and 71% respectively of the Group's total purchases for the year.

The aggregate sales attributable to the Group's largest customer and five largest customers taken together accounted for 1% and 4% respectively of the Group's total turnover for the year.

None of the Directors, their associates or any shareholders of the Company (the "Shareholders") (which to the knowledge of the Directors own more than 5% of the Company's share capital) had any interest in the five largest suppliers or customers.

Directors' Report

DIRECTORS

The Directors during the year and up to the date of this annual report were:

Executive Directors

Mr. Zhu Xinjiang	*(Chairman) (re-designated from Non-executive Director to Executive Director and was appointed as the Chairman on 2nd May 2013)*
Mr. Cheung Siu Fai	*(appointed on 15th May 2014)*
Mr. Sun David Lee	*(re-designated from Executive Director to Non-executive Director and resigned as the Chairman on 2nd May 2013 and re-designated from a Non-executive Director to an Executive Director on 23rd October 2013)*
Mr. Yeung Ting Lap, Derek Emory	*(re-designated from a Non-executive Director to an Executive Director on 23rd October 2013)*
Mr. Kung Chi Kang, Silver	*(former CEO) (re-designated from Non-executive Director to Executive Director and appointed as CEO on 2nd May 2013 and resigned on 15th October 2013)*

Independent Non-executive Directors

Mr. Ho Man Kin, Tony

Mr. Li Kar Fai, Peter

Mr. Edward John Hill III

In accordance with bye-law 101 of the Bye-laws, Mr. Cheung Siu Fai will retire as Director at the forthcoming annual general meeting and, being eligible, will offer himself for re-election at the forthcoming annual general meeting.

In accordance with bye-law 110.(A) of the Bye-laws, Mr. Yeung Ting Lap, Derek Emory and Mr. Ho Man Kin, Tony will retire as Directors by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

None of the Directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

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

As at 31st March 2014, 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 (the "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$0.01 each of the Company

	Number of shares/underlying shares held			
Name of directors	**Personal interests**	**Corporate interests**	**Total**	**% of the issued share capital**
Zhu Xinjiang	–	6,465,850,314 *(Note 1)*	6,465,850,314	71.67
Sun David Lee	9,000,000 *(Note 2)*	–	9,000,000	0.10
Yeung Ting Lap, Derek Emory	7,000,000 *(Note 3)*	–	7,000,000	0.08
Ho Man Kin, Tony	2,000,000 *(Note 4)*	–	2,000,000	0.02
Li Kar Fai, Peter	2,000,000 *(Note 5)*	–	2,000,000	0.02

Notes:

1. These 6,465,850,314 shares are held by Sharp Victory Holdings Limited which is wholly owned by Mr. Zhu.

2. The personal interests of Mr. Sun David Lee represent an interest in underlying shares in respect of 9,000,000 share options granted by the Company entitling Mr. Sun David Lee to subscribe for 9,000,000 shares of HK$0.01 each in the share capital of the Company as detailed in the section "Share Option Schemes" below.

3. 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$0.01 each in the share capital of the Company as detailed in the section "Share Option Schemes" below.

4. 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$0.01 each in the share capital of the Company as detailed in the section "Share Option Schemes" below.

5. 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$0.01 each in the share capital of the Company as detailed in the section "Share Option Schemes" below.

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

Long positions in ordinary shares of HK$0.01 each of the Company *(Continued)*

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 31st March 2014, 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.

SHARE OPTION SCHEMES

Particulars of the Company's share option schemes are set out in note 27 to the consolidated financial statements.

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 and further adjusted to HK$0.01 per share following the capital reorganisation of the Company's shares on 5th March 2013) 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, but the options granted prior to such termination continue to be valid and exercisable in accordance with provisions of the 2003 Scheme.

SHARE OPTION SCHEMES *(Continued)*

2007 Scheme

A share option scheme (the "2007 Scheme") was adopted by the Company pursuant to a resolution passed on 28th September 2007.

A summary of the principal terms of the 2007 Scheme is given below:

(I)	Purpose of the scheme	:	The purpose of the 2007 Scheme is to encourage the participants to perform their best in achieving the goals of the Group and at the same time allow the participants to enjoy the results of the Company attained through their efforts and contributions and to provide the participants with incentives and help the Company in retaining its existing employees and recruiting additional employees.
(II)	Participants of the 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 (which was adjusted to HK$0.01 per share following the capital reorganisation of the Company's shares on 5th March 2013).
(III)	Total number of shares available for issue under the scheme and percentage of issued share capital as at the date of this annual report	:	The number of shares available for issue under the 2007 Scheme was 240,988,752 shares representing approximately 2.67 % of the issued share capital as at the date of this annual report.
(IV)	Maximum entitlement of each participant under the scheme	:	The maximum number of shares issued and which may fall to be issued upon exercise of the options granted under the 2007 Scheme to each participant in any 12-month period up to the date of grant must not exceed 1% of the shares in issue unless it is approved by shareholders (other than the grantees and/or their respective associates) in a general meeting of the Company. Any share options granted to a substantial shareholder or an independent non-executive director of the Company or to any of their associates, in excess of 0.1% of the shares in issue and with an aggregate value (based on the closing price of the shares at the date of the grant) in excess of HK$5 million, in any 12-month period, are subject to shareholders' approval in general meeting of the Company.

SHARE OPTION SCHEMES *(Continued)*

2007 Scheme *(Continued)*

(V)	The period within which the shares must be taken up under an option	:	The period within which the options must be exercised will be specified by the Company at the time of grant. This period shall not be more than 10 years from the relevant date of grant.
(VI)	The minimum period for which an option must be held before it can be exercised	:	The Company may specify any minimum period(s) for which an option must be held before it can be exercised at the time of grant of the options. The 2007 Scheme does not contain any such minimum period.
(VII)	The amount payable upon acceptance of option	:	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.
(VIII)	The basis of determining the exercise price	:	The exercise price must not be less than the higher of: (i) the closing price of the shares as stated in the daily quotation sheet of the Stock Exchange on the date of grant, which must be a trading day; (ii) the average closing prices of the shares as stated in the daily quotation sheet of the Stock Exchange for the five trading days immediately preceding the date of grant; and (iii) the nominal value of a share
(IX)	The remaining life of the scheme	:	The 2007 Scheme has the period of 10 years commencing from 28th September 2007.

SHARE OPTION SCHEMES *(Continued)*

2007 Scheme *(Continued)*

Details of the share options granted under the 2003 Scheme and the 2007 Scheme are as follows:

Grantee	Option Scheme Type	Date of Grant	Exercisable Period	Exercise price per share HK$	Number of share options Balance at 01/04/2013	Granted during the year	Exercised during the year	Lapsed during the year	Balance at 31/03/2014
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 Ex-Director *(resigned on 7th March 2013)*	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
Ho Man Kin, Tony Director	2007	29/07/2010	29/07/2010 to 28/07/2020	0.200	2,000,000	–	–	–	2,000,000
Li Kar Fai, Peter Director	2007	29/07/2010	29/07/2010 to 28/07/2020	0.200	2,000,000	–	–	–	2,000,000
Sub-total:					27,000,000	–	–	(7,000,000)	20,000,000
Employees	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
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:					25,672,320	–	–	(170,000)	25,502,320
Total:					52,672,320	–	–	(7,170,000)	45,502,320

Save as disclosed above, no other options were outstanding, granted, exercised, cancelled or lapsed under the 2003 Scheme and 2007 Scheme at any time during the year.

Save as disclosed above, none of the Directors or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Other than the 2003 Scheme and 2007 Scheme disclosed above, at no time during the year was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate.

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 31st March 2014, the following corporations, other than a Director or chief executive of the Company, had the following interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of shareholders	Capacity	Long/Short position	Number of shares and underlying shares held	% of the issued share capital
Sharp Victory Holdings Limited *(Note 1)*	Beneficial owner	Long position	6,465,850,314	71.67
Great Genius Holdings Limited *(Note 2)*	Security Interest	Long position	6,465,850,314	71.67
VMS Investment Group Limited *(Note 2)*	Security Interest	Long position	6,465,850,314	71.67
Mak Siu Hang, Viola *(Note 2)*	Security Interest	Long position	6,465,850,314	71.67
China Enterprise Capital Limited *(Note 3)*	Interests of a controlled corporation	Long position	2,222,341,312	24.63
CEC Resources and Minerals Holdings Limited *(Note 3)*	Interests of a controlled corporation and beneficial owner	Long position	2,222,341,312	24.63
CEC Resources Limited *(Note 3)*	Beneficial owner	Long position	1,630,429,574	18.07

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

Notes:

1. Sharp Victory Holdings Limited is wholly owned by Mr. Zhu Xinjiang who is the Chairman and Executive Director of the Company.

2. The 6,465,850,314 shares refer to same parcel of shares. Great Genius Holdings Limited is a corporation reported to be controlled by VMS Investment Group Limited which is in turn reported to be a corporation controlled by Mak Siu Hang, Viola. As at the date of this annual report, Great Genius Holdings Limited, VMS Investment Group Limited and Mak Siu Hang, Viola ceased to have interests in these shares.

3. 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. As a result of such relationship as described in this paragraph, China Enterprise Capital Limited and CEC Resources and Minerals Holdings 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.

   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 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 31st March 2014.

Directors' Report

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the year and up to the date of this annual report, no Directors are considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, pursuant to Rule 8.10 of the Listing Rules, other than those businesses of which the Directors were appointed as directors to represent the interests of the Company.

DIRECTORS' INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS

On 31st January 2008, the Group entered into a service agreement with Mr. Yeung Ting Lap, Derek Emory ("Mr. Yeung"), a Director, pursuant to which the Company agreed to appoint Mr. Yeung as an agent of the Company in consideration of the successful introduction to the Company the business opportunities as contemplated under two acquisition agreements and for procuring the completion of the acquisitions in accordance with the agreements. The Company issued and allotted to Mr. Yeung 3,192,660 new shares in the Company during the year ended 31st March 2009 in accordance with the terms of the said service agreement. The maximum limit for the number of new shares to be issued shall be 50,000,000. The details of the said service agreement were disclosed in the Company's circular dated 19th May 2008.

During the year ended 31st March 2014, SMI LLC ("SMI", a wholly-owned subsidiary of the Company) received a letter (the "Letter") from the Minerals Authority of Mongolia (the "Authority") informing SMI that the mining license number MV-011985 for mining in Saikan Uul held by SMI had been revoked, details of which are disclosed in note 18 to the consolidated financial statements. The Letter states that the restoration order on 13th November 2008 has been invalidated and that the initial decision to revoke the License has been restored. After seeking professional legal advice, a formal appeal against the Letter was submitted to the Authority (the "Appeal") on 6th March 2014. The Group has also taken legal action against the revocation decision (the "Legal Action") in Mongolian Court on 19th March 2014. Up to the date of this annual report, no final decision about the Appeal or the Legal Action is made. In the circumstance, the service agreement with Mr. Yeung will continue to be in force until and only if the revocation order is subsequently cancelled.

Except for Mr. Yeung's service agreement disclosed above, no contracts of significance to which the Company, its holding company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, existed at the end of the year or at any time during the year.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

At no time during the year, did the Company nor any of its subsidiaries purchase, sell or redeem any of the Company's listed securities.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirm that the Company has maintained the amount of public float as required under the Listing Rules as at the date of this annual report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

INDEPENDENT NON-EXECUTIVE DIRECTORS' CONFIRMATION OF INDEPENDENCE

The Company has received, from each of the Independent Non-executive Directors, an annual confirmation of the respective independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all of the Independent Non-executive Directors are independent.

EMOLUMENT POLICY

The emolument policy regarding the employees of the Group is set up by the Remuneration Committee and is based on their merit, qualifications and competence.

The emoluments of the Directors are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted share option schemes as an incentive to Directors and eligible employees. Details of the schemes are set out in note 27 to the consolidated financial statements.

Directors' Report

AUDITOR

A resolution will be submitted to the annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company

On behalf of the Board

Zhu Xinjiang
Chairman

Hong Kong, 27th June 2014

Deloitte.
德勤

TO THE MEMBERS OF ASIA COAL LIMITED
亞洲煤業有限公司
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Asia Coal Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 37 to 86, which comprise the consolidated statement of financial position as at 31st March 2014, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31st March 2014, and of its loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
27th June 2014

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31st March 2014

	Notes	2014 HK$'000	2013 HK$'000
Revenue	8 & 9	**12,499**	8,728
Cost of sales		**(2,908)**	(3,268)
Gross profit		**9,591**	5,460
Other income	10	**1,427**	24,281
Selling and distribution expenses		**(23,521)**	(20,032)
Administrative expenses		**(34,466)**	(17,790)
Finance costs	11	**(123)**	(20,253)
Impairment loss on exploration and evaluation assets	18	**(114,931)**	(24,408)
Gain on disposal of a subsidiary	26	**17,926**	–
Loss before tax		**(144,097)**	(52,742)
Taxation	12	**–**	–
Loss for the year	13	**(144,097)**	(52,742)
Other comprehensive income (expense)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**745**	(71)
Reclassification adjustment of translation reserve upon disposal/liquidation of subsidiaries		**438**	–
Other comprehensive income (expense) for the year		**1,183**	(71)
Total comprehensive expense for the year		**(142,914)**	(52,813)
Loss for the year attributable to:			
Owners of the Company		**(144,094)**	(52,779)
Non-controlling interests		**(3)**	37
		(144,097)	(52,742)
Total comprehensive expense attributable to:			
Owners of the Company		**(142,913)**	(52,850)
Non-controlling interests		**(1)**	37
		(142,914)	(52,813)
LOSS PER SHARE	16		
Basic and diluted (HK cents)		**(1.60)**	(2.05)

Consolidated Statement of Financial Position

At 31st March 2014

	Notes	2014 HK$'000	2013 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	17	**8,890**	2,747
Exploration and evaluation assets	18	**–**	119,410
		8,890	122,157
Current assets			
Inventories – finished goods		**2,908**	2,334
Trade and other receivables	19	**4,762**	9,176
Bank balances and cash	20	**20,131**	4,592
		27,801	16,102
Current liabilities			
Trade and other payables and accrued charges	21	**14,183**	17,368
Amounts due to related parties	22	**14,700**	27,489
Bank and other borrowings	24	**9,781**	–
		38,664	44,857
Net current liabilities		**(10,863)**	(28,755)
Total assets less current liabilities and net (liabilities) assets		**(1,973)**	93,402
CAPITAL AND RESERVES			
Share capital	25	**90,211**	86,211
Reserves		**(92,217)**	7,056
Equity attributable to owners of the Company		**(2,006)**	93,267
Non-controlling interests		**33**	135
		(1,973)	93,402

The consolidated financial statements on pages 37 to 86 were approved and authorised for issue by the Board of Directors on 27th June 2014 and are signed on its behalf by:

Zhu Xinjiang
DIRECTOR

Cheung Siu Fai
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31st March 2014

	Attributable to owners of the Company									
	Share capital HK$'000	Share premium HK$'000	Share options reserve HK$'000	Capital contribution reserve HK$'000 (note ii)	Convertible bonds equity reserve HK$'000	Translation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1st April 2012	210,528	345,343	4,203	–	119,420	(923)	(749,283)	(70,712)	(2,679)	(73,391)
Loss for the year	–	–	–	–	–	–	(52,779)	(52,779)	37	(52,742)
Exchange differences arising on translation of foreign operations	–	–	–	–	–	(71)	–	(71)	–	(71)
Total comprehensive (expense) income for the year	–	–	–	–	–	(71)	(52,779)	(52,850)	37	(52,813)
Subtotal	210,528	345,343	4,203	–	119,420	(994)	(802,062)	(123,562)	(2,642)	(126,204)
Issue of shares upon conversion of convertible bonds	5,000	7,839	–	–	(5,937)	–	–	6,902	–	6,902
Capital reorganisation (note i)	(193,976)	–	–	–	–	–	193,976	–	–	–
Issue of shares	64,659	87,289	–	–	–	–	–	151,948	–	151,948
Redemption of convertible bonds	–	–	–	–	(113,483)	–	113,483	–	–	–
Derecognition of non-controlling interests on liquidation of a subsidiary	–	–	–	–	–	–	–	–	2,777	2,777
Waiver of amounts due to shareholders	–	–	–	57,979	–	–	–	57,979	–	57,979
Lapse of share options	–	–	(749)	–	–	–	749	–	–	–
At 31st March 2013	86,211	440,471	3,454	57,979	–	(994)	(493,854)	93,267	135	93,402
Loss for the year	–	–	–	–	–	–	(144,094)	(144,094)	(3)	(144,097)
Exchange differences arising on translation of foreign operations	–	–	–	–	–	743	–	743	2	745
Reclassification adjustment of translation reserve upon disposal/liquidation of subsidiaries	–	–	–	–	–	438	–	438	–	438
Total comprehensive (expense) income for the year	–	–	–	–	–	1,181	(144,094)	(142,913)	(1)	(142,914)
Subtotal	86,211	440,471	3,454	57,979	–	187	(637,948)	(49,646)	134	(49,512)
Issue of shares	4,000	43,640	–	–	–	–	–	47,640	–	47,640
Derecognition of non-controlling interests on liquidation of a subsidiary	–	–	–	–	–	–	–	–	(101)	(101)
Lapse of share options	–	–	(429)	–	–	–	429	–	–	–
At 31st March 2014	90,211	484,111	3,025	57,979	–	187	(637,519)	(2,006)	33	(1,973)

Notes:

(i) During the year ended 31st March 2013, the Company reduced the issued share capital of the Company by cancelling the issued and paid-up capital of the Company to the extent of HK$0.09 on each issued and paid up share. The credit arising from the capital reduction was transferred to the contributed surplus account of the Company and applied to set off against the accumulated losses of the Company.

(ii) The capital contribution represents the credits arising from waiver of debts owing by the Group to its shareholders during the year ended 31st March 2013.

Consolidated Statement of Cash Flows

For the year ended 31st March 2014

	Notes	2014 HK$'000	2013 HK$'000
OPERATING ACTIVITIES			
Loss before tax		**(144,097)**	(52,742)
Adjustments for:			
Finance costs		**123**	20,253
Interest income		**(1)**	(3)
Waive of amount due to a related party		**(128)**	–
Loss on disposal of property, plant and equipment		**125**	50
Gain on disposal of subsidiaries	26	**(17,926)**	–
Impairment loss on exploration and evaluation assets	18	**114,931**	24,408
Exchange loss		**5,291**	1,357
Gain on liquidation of a subsidiary		**(367)**	(39)
Gain on redemption of convertible bonds		**–**	(23,269)
Depreciation of property, plant and equipment		**3,844**	1,436
Write-down of inventories		**176**	–
Operating cash flows before movements in working capital		**(38,029)**	(28,549)
Increase in inventories		**(759)**	(68)
Decrease (increase) in trade and other receivables		**670**	(6,300)
(Decrease) increase in trade and other payables and accrued charges		**(975)**	3,996
(Decrease) increase in amount due to related parties		**(1,200)**	800
Cash used in operation		**(40,293)**	(30,121)
Interest income received		**1**	3
NET CASH USED IN OPERATING ACTIVITIES		**(40,292)**	(30,118)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(13,876)**	(2,250)
Disposal of subsidiaries	26	**(1,451)**	–
Additions of exploration and evaluation assets		**(396)**	(411)
Withdrawal of pledged bank deposits		**–**	1,723
Proceeds from disposal of property, plant and equipment		**–**	6
NET CASH USED IN INVESTING ACTIVITIES		**(15,723)**	(932)

For the year ended 31st March 2014

	Notes	2014 HK$'000	2013 HK$'000
FINANCING ACTIVITIES			
Repayment of amounts due to related parties		**(17,000)**	–
Transaction costs on issue of shares		**(360)**	–
Finance costs paid		**(85)**	(52)
Proceeds from issue of shares		**48,000**	–
Advance from related parties		**31,229**	33,700
New loans raised		**9,781**	–
Repayment of obligations under finance leases		**–**	(23)
NET CASH FROM FINANCING ACTIVITIES		**71,565**	33,625
NET INCREASE IN CASH AND CASH EQUIVALENTS		**15,550**	2,575
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**4,592**	2,004
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**(11)**	13
CASH AND CASH EQUIVALENTS AT END OF THE YEAR represented by bank balances and cash		**20,131**	4,592

Notes to the Consolidated Financial Statements

For the year ended 31st March 2014

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability under The Companies Act 1981 of Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). At 31st March 2014 and 2013, its immediate and ultimate holding company is Sharp Victory Holdings Limited, a company incorporated in the British Virgin Islands which is controlled by Mr. Zhu Xinjiang. The addresses of the registered office and principal place of business of the Company are disclosed in the Corporate Information Section.

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 32.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Company and its subsidiaries (collectively the "Group") in light of the fact that its current liabilities exceeded its current assets by approximately HK$10,863,000 as at 31st March 2014, its total liabilities exceeded its total assets by approximately HK$1,973,000 as of that date and the Group incurred a loss of approximately HK$144,097,000 for the year then ended.

In order to improve the Group's financial position, to provide liquidity and cash flows and to sustain the Group as a going concern, the Group has been implementing a number of measures, including but not limited to:

(i) Sharp Victory Holdings Limited has agreed not to demand repayment of the amount due to it of approximately HK$14.7 million as at 31st March 2014 in the next twelve months from the date of approval of these consolidated financial statements. Sharp Victory Holdings Limited has also agreed to provide continuous financial support to the Group as necessary to enable the Group to meet its financial obligations as they fall due for the foreseeable future.

(ii) The Group received a notification from an independent third party to accept the Group's coal supply tender for the month of June 2014. In the opinion of directors of the Company, the Group intends to further expand and develop its coal trading business, and further action will be taken to capture other business opportunities.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009 – 2011 Cycle
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
Hong Kong Accounting Standard ("HKAS") 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine

Amendments to HKAS 1 "Presentation of Items of Other Comprehensive Income"

The Group has applied the amendments to HKAS 1 "Presentation of Items of Other Comprehensive Income". Upon the adoption of the amendments to HKAS 1, the Group "statement of comprehensive income" is renamed as the "statement of profit or loss and other comprehensive income".

In addition, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

Except as described above, the application of new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior year and/or on the disclosure set out in these consolidated financial statements.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and revised HKFRSs in issue but not yet effective

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

HKFRS 9	Financial Instruments[3]
HKFRS 14	Regulatory Deferral Accounts[5]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[5]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[5]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle[2]
HK(IFRIC) – Int 21	Levies[1]

1 Effective for annual periods beginning on or after 1st January 2014
2 Effective for annual periods beginning on or after 1st July 2014
3 Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised
4 Effective for annual periods beginning on or after 1st July 2014, with limited exceptions
5 Effective for annual periods beginning on or after 1st January 2016

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

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis and in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Group. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from the provision of services is recognised when the services are rendered.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated cost necessary to make the sale.

Impairment on tangible assets (other than exploration and evaluation assets)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets with finite useful life to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Exploration and evaluation assets

Exploration and evaluation assets are recognised at cost on initial recognition. Subsequent to initial recognition, exploration and evaluation assets are stated at cost less any accumulated impairment losses.

Exploration and evaluation assets include the cost of mining and exploration rights and the expenditure incurred in the search for mineral resources as well as the determination of the technical feasibility and commercial liability of extracting those resources. When the technical feasibility and commercial viability of extracting mineral resources because demonstrable, previously recognised exploration and evaluation assets are reclassified as either other intangible assets or property, plant and equipment, the assets are assessed for impairment before reclassification.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Exploration and evaluation assets *(Continued)*

Impairment of exploration and evaluation assets

The carrying amount of the exploration and evaluation assets is reviewed annually and adjusted for impairment in accordance with HKAS 36 "Impairment of Assets" whenever one of the following events or changes in circumstances indicate that the carrying amount may not be recoverable (the list is not exhaustive):

- the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed.
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned.
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area.
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset exceeds its recoverable amount.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying asset is deducted from the borrowing cost eligible for capitalisation.

All other borrowings costs are recognised in profit or loss in the period in which they are incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'loss before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except when another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Retirement benefits costs

Payments to defined contribution retirement benefit plans, the Mandatory Provident Fund Scheme ("MPF Scheme") and state-managed retirement benefit schemes are recognised as an expense when employees have rendered services entitling them to the contributions.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets

The Group's financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instruments and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment loss on loans and receivables below).

Impairment of loans and receivables

Loans and receivables are assessed for indicators of impairment at the end of the reporting period. Loans and receivables are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the loans and receivables, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of loans and receivables (Continued)

For certain categories of loans and receivables, such as trade and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial assets is reduced by the impairment loss directly for all financial assets.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Other financial liabilities

Other financial liabilities (including trade and other payables, amounts due to related parties and bank and other borrowings) are subsequently measured at amortised cost using the effective interest method.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees or consultants

For grants of share options that are conditional upon satisfying specified vesting condition, the fair value of services received is determined by reference to the fair value of share options granted at the grant date and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to accumulated losses.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payment transactions *(Continued)*

Equity-settled share-based payment transactions *(Continued)*

Share options granted to employees or consultants (Continued)

Share options issued to consultants in exchange for services are measured at the fair values of the services received unless that fair value cannot be reliably measured, in which case the services received are measured by reference to the fair value of the share options granted. The fair values of the services received are recognised as expenses, with a corresponding increase in equity (share options reserve), when the counterparties render services, unless the services qualify for recognition as assets.

Equity instruments granted for acquisitions of assets

Equity instruments (shares and conversion options) issued in exchange for goods or services are measured at the fair values of the goods or services received, unless that fair value cannot be reliably measured, in which case the goods or services received are measured by reference to the fair value of the equity instruments granted. The fair values of the goods or services received are recognised as expenses, with a corresponding increase in equity, unless the goods or services qualify for recognition as assets.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year.

Exploration and evaluation assets

As disclosed in note 18 to the consolidated financial statements, full impairment loss on exploration and evaluation assets amounting of approximately HK$119,410,000 was recognised during the year ended 31st March 2014 because of the revocation of mining right license MV-011985 by the Minerals Authority of Mongolia during the current year. The Group has submitted an appeal and taken legal action against the revocation order.

In the opinion of the directors of the Company, as the ultimate outcome of the appeal and the legal action cannot presently be estimated, a full impairment loss of the cost of the mining rights has been recognised in accordance to HKAS 36 "Impairment of Assets" for the year ended 31st March 2014. The directors of the Company will continue to review the carrying amount of the mining rights and assess the recoverable amount whenever there is any change in facts and circumstances in the impairment test. If the appeal or the legal action is finally successful and the revocation order is subsequently cancelled, the impairment of exploration and evaluation assets may be reversed in the subsequent periods.

6. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes advances from related parties, bank and other borrowings, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and accumulated losses.

The directors of the Company review the capital structure regularly. As part of this review, the directors consider the cost of capital and the risk associated with each class of capital. Based on recommendation of the directors, the Group will balance its overall capital structure through the issue of new debt or the redemption of existing debt, as well as the issue of new shares.

7. FINANCIAL INSTRUMENTS

7a. Categories of financial instruments

	2014 **HK$'000**	2013 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**20,508**	5,140
Financial liabilities		
Amortised cost	**25,962**	29,022

7b. Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, bank balances and cash, trade and other payables, amounts due to related parties and bank and other borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk and currency risk), credit risk and liquidity risk and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

The Group has monetary assets and liabilities denominated in US dollars ("USD"), Renminbi ("RMB") and Swiss Franc ("CHF") other than the functional currency of the relevant group companies, which expose the Group to market risk arising from change in foreign exchange rates. The Group currently does not have a foreign currency hedging policy. However, management closely monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

7. FINANCIAL INSTRUMENTS *(Continued)*

7b. Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

(i) *Currency risk (Continued)*

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities as at 31st March 2014 and 2013 are as follows:

	2014 **HK$'000**	2013 HK$'000
Assets		
RMB	**330**	4
USD	**–**	1,285
Liabilities		
CHF	**57**	251

In addition, the Group is exposed to foreign currency risk as a result of inter-group balances denominated in currencies other than the respective functional currency of the relevant group companies, as follows:

	2014 **HK$'000**	2013 HK$'000
Liabilities		
USD	**24,200**	23,715

Sensitivity analysis

The Group is mainly exposed to the currency of RMB and CHF against HK$, as well as USD against Mongolian Tögrögs.

The Group's sensitivity analysis is prepared by using a 10% (2013: 5%) increase and decrease in the functional currencies of the group companies against RMB, CHF and USD. Having considered the fluctuation of foreign exchange rates in the current year, 10% (2013: 5%) is the sensitivity rate used by management for the assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 10% (2013: 5%) change in foreign currency rates. Where the relevant foreign currencies strengthen 10% (2013: 5%) against the functional currencies of the group companies, the Group post-tax loss for the year would be increased by approximately HK$1,998,000 (2013: increased by approximately HK$947,000). For 10% (2013: 5%) weakening of the relevant foreign currencies against the functional currencies of the group companies, there would be an equal and opposite impact on the post-tax loss for the year.

7. FINANCIAL INSTRUMENTS *(Continued)*

7b. Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

(ii) Interest rate risk

The Group's bank balances and bank borrowing (see notes 20 and 24 for details) carry floating-rate interests and has exposure to cash flow interest rate risk due to the fluctuation of the prevailing market interest rates.

The Group is exposed to fair value interest rate risk in relation to other borrowing (see note 24 for details).

The Group currently does not have a hedging policy on interest rate risk. However, management closely monitors interest rate exposure and will consider hedging significant interest rate change exposure should the need arise.

Sensitivity analysis

No sensitivity analysis of interest rate risk is presented as the directors consider the Group's exposure to interest rate risk is not significant.

Credit risk

As at 31st March 2014, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position. In order to minimise the credit risk, management of the Group will closely monitor the credit limits level, credit approvals procedures and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with good reputation.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. Management monitors the utilisation of borrowings and bank borrowing from time to time.

The directors of the Company have given careful consideration to the future liquidity of the Group and they are taking active steps to improve the liquidity position of the Group, details of which are set out in note 2.

The following table details the Group's contractual maturity for its financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

7. FINANCIAL INSTRUMENTS *(Continued)*

7b. Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

	Weighted average interest rate %	On demand or less than a month HK$'000	3 months or less HK$'000	More than 3 months but within 1 year HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
At 31st March 2014							
Trade and other payables	–	1,481	–	–	–	1,481	1,481
Amounts due to related parties							
– non-interest bearing	–	14,700	–	–	–	14,700	14,700
Bank borrowing							
– variable rate	1.32	8,000	–	–	–	8,000	8,000
Other borrowing							
– fixed rate	8.00	–	–	1,843	–	1,843	1,781
		24,181	–	1,843	–	26,024	25,962
At 31st March 2013							
Trade and other payables	–	1,349	92	92	–	1,533	1,533
Amounts due to related parties							
– non-interest bearing	–	10,400	–	–	–	10,400	10,400
Amounts due to related parties							
– interest bearing	4.00	17,089	–	–	–	17,089	17,089
		28,838	92	92	–	29,022	29,022

Bank borrowing with a repayment on demand clause are included in the "on demand or less than a month" time band in the above maturity analysis. As at 31st March 2014, the aggregate undiscounted principal amounts of these bank borrowing amounted to HK$8,000,000. The directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank borrowing will be repaid within 1 year after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to HK$8,020,000.

7. FINANCIAL INSTRUMENTS *(Continued)*

7c. Fair value measurements of financial instruments

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values.

8. REVENUE

Revenue represents the amounts received and receivable for goods sold and services provided, net of discounts, to outside customers during the year.

	2014	2013
	HK$'000	HK$'000
Sales of health and beauty products	**4,462**	4,881
Provision of beauty services	**8,037**	3,847
	12,499	8,728

9. 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. Two operating segments were presented:

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

Segment revenue and results

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

	Health and beauty products and services		Coal mining		Total	
	2014	2013	**2014**	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue						
External sales	**12,499**	8,728	**–**	–	**12,499**	8,728
Segment loss	**(18,728)**	(19,793)	**(120,754)**	(26,460)	**(139,482)**	(46,253)
Unallocated income						
– Interest income					**1**	3
– Other income					**496**	23,836
Unallocated expenses						
– Central administration costs					**(22,915)**	(10,075)
– Finance costs					**(123)**	(20,253)
– Gain on disposal of a subsidiary					**17,926**	–
Loss before tax					**(144,097)**	(52,742)

Segment loss represents the loss incurred by each segment without allocation of interest income, certain other income, central administration costs, finance costs and gain 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.

9. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating segments:

	2014	2013
	HK$'000	HK$'000
Segment assets		
Health and beauty products and services	**4,599**	11,443
Coal mining	**6**	119,521
Total segment assets	**4,605**	130,964
Other unallocated assets	**32,086**	7,295
Consolidated assets	**36,691**	138,259
Segment liabilities		
Health and beauty products and services	**10,858**	19,207
Coal mining	**2,045**	2,325
Total segment liabilities	**12,903**	21,532
Other unallocated liabilities	**25,761**	23,325
Consolidated liabilities	**38,664**	44,857

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than bank balances and cash and head office assets; and

- all liabilities are allocated to operating segments other than bank borrowing and head office liabilities.

9. SEGMENT INFORMATION *(Continued)*

Other segment information

	Health and beauty products and services		Coal mining		Unallocated		Total	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Amounts included in the measure of segment profit or loss or segment assets:								
Capital expenditure	**2,913**	2,248	**396**	411	**10,963**	2	**14,272**	2,661
Depreciation	**1,668**	1,241	**89**	111	**2,087**	84	**3,844**	1,436
Impairment loss on exploration and evaluation assets	**-**	–	**114,931**	24,408	**-**	–	**114,931**	24,408
Loss on disposal of property, plant and equipment	**110**	25	**-**	3	**15**	22	**125**	50
Write-down of inventories	**176**	–	**-**	–	**-**	–	**176**	–

Geographical information

The Group's operations are located in Hong Kong, the People's Republic of China (the "PRC") and Mongolia.

The Group's revenue from external customers based on location of the customers and information about its non-current assets by geographical location of the assets are detailed below:

	Revenue from external customers		Non-current assets	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**12,499**	8,728	**8,885**	2,639
Mongolia	**–**	–	**5**	119,518
	12,499	8,728	**8,890**	122,157

Information about major customer

No single customer contributed over 10% revenue for the year ended 31st March 2014 and 31st March 2013.

10. OTHER INCOME

	2014	2013
	HK$'000	HK$'000
Interest income	**1**	3
Gain on redemption of convertible bonds	**–**	23,269
Waive of amount due to a related party (note 22(iv))	**128**	–
Others	**1,298**	1,009
	1,427	24,281

11. FINANCE COSTS

	2014	2013
	HK$'000	HK$'000
Interest on		
– bank overdrafts	**–**	52
– obligations under finance leases	**–**	1
– amounts due to related parties	**38**	358
– bank and other borrowings wholly repayable within five years	**85**	–
Effective interest expense on convertible bonds	**–**	19,842
	123	20,253

12. TAXATION

No provision for Hong Kong Profits Tax has been made as the Group incurred tax losses for both years.

No provision for taxation has been made for the Group's subsidiaries operating outside Hong Kong (i.e. PRC and Mongolia) as there was no assessable profit and incurred tax losses.

The taxation for the year can be reconciled to the loss before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2014	2013
	HK$'000	HK$'000
Loss before tax	**(144,097)**	(52,742)
Tax at Hong Kong Profits Tax rate of 16.5%	**(23,776)**	(8,702)
Tax effect of expenses not deductible for tax purpose	**20,285**	8,245
Tax effect of income not taxable for tax purpose	**(3,039)**	(3,941)
Tax effect of tax losses not recognised	**6,018**	4,338
Tax effect of utilisation of tax loss previous not recognised	**–**	(61)
Effect of different tax rate of subsidiaries operating in other jurisdictions	**512**	121
Taxation	**–**	–

Details of unrecognised deferred taxation are set out in note 23.

13. LOSS FOR THE YEAR

	2014 HK$'000	2013 HK$'000
Loss for the year has been arrived at after charging:		
Staff costs (including directors' remuneration):		
Salaries and other benefits	**14,450**	15,492
Retirement benefits scheme contributions	**546**	595
Total employee benefits expenses	**14,996**	16,087
Auditors' remuneration	**1,061**	1,217
Cost of inventories recognised as an expense	**1,405**	1,414
Write-down of inventories	**176**	–
Depreciation of property, plant and equipment	**3,844**	1,436
Loss on disposal of property, plant and equipment	**125**	50
Operating lease rentals in respect of rented premises	**9,082**	5,965
Net exchange loss	**5,291**	1,357

14. DIVIDENDS

The directors do not recommend the payment of any dividend for the year (2013: Nil).

15. DIRECTORS' AND EMPLOYEES' REMUNERATION

(a) Directors' emoluments

The emoluments paid or payable to each of the seven (2013: nine) directors of the Company were as follows:

2014

	Fees HK$'000	Salaries and other benefits HK$'000	Contribution to retirement benefits schemes HK$'000	Total HK$'000
Executive directors				
Zhu Xinjiang (Note 1)	235	–	–	235
Kung Chi Kang, Silver (Note 2)	15	545	8	568
Sun David Lee (Note 3)	350	80	–	430
Yeung Ting Lap, Derek Emory (Note 4)	365	–	–	365
Independent non-executive directors				
Ho Man Kin, Tony	113	–	–	113
Li Kar Fai, Peter	146	–	–	146
Edward John HILL III	180	–	–	180
	1,404	625	8	2,037

Notes:

1. Mr. Zhu was re-designated from non-executive director to executive director of the Company and was appointed as the chairman of the Company on 2nd May 2013.
2. Dr. Kung was re-designated from non-executive director to executive director of the Company and was appointed as the chief executive officer of the Company on 2nd May 2013. Dr. Kung resigned as a director and the chief executive officer of the Company on 15th October 2013.
3. Mr. Sun was re-designated from executive director to non-executive director of the Company on 2nd May 2013. Mr. Sun was then re-designated from non-executive director to executive director of the Company on 23rd October 2013.
4. Mr. Yeung was re-designated from non-executive director to executive director of the Company on 23rd October 2013.

15. DIRECTORS' AND EMPLOYEES' REMUNERATION *(Continued)*

(a) Directors' emoluments *(Continued)*

2013

	Fees HK$'000	Salaries and other benefits HK$'000	Contribution to retirement benefits schemes HK$'000	Total HK$'000
Executive directors				
Sun David Lee (Note 1)	–	960	–	960
Kwok Wing Leung, Andy (Note 2)	–	–	–	–
Non-executive directors				
Zhu Xinjiang (Note 3)	8	–	–	8
Kung Chi Kang, Silver (Note 4)	8	–	–	8
Yeung Ting Lap, Derek Emory	180	–	–	180
Independent non-executive directors				
Ho Man Kin, Tony	60	–	–	60
Li Kar Fai, Peter	120	–	–	120
Edward John HILL III (Note 5)	107	–	–	107
Chiu Kam Hing, Kathy (Note 6)	24	–	–	24
	507	960	–	1,467

Notes:

1. Mr. Sun was re-designated from executive director to non-executive director of the Company on 2nd May 2013.
2. Mr. Kwok resigned as a director of the Company on 7th March 2013.
3. Mr. Zhu was appointed as non-executive director of the Company on 15th March 2013 and re-designated to executive director of the Company and was appointed as the chairman of the Company on 2nd May 2013.
4. Dr. Kung was appointed as a non-executive director of the Company on 15th March 2013 and re-designated to executive director of the Company and was appointed as the chief executive officer of the Company on 2nd May 2013. Dr. Kung resigned as a director and the chief executive officer of the Company on 15th October 2013.
5. Mr. Hill III was appointed as a director of the Company on 27th August 2012.
6. Ms. Chiu resigned as a director of the Company on 27th August 2012.

15. DIRECTORS' AND EMPLOYEES' REMUNERATION *(Continued)*

(b) Employees' emoluments

During the year, the five highest paid individuals included two directors (2013: one director), details of whose emoluments are set out in (a) above.

The emoluments of the remaining three (2013: four) individuals are as follows:

	2014 HK$'000	2013 HK$'000
Salaries and other benefits	**2,296**	2,906
Retirement benefits scheme contributions	**50**	100
	2,346	3,006

Their emoluments were within the following bands:

	2014 No. of employees	2013 No. of employees
Not exceeding HK$1,000,000	**3**	3
HK$1,000,001 to HK$1,500,000	**–**	1
	3	4

During the year ended 31st March 2014 and 2013, no emoluments were paid by the Group to the five highest paid individuals, or any of the directors of the Company, as an inducement to join or upon joining the Group or as compensation for loss of office. No emolument was waived by the directors for the year ended 31st March 2014 and 2013.

15. DIRECTORS' AND EMPLOYEES' REMUNERATION *(Continued)*

(c) Remuneration of key management

The key management of the Group is the directors of the Company, details of whose emoluments are set out in (a) above.

The remuneration of directors is determined by the remuneration committee having regard to the performance of individuals and market trends.

16. LOSS PER SHARE

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

	2014 **HK$'000**	2013 HK$'000
Loss for the year attributable to owners of the Company for the purposes of basic and diluted loss per share	**(144,094)**	(52,779)

Number of shares	**2014**	2013
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**8,990,448,820**	2,570,204,692

The calculation of diluted loss per share for the year ended 31st March 2014 and 2013 has not assumed the exercise of the share options as the exercise price of these options was higher than the average market price for the corresponding periods.

17. PROPERTY, PLANT AND EQUIPMENT

	Furniture, fixtures and office equipment HK$'000	Leasehold improvements HK$'000	Computer equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
AT COST					
At 1st April 2012	1,239	3,511	1,559	421	6,730
Exchange realignment	(4)	–	(17)	(27)	(48)
Additions	572	1,352	326	–	2,250
Disposals	(283)	(792)	(81)	–	(1,156)
At 31st March 2013	1,524	4,071	1,787	394	7,776
Exchange realignment	(13)	–	(51)	(82)	(146)
Additions	618	4,905	107	8,246	13,876
Disposals	(163)	(546)	(284)	–	(993)
Disposal of a subsidiary	(1,479)	(6,161)	(698)	–	(8,338)
At 31st March 2014	487	2,269	861	8,558	12,175
DEPRECIATION					
At 1st April 2012	734	2,402	1,313	253	4,702
Exchange realignment	(3)	–	(16)	(19)	(38)
Provided for the year	191	986	178	81	1,436
Eliminated on disposals	(220)	(778)	(73)	–	(1,071)
At 31st March 2013	702	2,610	1,402	315	5,029
Exchange realignment	(12)	–	(48)	(73)	(133)
Provided for the year	234	2,016	141	1,453	3,844
Eliminated on disposals	(120)	(464)	(284)	–	(868)
Eliminated on disposals of a subsidiary	(552)	(3,547)	(488)	–	(4,587)
At 31st March 2014	252	615	723	1,695	3,285
CARRYING VALUES					
At 31st March 2014	235	1,654	138	6,863	8,890
At 31st March 2013	822	1,461	385	79	2,747

Notes to the Consolidated Financial Statements

For the year ended 31st March 2014

17. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Furniture, fixtures and office equipment	10% – 33.3%
Leasehold improvements	33.3% or over the period of the relevant lease term, if shorter
Computer equipment	33.3%
Motor vehicles	20% – 33.3%

18. EXPLORATION AND EVALUATION ASSETS

The Group's exploration and evaluation assets for reporting purposes are as follow:

	Total HK$'000
At 1st April 2012	145,000
Additions of exploration and evaluation works during the year	411
Impairment loss recognised	(24,408)
Exchange realignment	(1,593)
At 31st March 2013	119,410
Additions of exploration and evaluation works during the year	396
Impairment loss recognised	(114,931)
Exchange realignment	(4,875)
At 31st March 2014	–

The exploration and evaluation assets represent all costs directly associated with exploration and evaluation and are initially capitalised. Exploration and evaluation assets are those expenditures for an area where technical feasibility and commercial viability has not been determined. Exploration and evaluation assets include acquisition of rights to explore, topographical and geological surveys, exploratory drilling, sampling and trenching and activities in relation to commercial and technical feasibility studies.

The exploration and evaluation assets of the Group 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.

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 a sale and purchase agreement pursuant to which the Company conditionally agreed to acquire from the vendor the entire issued share capital of Giant Field Group Limited ("GF"). Both CEC Resources and China Enterprise Capital Limited were independent third parties of the Company.

The GF acquisition was completed in late July 2008 and the Company settled the initial consideration for the GF acquisition amounting to approximately HK$363,292,000 to CEC Resources. Pursuant to the GF sale and purchase agreement, the total consideration for the GF acquisition is subject to adjustment and shall be determined based on the proved coal ore reserves and probable coal ore reserves in the Saikhan Ovoo coal deposit held by 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 maximum of RMB760 million. During the year, the SMI Technical Assessment has not been delivered and is still under negotiation with the vendor. As at 31st March 2014 and up to the date of approval of these consolidated financial statements, as a result of the revocation of mining right license MV-011985, as mentioned below, the SMI Technical Assessment will be carried out only if the revocation order is subsequently cancelled.

18. EXPLORATION AND EVALUATION ASSETS *(Continued)*

In accordance with the abovementioned sale and purchase agreement, SMI LLC ("SMI"), incorporated in Mongolia, became a wholly-owned subsidiary of GF. The principal assets of SMI are two mineral mining rights of 30 years in respect of the Saikhan Ovoo coal deposit in the Bulgan province of Mongolia. The mining rights license are MV-011985 and MV-002366 with 1,229.15 and 39.36 hectares respectively, and located in the same area.

During the year ended 31st March 2013, as a result of management's decision in suspension of exploration work and the dropping of coal prices, which had a significant impact on the related expected future cash flow from mining operation, an impairment loss of HK$24,408,000 was recognised. The recoverable amount of the exploration and evaluation assets were arrived at based on a valuation carried out by Peak Vision Appraisals Limited, an independent qualified valuer. The valuation was determined by reference to market prices for similar assets in the similar locations and conditions.

In addition, the Group's mining rights may be revoked as a result of the enactment of the Mining Prohibition Law (the "MPL") in 2009, details of which are set out in the published consolidated financial statements of the Group for the year ended 31st March 2013. According to the MPL, the affected license holders, including SMI are to be compensated but the details of the compensation are not currently available. Previously, the management believed that the Mongolian government would pay a reasonable compensation to the Group if the licenses were revoked due to the MPL and accordingly the management concluded that there is no further impairment on the mining rights for the year ended 31 March 2013.

During the year ended 31st March 2014, the Group had incurred an amount of approximately HK$396,000 (2013: HK$411,000) for the exploration and evaluation work on the Saikhan Ovoo coal mine, including licence fee, labour and other costs directly attributable to exploration activities. The Group has not carried out any development nor production activity.

Revocation of mining right license MV-011985

During the year ended 31st March 2014, a revocation letter (the "Letter") was received from the Minerals Authority of Mongolia (the "Authority") informing SMI that the mining license MV-011985 had been revoked. The mining right license MV-011985 was revoked initially on 22nd September 2008 because the relevant annual license fee was paid on 17th September 2008, that was a few days after the due date of 5th September 2008. However, the mining right license MV-011985 was subsequently restored by an order of the then director of Minerals Authority on 13th November 2008. The Letter states that the restoration order has been invalidated and that the initial decision to revoke the license has been restored. After seeking the professional legal advice, a formal appeal letter against the Letter was submitted to the Authority (the "Appeal") on 6th March 2014 and the Group has also taken legal action against the revocation decision (the "Legal Action") in Mongolian Court on 19th March 2014. Up to the date of approval of these consolidated financial statements, no final decision about the Appeal or the Legal Action is made.

18. EXPLORATION AND EVALUATION ASSETS *(Continued)*

Revocation of mining right license MV-011985 *(Continued)*

In the opinion of the directors of the Company, as the ultimate outcome of the Appeal and the Legal Action cannot presently be estimated, the full impairment loss for the mining right license MV-011985 has been recognised in accordance to HKAS 36 "Impairment of Assets" for the year ended 31st March 2014.

Impairment of mining right license MV-002366

In relation to the mining right license MV-002366, the directors of the Company also decided to recognise full impairment because:

- the cost of individual development and exploration may significantly exceed the future benefit; and

- the possibility to dispose individually the mining right license MV-002366 is considered to be minimal.

The directors of the Company will continue to review the carrying amount of the mining rights and assess the recoverable amount by taking into account, among others, the impacts arising from MPL, Appeal and the Legal Action. If the Appeal or the Legal Action is finally successful and the revocation order is subsequently cancelled, the reversal of the impairment of mining right license may be recognised as income immediately.

19. TRADE AND OTHER RECEIVABLES

	2014 HK$'000	2013 HK$'000
Trade receivables	**377**	548
Other receivables, deposits and prepayments	**4,385**	8,628
	4,762	9,176

The Group's turnover comprises mainly cash and credit sales. The credit terms are within 120 days from the date of billings. The following is an analysis of trade receivables by age, presented based on the invoice date at the end of the reporting period:

	2014 HK$'000	2013 HK$'000
0 to 90 days	**377**	422
91 to 120 days	**–**	126
	377	548

The Group closely monitors the granting of credit and periodically reviews the recoverability of each trade receivable. As at 31st March 2014 and 2013, the trade receivables are neither past due nor impaired and have no default payment history. As at 31st March 2014, management assessed and considered the Group's outstanding trade receivables are in good credit quality. No trade receivable balance as at 31st March 2014 and 2013 are past due at the end of the reporting period.

20. BANK BALANCES AND CASH

Bank balances

Bank balances carry interest at market rates ranged from 0.001% to 0.05% per annum.

The amount of the Group's bank balances and cash denominated other than the functional currencies of the relevant group companies are set out below:

	RMB HK$'000	USD HK$'000	Total HK$'000
At 31st March 2014	**330**	**–**	**330**
At 31st March 2013	4	1,285	1,289

21. 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:

	2014 HK$'000	2013 HK$'000
Trade payables:		
0 to 90 days	**773**	1,340
91 to 180 days	**376**	92
181 to 365 days	**164**	92
Over 365 days	**35**	–
	1,348	1,524
Deposits received from customers	**9,191**	5,348
Accrued charges	**3,511**	8,235
Other payables	**133**	2,261
	14,183	17,368

The amount of the Group's trade and other payables denominated in the following currencies other than the functional currencies of the relevant group companies are set out below:

	CHF HK$'000
As at 31st March 2014	**57**
As at 31st March 2013	251

22. AMOUNTS DUE TO RELATED PARTIES

	Notes	2014 HK$'000	2013 HK$'000
Mr. Sun David Lee	(i)	–	1,200
Mr. Kwok Wing Leung, Andy	(ii)	–	9,200
CEC Resources and Minerals Holdings Limited ("CEC")	(iii)	–	7,000
Elmfield Limited	(iv)	–	10,089
Sharp Victory Holdings Limited	(v)	**14,700**	–
Amounts due to related parties		**14,700**	27,489

Notes:

(i) Mr. Sun is a director of the Company. The amount was unsecured, interest-free and repayable on demand, and was fully settled during the current year.

(ii) Mr. Kwok was a former director of the Company. The amount was unsecured, interest-free and repayable on demand. Mr. Kwok resigned as a director of the Company on 7th March 2013.

During the current year, further advances were received from Mr. Kwok and the whole amount was derecognised upon the disposal of Procare (Holdings) Company Limited ("Procare Holdings") as detailed in note 26.

(iii) CEC is a shareholder of the Company. The amount was unsecured, carried interest at the fixed rate of 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 at its sole discretion. On 7th March 2013, an amount of approximately HK$363,000 was waived by CEC and this amount has been credited to capital contribution reserve as deemed capital contribution by a shareholder. The remaining balance was settled in cash during the year.

(iv) Elmfield Limited is controlled by Dr. Kung Chi Kang, Silver, a former director of the Company. The amount was unsecured, carried interest at 4% per annum and shall be repaid in full on maturity date, i.e. six months from the first drawdown date, unless extended by Elmfield Limited at its sole discretion. On 5th May 2013, an amount of approximately HK$128,000 (2013: nil) was waived by Elmfield Limited and the remaining balance was repaid in cash. The credit arising from the waiver has been recognised in profit and loss.

(v) Sharp Victory Holdings Limited is the immediate and ultimate holding company of the Company. The amount is unsecured, interest-free and repayable on demand.

23. DEFERRED TAXATION

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax asset and liability have been offset. The following are the deferred tax liability and asset recognised and movements thereon during the current year:

	Accelerated tax depreciation HK$'000	Tax losses HK$'000	Total HK$'000
As at 1st April 2012 and 31st March 2013	–	–	–
Charge (credit) to profit or loss	656	(656)	–
As at 31st March 2014	656	(656)	–

At the end of the reporting period, the Group has unused tax losses of approximately HK$136 million (2013: HK$145 million) available for offset against future profits. A deferred tax asset has been recognised of approximately HK$3,976,000 (2013: nil) of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses of HK$132 million (2013: HK$145 million) due to the unpredictability of future profit streams.

At 31st March 2014, included in unrecognised tax losses are losses of HK$694,000 (2013: HK$2,963,000) that will expire in 2014 to 2016 (2013: 2013 to 2015), other losses may be carried forward indefinitely.

24. BANK AND OTHER BORROWINGS

	Notes	2014 HK$'000	2013 HK$'000
The amount comprises:			
Short term bank borrowing	(i)	**8,000**	–
Loan from an independent third party	(ii)	**1,781**	–
		9,781	–

Notes:

(i) At 31st March 2014, the amount represented a variable-rate bank borrowing, which is repayable on 5th June 2014 with repayable on demand clause. The effective interest rate for the year is 1.32% per annum. The bank borrowing is denominated in functional currency and secured by a personal guarantee provided by Mr. Zhu, the Chairman of the Company.

(ii) The loan is unsecured, repayable on 20th July 2014 with fixed interest rate of 8% per annum.

25. SHARE CAPITAL

		Authorised		Issued and fully paid	
	Notes	Number of shares	Nominal value HK$'000	Number of shares	Nominal value HK$'000
Ordinary shares of HK$0.01 each					
At 1st April 2012		30,000,000,000	3,000,000	2,105,283,438	210,528
Issue of shares upon conversion of convertible bonds	(i)	–	–	50,000,000	5,000
Capital reorganisation	(ii)	270,000,000,000	–	–	(193,976)
Issuance of shares	(iii)	–	–	6,465,850,314	64,659
At 31st March 2013		300,000,000,000	3,000,000	8,621,133,752	86,211
Issuance of shares	(iv)	–	–	400,000,000	4,000
At 31st March 2014		300,000,000,000	3,000,000	9,021,133,752	90,211

Notes:

(i) On 22nd October 2012, 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. The new shares rank pari passu with all other shares in issue in all respects.

(ii) On 5th March 2013, the Company reduced the issued share capital of the Company by cancelling the issued and paid up capital of the Company to the extent of HK$0.09 on each issued and paid up share. Each authorised but unissued share of par value HK$0.10 is subdivided into ten shares, each of par value of HK$0.01.

(iii) On 4th December 2012, the Company entered into the subscription agreement with Sharp Victory Holdings Limited as the subscriber, and Mr. Zhu Xinjiang as the guarantor and CEC pursuant to which the subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue the subscription shares at the price of HK$0.0235 per subscription share for a total consideration of approximately HK$151,948,000. The transaction was approved by the shareholders in special general meeting.

On 7th March 2013, the Company allotted and issued 6,465,850,314 ordinary shares of HK$0.01 each of the Company at the price of HK$0.0235 per share for a total consideration of approximately HK$151,948,000. The proceeds were used to redeem all outstanding principal amounts under each of the convertible bonds. The new shares rank pari passu with all other shares in all respects.

(iv) On 22nd April 2013, the Company entered into a placing agreement to place 400,000,000 shares of the Company at the price of HK$0.12 per share. The number of 400,000,000 shares represented approximately 4.43% of the issued share capital of the Company as enlarged by the allotment and issue of the shares. The gross proceeds from the placing was approximately HK$48 million. The net proceeds from the placing amounted to approximately HK$47.6 million was used for repaying the outstanding debts to CEC and Elmfield Limited, and for general working capital of the Group. The placing was completed on 29th April 2013 and issued to not less than six independent placees. The new shares rank pari passu with all other shares in all respects.

26. DISPOSAL OF A SUBSIDIARY

On 6th December 2013, the Group entered into a sales and purchase agreement to dispose of its entire equity interests in Procare Holdings to Mr. Kwok, a former director of the Company. Procare Holdings was engaged in trading of health and beauty products and investing holding company. The completion date of transaction was on 11th December 2013.

The aggregate amounts of the assets and liabilities attributable to these subsidiaries on the date of disposal, and consideration received were as follows:

Consideration received

	HK$'000
Cash received*	–

* Cash consideration of HK$1 was received.

Analysis of consolidated assets and liabilities over which control was lost

	HK$'000
Property, plant and equipment	3,751
Trade and other receivables	3,744
Inventories	9
Bank balances and cash	1,451
Trade and other payables and accrued charges	(1,857)
Amount due to a former director of the Company	(25,728)
Net liabilities disposed of	(18,630)

	HK$'000
Consideration received	–
Net liabilities disposed of	18,630
Cumulative exchange differences in respect of the net liabilities of the subsidiary reclassified from equity to profit or loss on disposal of a subsidiary	(704)
Gain on disposal of a subsidiary	17,926

The gain on disposal is included in the loss for the year ended 31st March 2014 in the consolidated statement of profit or loss and other comprehensive income.

26. DISPOSAL OF A SUBSIDIARY *(Continued)*

Net cash outflow on disposal of a subsidiary

	HK$'000
Net cash outflow arising from disposal:	
Consideration received in cash	–
Less: bank balances and cash disposed of	(1,451)
	(1,451)

27. SHARE-BASED PAYMENT TRANSACTIONS

Share options of the Company

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

(a) 2003 Scheme

A share option scheme (the "2003 Scheme") was adopted by the Company pursuant to a resolution passed on 26th August 2003. Under the 2003 Scheme, the directors of the Company may invite any director (including non-executive director and independent non-executive director), employee of the Company or any of its subsidiaries or associated companies or any suppliers of goods or services to the Group to take up options to subscribe for share of HK$0.01 each (which was adjusted to HK$0.10 per share following the consolidation of the Company's shares on 20th December 2004 and further adjusted to HK$0.01 per share following the capital reorganisation of the Company's shares on 5th March 2013) in the capital of the Company.

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

(b) 2007 Scheme

A share option scheme (the "2007 Scheme") was adopted by the Company pursuant to a resolution passed on 28th September 2007. Under the 2007 Scheme, the directors of the Company may invite any director (including non-executive director and independent non-executive director), employee of the Company or any of its subsidiaries or associated companies or any suppliers of goods or services to the Group to take up options to subscribe for share of HK$0.10 each (which was adjusted to HK$0.01 per share following the capital reorganisation of the Company's shares on 5th March 2013) 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.

27. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

Share options of the Company *(Continued)*

The following table discloses movements in the Company's share options during the year ended 31st March 2014 and 2013:

Option Scheme type		Date of grant	Vesting period	Exercisable period	Exercise price per share HK$	At 1st April 2012	Lapsed during the year	At 31st March 2013	Lapsed during the year	At 31st March 2014
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	(7,000,000)	20,000,000
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	(170,000)	–
	2007	3rd March 2009	N/A	3rd March 2009 to 2nd March 2019	0.270	2,000,000	–	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 30th 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	–	5,442,320
	2007	22nd November 2007	N/A	22nd November 2007 to 21st November 2017	0.270	18,060,000	–	18,060,000	–	18,060,000
						64,622,320	(11,950,000)	52,672,320	(7,170,000)	45,502,320
Exercisable at end of the year								52,672,320		45,502,320
						HK$	HK$	HK$	HK$	HK$
Weighted average exercise price						0.229	0.233	0.228	0.202	0.232

During the year ended 31st March 2014 and 2013, no options have been granted or agreed to be granted under the 2003 Scheme and 2007 Scheme.

28. OPERATING LEASES

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises, which fall due as follows:

	2014	2013
	HK$'000	HK$'000
Within one year	**3,844**	7,308
In the second to fifth year inclusive	**3,834**	4,876
	7,678	12,184

Operating lease payments represent rentals payable by the Group for certain of its offices operated by the subsidiaries. Leases are negotiated for terms ranging from one to three years and rentals are fixed over the leased terms.

29. RETIREMENT BENEFITS SCHEMES

Hong Kong

The Group participates in MPF Schemes established under the Mandatory Provident Fund Ordinance in December 2000. The assets of the MPF Schemes are held separately from those of the Group in an independently administered fund. Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme.

Mongolia

The employees of the Group employed in Mongolia are members of the state-managed retirement benefits schemes operated by the Mongolian government. The Mongolian subsidiary is required to contribute a certain percentage of their payroll to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes is to make the required contributions under the schemes.

30. RELATED PARTY DISCLOSURES

(i) Details of the Group's outstanding balances with related parties are set out in the consolidated statement of financial position and in note 22.

(ii) Compensation of key management personnel and directors during the year is set out in note 15.

(iii) Interest expenses of HK$38,000 (2013: HK$90,000) were paid to Elmfield Limited (Note 22(iv)) during the year. In addition, interest expenses amounting of HK$128,000 (2013: nil) was waived by Elmfield Limited in the current year.

(iv) On 11th December 2013, the Group entered into a sales and purchase agreement to dispose of its entire equity interest in Procare Holdings to Mr. Kwok, who was a former director of the Company. Details of the disposal are set out in note 26.

(v) Consultancy fee of HK$400,000 (2013: nil) was paid to Mr. Kwok, a former director of the Company, for provision of management services for the Group's business in health and beauty products and services.

(vi) An executive director of the Company, Mr. Zhu, provided a personal guarantee to the extent of HK$8,000,000 to a bank to secure banking facility granted to a subsidiary of the Company.

31. CAPITAL COMMITMENTS

	2014 **HK$'000**	2013 HK$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**–**	227

32. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The following table lists the subsidiaries of the Group as at 31st March 2014 which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Name of subsidiaries	Place of incorporation/ and operations	Issued and fully paid share capital	Proportion of of issued share capital held by the Company indirectly		Principal activities
			2014	2013	
NB Management Services Limited	Hong Kong	1 ordinary share of HK$1 each	**100%**	100%	Provision of management services
Procare (Holdings) Company Limited	Hong Kong*	10,000 ordinary shares of HK$1 each	**–**	100%	Trading of health and beauty products and investment holding
Procare International Company Limited	Hong Kong	2 ordinary shares of HK$1 each	**100%**	100%	Trading of health and beauty products and provision of beauty services
SMI LLC	Mongolia	10,000 common shares of Mongolian Tögrög1,200 each	**100%**	100%	Coal mining

* This Company was disposed of by the Group during the current year. Details are set out in note 26.

At the end of the reporting period, the Company has 5, 4 and 1 subsidiaries (2013: 4, 4 and 2) located and operated in Hong Kong, the British Virgin Islands and the PRC respectively, that are not material to the Group. Principal activities of these subsidiaries are provision of management services to the Group or investment holding.

None of the subsidiaries had issued any debt securities during the year or at the end of the year.

33. EVENT AFTER THE END OF THE REPORTING PERIOD

On 6th December 2013, the Group entered into a service agreement with Mr. Kwok, who was a former director of the Company, to appoint him as a consultant to manage the health and beauty business of the Group at a monthly fee HK$100,000. The service agreement expired on 31st May 2014.

Pursuant to the announcement made by the Company on 9th June 2014, the Group could not reach any agreement with Mr. Kwok to extend the service agreement after the expiration. As a result, the directors of the Company decided to discontinue its health and beauty business. At 31st March 2014, assets (primarily inventories, trade and other receivables) and liabilities (primarily deposits received from customers) relating to the health and beauty operating segment amounted to approximately HK$4,599,000 and HK$10,858,000 respectively. Since the health and beauty operating segment has been recording loss, the discontinuation of the health and beauty business is not expected to result in adverse effect on the Group's financial performance and financial position.

On 30th May 2014, the Group received a notification from an independent third party to accept the Group's coal supply tender for the month of June 2014. As a result, the Group will commence the coal trading business in June 2014.

Summarised Statement of Financial Position of the Company

The summarised statement of financial position of the Company as at 31st March 2014 and 2013 is as follows:

	2014 HK$'000	2013 HK$'000
Total assets	**16,694**	123,328
Total liabilities	**(16,724)**	(21,602)
	(30)	101,726
Share capital	**90,211**	86,211
Reserves	**(90,241)**	15,515
	(30)	101,726

Loss for the year of the Company amounted to approximately HK$149,395,000 (2013: HK$10,577,000).

Financial Summary

RESULTS

	For the year ended 31st March				
	2010 HK$'000	2011 HK$'000	2012 HK$'000	2013 HK$'000	**2014** **HK$'000**
REVENUE	6,866	8,531	11,174	8,728	**12,499**
LOSS BEFORE TAXATION	(76,389)	(207,690)	(309,254)	(52,742)	**(144,097)**
TAXATION	–	–	–	–	**–**
LOSS FOR THE YEAR	(76,389)	(207,690)	(309,254)	(52,742)	**(144,097)**
Loss for the year attributable to:					
Owners of the Company	(76,245)	(207,064)	(306,945)	(52,779)	**(144,094)**
Non-controlling interests	(144)	(626)	(2,309)	37	**(3)**
	(76,389)	(207,690)	(309,254)	(52,742)	**(144,097)**

ASSETS AND LIABILITIES

	At 31st March				
	2010 HK$'000	2011 HK$'000	2012 HK$'000	2013 HK$'000	**2014** **HK$'000**
TOTAL ASSETS	439,035	416,646	157,239	138,259	**36,691**
TOTAL LIABILITIES	(147,667)	(262,191)	(230,630)	(44,857)	**(38,664)**
NET ASSETS (LIABILITIES)	291,368	154,455	(73,391)	93,402	**(1,973)**