



Asia Coal Limited

亞洲煤業有限公司

Stock Code: 835

2015

Interim Report



CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30th September 2015

	Notes	Six months ended 30th September 2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Continuing operations			
Revenue	3	6,860	5,240
Cost of sales		(6,452)	(5,066)
Gross profit		408	174
Other income		23	6
Selling and distribution expenses		(24)	(92)
Administrative expenses		(19,774)	(13,921)
Finance costs	4	(205)	(117)
Loss before tax		(19,572)	(13,950)
Income tax expense	5	(5)	–
Loss for the period from continuing operations		(19,577)	(13,950)
Discontinued operation			
Loss for the period from discontinued operation	8	–	(281)
Loss for the period	6	(19,577)	(14,231)
Other comprehensive income:			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		20	850
Total comprehensive expense for the period		(19,557)	(13,381)
Loss for the period attributable to owners of the Company:			
– from continuing operations		(19,577)	(13,950)
– from discontinued operation		–	(281)
		(19,577)	(14,231)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30th September 2015

	Notes	Six months ended 30th September 2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Total comprehensive expense attributable to owners of the Company			
– from continuing operations		(19,557)	(13,100)
– from discontinued operation		–	(281)
		(19,557)	(13,381)
LOSS PER SHARE FROM CONTINUING AND DISCONTINUED OPERATIONS	7		
Basic and diluted (HK cents)		(0.21)	(0.16)
LOSS PER SHARE FROM CONTINUING OPERATIONS	7		
Basic and diluted (HK cents)		(0.21)	(0.15)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th September 2015

	Notes	At 30th September 2015 HK\$'000 (unaudited)	At 31st March 2015 HK\$'000 (audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		5,992	6,994
Exploration and evaluation assets	10	–	–
		5,992	6,994
Current assets			
Trade and other receivables	11	9,147	13,536
Bank balances and cash		30,352	36,583
		39,499	50,119
Current liabilities			
Trade and other payables and accrued charges	12	3,077	5,516
Amounts due to related parties	13	10,610	19,696
Bank and other borrowings		2,749	2,662
Obligations under finance leases		137	134
Tax payables		75	101
		16,648	28,109
Net current assets		22,851	22,010
Total assets less current liabilities		28,843	29,004
Non-current liabilities			
Other borrowings		2,232	2,718
Obligations under finance leases		342	411
		2,574	3,129
Net assets		26,269	25,875
CAPITAL AND RESERVES			
Share capital	14	96,078	94,539
Reserves		(69,841)	(68,696)
Equity attributable to owners of the Company		26,237	25,843
Non-controlling interests		32	32
Total equity		26,269	25,875

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th September 2015

	Attributable to owners of the Company						Total HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Share options reserve HK\$'000	Capital contribution reserve HK\$'000	Translation reserve HK\$'000	Accumulated losses HK\$'000			
At 1st April 2014 (audited)	90,211	484,111	3,025	57,979	187	(637,519)	(2,006)	33	(1,973)
Loss for the period	-	-	-	-	-	(14,231)	(14,231)	-	(14,231)
Exchange differences arising on translation of foreign operations	-	-	-	-	850	-	850	-	850
Total comprehensive (expense) income for the period	-	-	-	-	850	(14,231)	(13,381)	-	(13,381)
Subtotal	90,211	484,111	3,025	57,979	1,037	(651,750)	(15,387)	33	(15,354)
Issue of shares	2,020	18,180	-	-	-	-	20,200	-	20,200
At 30th September 2014 (unaudited)	92,231	502,291	3,025	57,979	1,037	(651,750)	4,813	33	4,846
At 1st April 2015 (audited)	94,539	529,834	3,025	57,979	3,129	(662,663)	25,843	32	25,875
Loss for the period	-	-	-	-	-	(19,577)	(19,577)	-	(19,577)
Exchange differences arising on translation of foreign operations	-	-	-	-	20	-	20	-	20
Total comprehensive (expense) income for the period	-	-	-	-	20	(19,577)	(19,557)	-	(19,557)
Subtotal	94,539	529,834	3,025	57,979	3,149	(682,240)	6,286	32	6,318
Issue of shares	1,539	18,412	-	-	-	-	19,951	-	19,951
At 30th September 2015 (unaudited)	96,078	548,246	3,025	57,979	3,149	(682,240)	26,237	32	26,269

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30th September 2015

	Six months ended 30th September	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Net cash used in operating activities	(20,360)	(12,682)
Net cash used in investing activities	(414)	(136)
Net cash from financing activities		
Proceeds from issue of shares	20,001	20,200
Other financing cash flows	(5,407)	(138)
	14,594	20,062
Net (decrease) increase in cash and cash equivalents	(6,180)	7,244
Cash and cash equivalents at 1st April	36,583	20,131
Effect of foreign exchange rate changes	(51)	28
Cash and cash equivalents at 30th September	30,352	27,403
Represented by:		
Bank balances and cash	30,352	27,403



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th September 2015

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and with the Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31st March 2015.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations (“new and revised HKFRSs”) issued by the HKICPA.

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle

The application of these new or revised HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th September 2015

3. SEGMENT INFORMATION

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

- 1) Coal mining
- 2) Coal trading

The health and beauty products and services segment was discontinued during the period ended 30th September 2014. The segment information reported on this note does not include any amounts for the discontinued operation, which are described in more detail in note 8.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th September 2015

3. SEGMENT INFORMATION (CONTINUED)

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

	Coal mining		Coal trading		Total	
	Six month ended 30th September		Six month ended 30th September		Six month ended 30th September	
	2015	2014	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue						
External sales	-	-	6,860	5,240	6,860	5,240
Segment loss	(419)	(988)	(1,698)	(258)	(2,117)	(1,246)
Unallocated income						
- Interest income					5	6
- Other income					18	-
Unallocated expenses						
- Central administration costs					(17,273)	(12,593)
- Finance costs					(205)	(117)
Loss before tax					(19,572)	(13,950)

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th September 2015

4. FINANCE COSTS

	Six months ended 30th September	
	2015	2014
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest on:		
– bank and other borrowings wholly repayable within five years	194	112
– obligations under finance leases	11	5
	205	117

5. TAXATION

The income tax charge for the period represents the PRC Enterprise Income Tax ("EIT") for the period.

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

PRC subsidiaries of the Group are subject to the PRC EIT at 25%.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th September 2015

6. LOSS FOR THE PERIOD

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

	Six months ended 30th September 2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Directors' remuneration	4,017	2,582
Depreciation of property, plant and equipment	1,379	1,324
Loss on disposal of property, plant and equipment	35	–
Operating lease rentals in respect of rented premises	2,026	1,929
Net exchange loss	144	766
Interest income	(5)	(6)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th September 2015

7. LOSS PER SHARE

From continuing and discontinued operations

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

	Six months ended 30th September 2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Loss for the period attributable to owners of the Company for the purposes of basic and diluted loss per share	(19,577)	(14,231)

	Six months ended 30th September 2015 (unaudited)	2014 (unaudited)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	9,147,240,309	9,065,286,757

The calculation of diluted loss per share for the six months ended 30th September 2015 and 2014 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th September 2015

7. LOSS PER SHARE (CONTINUED)

From continuing operations

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

	Six months ended 30th September 2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Loss for the period attributable to owners of the Company for the purposes of basic and diluted loss per share from continuing operations	(19,577)	(13,950)

The denominator used is the same as that detailed above for basic and diluted loss per share.

From discontinued operation

Basic and diluted loss per share from discontinued operation for the six months ended 30th September 2014 is calculated based on the loss for the period from discontinued operation of approximately HK\$281,000 and the number of shares detailed above for basic and diluted loss per share from continuing and discontinued operations.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th September 2015

8. DISCONTINUED OPERATION

On 6th December 2013, a subsidiary of the Company entered into a sales and purchase agreement to dispose of its entire equity interests in Procure (Holdings) Company Limited (“Procure Holdings”) to Mr. Andy Kwok Wing Leung (“Mr. Kwok”), a former director of the Company. Procure Holdings was engaged in trading of health and beauty products and investment holding.

On the same date, the Company entered into a service agreement with Mr. Kwok to appoint him as a consultant to manage the health and beauty business of the Group at a monthly fee of HK\$100,000. The service agreement expired on 31st May 2014.

After the expiration of the service agreement, the Group could not reach any agreement with Mr. Kwok to extend the service agreement. As a result, the Company had discontinued its health and beauty business.

The results of the discontinued operation included in the loss for the period are set out below.

	Six months ended 30th September 2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Revenue	–	5,062
Cost of sales	–	(3,016)
Selling and distribution expenses	–	(2,083)
Administrative expenses	–	(244)
Loss for the period	–	(281)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th September 2015

8. DISCONTINUED OPERATION (CONTINUED)

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

	Six months ended 30th September 2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Net cash used in operating activities	–	(272)
Net cash outflows	–	(272)

9. DIVIDENDS

The directors do not recommend the payment of an interim dividend for the period (2014: nil).

10. EXPLORATION AND EVALUATION ASSETS

As disclosed in the Company's annual report for the year ended 31st March 2015, during the year ended 31st March 2014, a revocation letter was received from the Minerals Authority of Mongolia (the "Authority") informing SMI LLC ("SMI"), a wholly-owned subsidiary of the Company, that the mining right license MV-011985 had been revoked. A formal appeal letter was submitted to the Authority on 6th March 2014 and the Group has also taken legal action against the revocation decision in Mongolian Court on 19th March 2014. The full impairment loss for the mining right license MV-011985 has been recognized in accordance to HKAS 36 "Impairment of Assets" for the year ended 31st March 2014.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th September 2015

10. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

SMI received a letter dated 6th April 2015 from the Authority informing SMI that the mining right license MV-011985 has been restored by an order of the Authority dated 3rd April 2015.

However, no reversal of impairment loss of the mining right licenses is made for the period, taking into account the following factors which have been considered by the directors of the Company:

- the Mining Prohibition Law (“MPL”) may significantly restrict the mining exploration activities of the Group;
- the compensation investigation of any enforcement is still in progress by the Authority and the related departments, and accordingly the amount and timing of any compensation cannot be determined; and
- the legal and political environment of Mongolia remains uncertain.

The directors of the Company will continue to review the carrying amount of the mining right licenses and assess the recoverable amount by taking into account, among others, the overall market conditions for coal and impact of the MPL. If the compensation amount and timing of receipt under the MPL could be accurately determined, the reversal of the impairment loss of the mining right licenses may be recognised as income immediately.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th September 2015

11. TRADE AND OTHER RECEIVABLES

The Group's turnover comprises mainly cash and credit sales. The credit terms are within 15 days from the date of invoices. The following is an analysis of trade receivable by age, presented based on the invoice date at the end of the reporting period:

	At 30th September 2015 HK\$'000 (unaudited)	At 31st March 2015 HK\$'000 (audited)
Trade receivables:		
0 to 90 days	3,730	8,753
91 to 180 days	1,291	–
	5,021	8,753
Other receivables, deposits and prepayments	4,126	4,783
	9,147	13,536

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th September 2015

12. TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

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

	At 30th September 2015 HK\$'000 (unaudited)	At 31st March 2015 HK\$'000 (audited)
Trade payables:		
0 to 90 days	944	820
Accrued charges	2,124	4,687
Other payables	9	9
	3,077	5,516

13. AMOUNTS DUE TO RELATED PARTIES

	At 30th September 2015 HK\$'000 (unaudited)	At 31st March 2015 HK\$'000 (audited)
	Note	
Sharp Victory Holdings Limited	(i)	10,000
Mr. Zhu Xinjiang ("Mr. Zhu")	(ii)	610
		10,610

Notes:

- (i) Sharp Victory Holdings Limited is the immediate and ultimate holding company of the Company. The amount is unsecured, interest-free and repayable on demand.
- (ii) Mr. Zhu is a director of the Company. The amount is unsecured, interest-free and repayable on demand.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th September 2015

14. SHARE CAPITAL

	Number of shares	Nominal value HK\$'000
Ordinary shares of HK\$0.01 each:		
Authorised:		
At 1st April 2015 and 30th September 2015	300,000,000,000	3,000,000
Issued and fully paid:		
At 1st April 2015	9,453,903,752	94,539
Issuance of shares (Note)	153,850,000	1,539
At 30th September 2015	9,607,753,752	96,078

Note:

On 25th March 2015, the Company entered into two subscription agreements to issue and allot 230,770,000 shares and 153,850,000 shares of the Company respectively, at the price of HK\$0.13 per share. The two subscription agreements are not inter-conditional upon each other. The total number of 384,620,000 shares represented approximately 4.00% of the issued share capital of the Company as enlarged by the allotment and issue of such shares. The gross proceeds from the first subscription and second subscription was approximately HK\$30 million and HK\$20 million respectively. The net proceeds from the subscriptions amounted to approximately HK\$49.9 million was used as general working capital of the Group and for its business development. The first subscription was completed on 31st March 2015 and the second subscription was completed on 4th May 2015. The new shares rank pari passu with all other shares in issued in all respects.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th September 2015

15. SHARE-BASED PAYMENT TRANSACTIONS

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

(a) 2003 Scheme

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th September 2015

15. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

The following table discloses movements in the Company's share options during the six months ended 30th September 2015:

	Option Scheme type	Date of grant	Vesting period	Exercisable period	Exercise price per share HK\$	At 1st April 2015	Lapsed during the period	At 30th September 2015
Directors	2007	29th July 2010	N/A	29th July 2010 to 28th July 2020	0.200	20,000,000	-	20,000,000
Employees	2007	3rd March 2009	N/A	3rd March 2009 to 2nd March 2019	0.270	2,000,000	-	2,000,000
Consultants	2003	21st August 2006	N/A	21st August 2006 to 21st August 2016	0.210	5,442,320	-	5,442,320
	2007	22nd November 2007	N/A	22nd November 2007 to 21st November 2017	0.270	18,060,000	-	18,060,000
						45,502,320	-	45,502,320
Exercisable at end of the period								45,502,320
						HK\$	HK\$	HK\$
Weighted average exercise price						0.232	-	0.232

16. PLEDGE OF ASSETS

At the end of reporting period, certain motor vehicles owned by the Group with the total amount of approximately HK\$4,083,000 (31st March 2015: HK\$4,849,000) were pledged to a non-bank financial institution to secure borrowings from the non-bank financial institution.

In addition, the Group's obligations under finance leases are secured by the lessors' title to the leased asset, which has a carrying amount of HK\$544,000 (31st March 2015: HK\$615,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th September 2015

17. CAPITAL COMMITMENT

At the end of the reporting period, the Group had no significant capital commitment.

18. RELATED PARTY DISCLOSURES

- (i) During the period ended 30th September 2015, Mr. Zhu provided a personal guarantee to the extent of HK\$708,000 to secure the Group's obligations under finance leases.
- (ii) The compensation to key management personnel in respect of the period is as follows:

	Six months ended 30th September	
	2015	2014
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Salaries and other short-term benefits	3,990	2,582
Equity-settled share-based payment expense	–	–
Contributions to retirement benefit schemes	27	–
	4,017	2,582



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the six months ended 30th September 2015 (the “Period”), the Group continued to engage in coal mining and coal trading business.

FINANCIAL REVIEW

Results Analysis

The Group’s unaudited consolidated turnover for the Period was approximately HK\$6,860,000, representing a 31% increase from approximately HK\$5,240,000 recorded in the corresponding period last year. The Group recorded a gross profit of approximately HK\$408,000, representing a 134% increase from approximately HK\$174,000 recorded in the corresponding period last year. The gross profit margin for the Period improved to 6% from 3% of the corresponding period last year.

Loss attributable to owners of the Company for the Period increased to approximately HK\$19,577,000 from HK\$14,231,000 as recorded in the corresponding period last year. Such increase was mainly due to the additional legal and professional fee of approximately HK\$4 million incurred for business development.

FINANCIAL REVIEW (CONTINUED)

Segmental Analysis

Coal Mining

As disclosed in the Company's annual report for the year ended 31st March 2015, during the year ended 31st March 2014, a revocation letter was received from the Minerals Authority of Mongolia (the "Authority") informing SMI LLC ("SMI"), a wholly-owned subsidiary of the Company, that the mining right license MV-011985 (the "License") had been revoked. After seeking the professional legal advice, a formal appeal letter was submitted to the Authority on 6th March 2014 and the Group has also taken legal action against the revocation decision in the Mongolian Court on 19th March 2014.

SMI received a letter dated 6th April 2015 from the Authority informing SMI that the License has been restored by an order of the Authority dated 3rd April 2015.

Notwithstanding the restoration of the License, no reversal of the impairment loss of the mining right licenses is made for the Period, taking into account of the following factors which have been considered by the directors of the Company (the "Directors"):

- the Mining Prohibition Law ("MPL") which may significantly restrict the mining exploration activities of the Group;
- the compensation investigation of any enforcement in relation to the MPL is still in progress by the Authority and the related departments, and accordingly the amount and timing of any compensation cannot be determined; and
- the legal and political environment of Mongolia remains uncertain.

The Directors will continue to review the carrying amount of the mining right licenses and assess the recoverable amount by taking into account, among others, the overall market conditions for coal and any impact arising from the MPL. If the compensation amount and timing of receipt under the MPL could be accurately determined, the reversal of the impairment loss of the mining right licenses may be recognised as income immediately.



MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (CONTINUED)

Segmental Analysis (Continued)

Coal Trading

Turnover contributed by the coal trading segment for the Period amounted to HK\$6,860,000, representing a 31% increase as compared to the corresponding period last year. The gross profit generated by this segment increased by 134% to approximately HK\$408,000 and the gross profit margin of this segment also improved from 3% of the corresponding period last year to 6% for the Period. The coal trading business was in its initial development stage and will continuously benefit the Group by providing a stable source of income. The Group will closely review the market development and seek for the best opportunities for the Group.

Liquidity, Financial Position and Capital Structure

As at 30th September 2015, the Group held cash and bank balances amounting to approximately HK\$30,352,000 (31st March 2015: HK\$36,583,000) while the total borrowings of the Group were approximately HK\$16,070,000 (31st March 2015: HK\$25,621,000). As at 30th September 2015, the borrowings included amounts due to related parties, bank and other borrowings and obligations under finance leases.

The gearing ratio, defined as the ratio of total borrowings less cash and bank balances to equity attributable to owners of the Company, was (54)% (31st March 2015: (42)%).

On 25th March 2015, the Company entered into two subscription agreements with two subscribers, pursuant to which the subscribers could subscribe for 230,770,000 (the "First March Subscription") and 153,850,000 (the "Second March Subscription") subscription shares of the Company respectively at the subscription price of HK\$0.13 per share (collectively the "March Subscription"). The Directors believed that the March Subscription represented an opportunity to raise capital for the Company while broadening the shareholder base and capital base of the Company. The Directors considered that the March Subscription was fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

FINANCIAL REVIEW (CONTINUED)

Liquidity, Financial Position and Capital Structure (Continued)

The First March Subscription and the Second March Subscription was completed on 31st March 2015 and 4th May 2015 respectively. An aggregate of 384,620,000 subscription shares of the Company were successfully issued to the subscribers at the subscription price of HK\$0.13 per share. The net proceeds from the March Subscription amounted to approximately HK\$50 million (the “Net Proceeds”). The net price of each subscription share is approximately HK\$0.13 per share. The subscription price represented a discount of approximately 13.33% to the closing price of HK\$0.15 per share as quoted on the Stock Exchange on the date of the subscription agreements. The Group intended to utilise the Net Proceeds for the general working capital and business development of the Group.

Up to the date of approval of these condensed consolidated financial statements, the Net Proceeds were utilised as to HK\$24 million for the Group’s general working capital, of which HK\$8 million was utilised for staff costs, HK\$3 million for rental expenses, HK\$8 million for legal and professional expenses and the remaining for other operating activities. The remaining HK\$26 million was held as bank deposits and not yet utilised. The Directors confirmed that the Net Proceeds have been applied in accordance with its intended uses.

The Directors are satisfied that, after taking into account of the present available financial resources and facilities, the Group will have sufficient financial resources to meet its financial obligations as they fall due for the foreseeable future.

Foreign Exchange Risk Management

During the Period, the Group experienced immaterial exchange rate fluctuations as the functional currencies of the Group’s operations were mainly Hong Kong dollars and Renminbi. 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.



MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (CONTINUED)

Charges on Assets

As at 30th September 2015, property, plant and equipment with carrying values of approximately HK\$4,627,000 were pledged to secure the Group's borrowings from a non-bank financial institution and obligations under finance leases.

Contingent Liabilities

As at 30th September 2015, the Group had no significant contingent liabilities.

PROSPECTS AND OUTLOOK

The coal industry of the People's Republic of China (the "PRC") is undergoing restructuring to become more sustainable. For recent years, the PRC government attempted to reduce the industry's capacity to resolve the oversupply and to encourage clean and efficient use of coal. Although the overall outlook of the coal market remains weak in the short term due to lingering excess capacity and sluggish economic growth worldwide, the Group is confident in the industry's long-term development as coal remains the PRC's key energy source and the coal market is expected to stabilize after the transition.

The Energy Development Strategy Action Plan (2014-2020) announced by the State Council provides a solid foundation for the development of the coal industry through upgrades in the efficiency of coal-fired power plants and coal-fired industrial furnaces. The rollout of the Thirteenth Five-Year Plan in 2016 will also provide new guidelines for the development of the PRC's overall energy industry, restate the industry's supply and demand equilibrium for its healthy growth, while also facilitating the development of cleaner and more efficient energy. The tightening of global environmental standards will also bring about more proactive measures by the PRC government to set the energy industry on a path of sustainable development, which will support the growth of clean coal.



MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS AND OUTLOOK (CONTINUED)

Focusing on the long-term potential of the PRC coal industry, the Group has set out a clear development blueprint for its long-term success. The Group's development goals include the scaling up of its core business through mergers and acquisitions of suitable energy projects. These include the projects located in the southwest region of the PRC which will benefit from the "One Belt, One Road" policy once the infrastructure pipelines are in place, leading to a huge demand for coal. The Group will also continue to pursue new business opportunities to expand its market foothold and diversify its customer base.

Leveraging on the supportive policies by the PRC government, a solid commercial foundation, as well as a dedicated and experienced management team, the Group is well-poised to capture business opportunities that may arise as the coal industry sees a turnaround in the coming years. The Group aspires to be a leading clean coal company to create value for its shareholders.

HUMAN RESOURCES

As at 30th September 2015, the Group had a total of 26 employees. The Group believes its success and long-term growth depend primarily on the quality, performance and commitment of its employees. To ensure that the Group attracts and retains competent staff, remuneration packages are reviewed on a regular basis. Discretionary bonuses and share options are also offered to qualified employees based on individual and the Group's performance.

OTHER INFORMATION

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

As at 30th September 2015, 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules, were as follows:

Long positions in ordinary shares of HK\$0.01 each of the Company

Name of director	Number of shares/underlying shares held			% of the issued share capital
	Personal interests	Corporate interests	Total	
Zhu Xinjiang	-	6,006,850,314 <i>(Note 1)</i>	6,006,850,314	62.52
Sun David Lee	9,000,000 <i>(Note 2)</i>	-	9,000,000	0.09
Yeung Ting Lap, Derek Emory	7,000,000 <i>(Note 3)</i>	-	7,000,000	0.07
Ho Man Kin, Tony	2,000,000 <i>(Note 4)</i>	-	2,000,000	0.02
Li Kar Fai, Peter	2,000,000 <i>(Note 5)</i>	-	2,000,000	0.02

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

Notes:

1. These 6,006,850,314 shares are held by Sharp Victory Holdings Limited which is wholly-owned by Mr. Zhu Xinjiang.
2. The personal interests of Mr. Sun David Lee represent an interest in the 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 represent an interest in the 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 the 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 the 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.

Save as disclosed above, none of the Directors nor chief executives and their associates of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as at 30th September 2015, as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

OTHER INFORMATION

DISCLOSABLE INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS UNDER THE SFO

Save as disclosed in the section “Directors’ and Chief Executives’ Interests and Short Positions in Shares, Underlying Shares and Debentures” above, as at 30th September 2015, the following corporation, other than a Director or chief executive of the Company, had the following interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of shareholder	Capacity	Long/Short position	Number of shares and underlying shares held	% of the issued share capital
Sharp Victory Holdings Limited (<i>Note</i>)	Beneficial owner	Long position	6,006,850,314	62.52

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

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 30th September 2015.

SHARE OPTION SCHEMES

The Company adopted a share option scheme on 26th August 2003 (“2003 Scheme”) and a share option scheme on 28th September 2007 (“2007 Scheme”). The 2003 Scheme was terminated when the 2007 Scheme came into effect on 28th September 2007. Details of the 2003 Scheme and the 2007 Scheme are set out in the published annual report of the Company for the year ended 31st March 2015.

The movements in the share options granted under the 2003 Scheme and the 2007 Scheme during the six months ended 30th September 2015 are as follows:

Grantee	Option Scheme Type	Date of Grant	Exercisable Period	Exercise price per Share HK\$	Number of share options			Balance at 30/09/2015	
					Balance at 01/04/2015	Granted during the Period	Exercised during the Period		Lapsed during the Period
Directors									
Sun David Lee	2007	29/07/2010	29/07/2010 to 28/07/2020	0.20	9,000,000	-	-	-	9,000,000
Yeung Ting Lap, Derek Emory	2007	29/07/2010	29/07/2010 to 28/07/2020	0.20	7,000,000	-	-	-	7,000,000
Ho Man Kin, Tony	2007	29/07/2010	29/07/2010 to 28/07/2020	0.20	2,000,000	-	-	-	2,000,000
Li Kar Fai, Peter	2007	29/07/2010	29/07/2010 to 28/07/2020	0.20	2,000,000	-	-	-	2,000,000
Sub-total:					20,000,000	-	-	-	20,000,000

OTHER INFORMATION

SHARE OPTION SCHEMES (CONTINUED)

Grantee	Option Scheme Type	Date of Grant	Exercisable Period	Exercise price per Share HK\$	Number of share options				
					Balance at 01/04/2015	Granted during the Period	Exercised during the Period	Lapsed during the Period	Balance at 30/09/2015
Employees	2007	03/03/2009	03/03/2009 to 02/03/2019	0.27	2,000,000	-	-	-	2,000,000
Consultants	2003	21/08/2006	21/08/2006 to 21/08/2016	0.21	5,442,320	-	-	-	5,442,320
	2007	22/11/2007	22/11/2007 to 21/11/2017	0.27	18,060,000	-	-	-	18,060,000
Sub-total:					25,502,320	-	-	-	25,502,320
Total:					45,502,320	-	-	-	45,502,320

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than the 2003 Scheme and the 2007 Scheme disclosed in the section "Share Option Schemes" above, at no time during the Period was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the Directors or their spouses or children under the age of 18 to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

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

There was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the Period.

CORPORATE GOVERNANCE

The Company has, throughout the six months ended 30th September 2015, applied the principles and complied with the requirements of the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules, except for the following deviations:

Code Provision A.2.1

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.

The Company did not officially have a position of chief executive officer since 15th October 2013 and Mr. Zhu Xinjiang, the Chairman of the Board, provides leadership to the Board to ensure that the Board works effectively and all important issues are discussed in a timely manner. The day-to-day management of the Group's business is 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 as business continues to grow and develop in order to assess whether any changes, including the appointment of a chief executive officer, are necessary.

Code Provision A.6.7

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. Mr. Cheung Siu Fai, an Executive Director, Mr. Edward John Hill III and Mr. Ho Man Kin, Tony, Independent Non-executive Directors, were unable to attend the annual general meeting of the Company held on 23rd September 2015 due to their other business engagements.



OTHER INFORMATION

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions by Directors. The Company, having made specific enquiry, confirms that all Directors have fully complied with the Model Code throughout the six months ended 30th September 2015.

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 30th September 2015, 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.

REMUNERATION COMMITTEE

The Remuneration Committee is 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 or any of his associates 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 of the Company. As at 30th September 2015, the Remuneration Committee comprises three Independent Non-executive Directors, namely, Mr. Ho Man Kin, Tony (chairman), Mr. Edward John Hill III and Mr. Li Kar Fai, Peter.

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 unaudited interim results for the six months ended 30th September 2015 with the management. As at 30th September 2015, the Audit Committee comprises three Independent Non-executive Directors, namely, Mr. Li Kar Fai, Peter (chairman), Mr. Edward John Hill III and Mr. Ho Man Kin, Tony. 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.

By Order of the Board
Asia Coal Limited
Zhu Xinjiang
Chairman

Hong Kong, 24th November 2015



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

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

COMPANY SECRETARY

Chan Kwong Leung, Eric

AUDITOR

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35/F., One Pacific Place
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Pembroke HM08
Bermuda

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Tengis Limited
Level 22, Hopewell Centre
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Wanchai
Hong Kong

PRINCIPAL BANKERS

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

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SHARE LISTING

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