Asia Coal Limited
亞洲煤業有限公司

亞洲煤業
ASIA COAL

Stock Code: 835

Annual Report
2015/16

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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
88 Queensway
Hong Kong

REGISTERED OFFICE

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2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Bank of China Tower
1 Garden Road
Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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

PRINCIPAL BANKER

The Hongkong and Shanghai Banking
Corporation Limited

LEGAL ADVISERS AS TO HONG KONG LAWS

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8 Connaught Place
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Hong Kong

WEBSITE ADDRESS

www.asiacoallimited.com

SHARE LISTING

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

Chairman's Statement

Dear shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of Asia Coal Limited (the "Company", or together with its subsidiaries, the "Group"), I hereby present the annual results of the Group for the financial year 2015/16.

The economy in the People's Republic of China (the "PRC") continued to show signs of normalized growth entering 2016, with the annual GDP growth target set to be between 6.5% and 7%. The PRC government continued to focus on rebalancing the economy, so as to liberate the nation from excess capacity and high debt. The coal industry in the PRC continued to suffer during the year under review, while the problem of oversupply and low coal price persisted. To better regulate the coal mining industry and improve mine productivity, the PRC government started a mine consolidation program to shut down small and unsafe mines. Meanwhile, coal producers with on-going operations continued to reduce output. The coal industry continued to struggle amidst the bleak operating environment.

While the consolidation and cutting back of overall coal production volume continued, coal remains the major source of energy in the PRC, accounting for 64% of the total energy consumption in the country. With the PRC's high-growth era coming to an end, the country's energy demand will enter a new phase characterized by steady growth in total energy demand. Entering 2016 as the Thirteenth Five-Year Plan begins, solid plans were laid out by the PRC government to guide the healthy development of energy sector, with focus set on the promotion of the clean and efficient use of energy. The Energy Development Strategy Action Plan (2014-2020) announced by the State Council also provided 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. With the implementation of supportive policies, the strategies of the PRC government to promote clean energy presented to the Group rises a positive backdrop for the Group's business development of clean coal production going forward.

Although the overall outlook of the coal market in the PRC remains weak in the short-term, the Group is still confident in the industry's long-term development. Shifting towards a low-carbon economy is one of the key topics in the Thirteenth Five-Year Plan, thus offering great opportunities for the development of clean coal. Eyeing on the long-term market potential of the coal industry, the Group has set out solid development plans and is actively seeking market opportunities to establish our foothold in the PRC coal industry. The Group will continue to focus on adding new revenue streams through mergers and acquisitions of competitive quality coal mines. We will also develop and deploy clean coal technologies to provide low-cost, highly effective and clean energy source, while exploring investment opportunities along the coal value chain, from coal mining, producing and trading to coal chemicals. Our aim is to develop Asia Coal into an energy company providing leading energy solutions.

Chairman's Statement

Looking ahead, the Group will continue to look for quality coal assets in the PRC, as the government has set out the policy of "sustaining eastern region, stabilizing central region, developing western region" in the country's long-term energy development. The "One Belt, One Road" policy will also greatly benefit the coal industry as a large number of infrastructure projects will be launched in the coming years, which will lead to a huge demand for coal.

Leveraging on the supportive policies by the PRC government, the Group is well-poised to capture business opportunities that may arise when the coal industry sees a turnaround in the coming years. I would like to take this opportunity to thank the valuable support and trust from the Board, 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 work towards our goals and maximize shareholders' value in the long term.

Yours faithfully,

Zhu Xinjiang
Chairman

Hong Kong, 27th June 2016

BUSINESS REVIEW

During the year, the Group continued to engage in coal mining and coal trading business.

FINANCIAL REVIEW

Results Analysis

For the year ended 31st March 2016, the Group's consolidated revenue was approximately HK$11,659,000, representing a decrease of HK$17.5 million or 60% as compared to the previous financial year. The Group recorded a gross profit of approximately HK$623,000, representing a 63% decrease from approximately HK$1,702,000 recorded in the previous financial year. The gross profit margin for the year slightly decreased from 6% of the previous financial year to 5% for the year.

Loss attributable to owners of the Company increased to approximately HK$50 million from HK$25 million as recorded in the previous financial year. The increase in loss was mainly attributable to the significant decrease in the revenue of the Group caused by the slow-down of the PRC economy, additional staff costs and legal and professional fees incurred for business development amounting to approximately HK$18 million, and the profit from the discontinued operation of approximately HK$6 million recorded in the previous financial year, was not generated in the year ended 31 March 2016.

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. 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, the Group's mining rights may be restricted as a result of the enactment of the Mining Prohibition Law (the "MPL") in 2009. According to the MPL, the affected license holders, including SMI are to be compensated but the details of the compensation are not yet available.

SMI further received a letter dated 11th September 2015 from the Authority informing SMI that the two mining rights are partially within the designated areas where mineral exploration and mining activities are prohibited under the MPL. Accordingly, such overlapped areas may be expropriated and the relevant licenses may be revised. The Group is currently in the process of negotiating with the Authority in view that the prospective underground mining operations would not affect the aforementioned prohibited areas.

FINANCIAL REVIEW *(Continued)*

Segmental Analysis *(Continued)*

Coal Mining *(Continued)*

After seeking the legal advice and assessing the viability of developing potential projects with the License in light of the current challenging market and business conditions in Mongolia, the Directors consider no reversal of the impairment loss of the mining right licenses at this stage is appropriate in the current year, because of the following:

- The 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;
- The legal and political environment of Mongolia remains uncertain; and
- There are no precedent cases of compensation paid by the Authority in respect of expropriated area of mining activities.

The Directors will continue to review the carrying amount of the mining rights 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.

Coal Trading

Revenue contributed by the coal trading segment for the year amounted to HK$11,659,000, representing a 60% decrease as compared to the previous financial year. The gross profit generated by this segment decreased by 63% to approximately HK$623,000 and the gross profit margin of this segment also decreased from 6% of the previous financial year to 5% for the year. The significant decrease in revenue was mainly due to the domestic economic downturn, the imbalanced situation of supply and demand in the coal market became much significant and negatively impact the coal industry. The Group will closely review the market development and seek for the best opportunities for the Group.

The Group has concentration of credit risk as the whole amount of trade receivables was due from the Group's sole customer within the coal trading segment. The management assessed and considered the Group's outstanding trade receivables were in good credit quality as there are no history of default of payments from the sole customer. The Group will identify new customers to minimize the risk of over reliance on the existing sole customer.

FINANCIAL REVIEW *(Continued)*

Segmental Analysis *(Continued)*

Liquidity, Financial Position and Capital Structure

As at 31st March 2016, the Group held cash and bank balances amounting to approximately HK$7,367,000 (2015: HK$36,583,000) while the total borrowings of the Group were approximately HK$14,348,000 (2015: HK$25,621,000). As at 31st March 2016, the borrowings included amounts due to related parties, 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 (7)% (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.

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 of Hong Kong Limited (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 consolidated financial statements, the Net Proceeds were fully utilised for the Group's general working capital, of which HK$5 million was utilised for rental expenses, HK$19 million for staff costs, HK$19 million for legal and professional expenses and the remaining for other operating activities. The Directors confirmed that the Net Proceeds have been applied in accordance with its intended uses.

On 21st April 2106, the Company entered into a placing agreement for the placing of the two-year unlisted bonds with interest rate of 7% p.a., up to an aggregate principal amount of HK$30,000,000. The net proceeds from the bonds of HK$25,200,000 will be used for general working capital and business development of the Group. Up to the date of approval of these consolidated financial statements, the bonds have been fully subscribed and the net proceeds were utilised as to HK$5 million for the Group's general working capital and the remaining were held as bank deposits and not yet utilised.

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.

Management Discussion and Analysis

FINANCIAL REVIEW *(Continued)*

Foreign Exchange Risk Management

During the year ended 31st March 2016, the Group experienced immaterial exchange rate fluctuations as the functional currency of the Group's operations was mainly 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.

Charges on Assets

As at 31st March 2016, property, plant and equipment with carrying values of approximately HK$3,791,000 were pledged to secure the Group's borrowings from a non-bank financial institution and obligations under finance leases.

Contingent Liabilities

As at 31st March 2016, the Group had no significant contingent liabilities.

Prospects and Outlook

Moving on to the second half of the year, it is expected that the PRC's economy will continue to face pressure from slowdown and the coal industry will continue to undergo restructuring. As the PRC government has rolled out supply-side reform initiatives, the latest coal capacity guideline issued by the State Council contains strict requirements for the operation of domestic coal companies. The coal industry's supply and demand is expected to achieve equilibrium in three to five years. Given that coal remains the country's key energy source, the Group remains positive about the long-term development of the industry.

The PRC government is attempting to reduce the industry's capacity with bolder moves in 2016 including the 276 working days limit for coal mines, hoping to accelerate the process of industry restructuring. It is expected that major coal companies are likely to raise retail coal prices, and so the supply-side reform will gradually yield results and coal prices will begin to stabilize. Meanwhile, with environmental standards tightening and the restructuring of global energy industry continues, it is believed that the PRC government will implement more proactive measures to set the energy industry onto a path of sustainable development.

Facing the challenging operating environment, the Group will focus on the long-term potential of the coal industry with a clear development blueprint riding the wave of opportunities that arise, as the coal industry consolidates. The Group's development goals include the scaling up of its core business through mergers and acquisitions of suitable energy projects. The Group will also strive to pursue new business opportunities to expand its market foothold and diversify its customer base in order to be a leading clean coal company and create value for its shareholders.

HUMAN RESOURCES

As at 31st March 2016, the Group had a total of 23 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.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The principal activities of the Group are coal mining and coal trading. Nevertheless, the Group has not commenced any development or production activity on the coal mines up to the date of approval of these consolidated financial statements. Meanwhile, the coal trading is a business process through third parties. Hence, the principal activities of the Group do not give rise to any material adverse influence to the environment. The Group will take appropriate measures and action as and when necessary to deal with or otherwise minimize any possible emission of hazardous materials which may arise from its business activity processes.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

To the best knowledge of the Directors, the Group has complied with all the relevant laws and regulations that have a significant impact on the Group in relation to its business including health and safety, workplace conditions, employment and the environment.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Board 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 2016, 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 on the Stock Exchange (the "Listing Rules") save and except certain deviations 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' SECURITIES TRANSACTIONS

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 as its code of conduct regarding securities transaction by Directors. The Company, having made specific enquiry, confirms that all Directors have fully complied with the Model Code throughout the financial year ended 31st March 2016.

BOARD OF DIRECTORS

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

Executive Directors

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

Independent Non-executive Directors

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

During the year, the Board held four Board meetings. 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 for 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 in order to enable the Board members to react timely and carry out expeditious decision making in respect of certain business matters 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 the Directors. 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 the Board meetings or such period as 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 other Executive Directors during the year.

BOARD OF DIRECTORS ***(Continued)***

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 number of Independent Non-executive Directors also represented at least one-third of the members of the Board.

The Company has received from each of the Independent Non-executive Directors (including Mr. Ho Man Kin, Tony and Mr. Li Kar Fai, Peter, who have served on the Board for more than nine years) 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 19 and 20 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.

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

Corporate Governance Report

BOARD OF DIRECTORS *(Continued)*

The attendance record of individual Director at Board and committee meetings as well as the annual general meeting during the year is set out in the table below.

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' ATTENDANCE

During the year, details of individual Director's attendance at the Board meetings, Board Committees meetings and the annual general meeting of the Company held on 23rd September 2015 (the "AGM") are set out as follows:

	Number of attendance/Eligible to attend				
Name of Directors	**Board Meetings**	**Audit Committee Meetings**	**Remuneration Committee Meeting**	**Nomination Committee Meeting**	**AGM**
Executive Directors					
Mr. Zhu Xinjiang	0/4	N/A	N/A	1/1	1/1
Mr. Cheung Siu Fai	2/4	N/A	N/A	N/A	0/1
Mr. Sun David Lee	4/4	N/A	N/A	N/A	1/1
Mr. Yeung Ting Lap, Derek Emory	4/4	N/A	N/A	N/A	1/1
Independent Non-executive Directors					
Mr. Edward John Hill III	3/4	4/5	1/1	N/A	0/1
Mr. Ho Man Kin, Tony	4/4	5/5	1/1	1/1	0/1
Mr. Li Kar Fai, Peter	4/4	5/5	1/1	1/1	1/1

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, Mr. Edward John Hill III and Mr. Ho Man Kin, Tony were unable to attend the AGM due to their other business engagements.

DIRECTORS' TRAINING AND CONTINUOUS PROFESSIONAL DEVELOPMENT

Directors are encouraged to participate in continuous 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 requested to submit a training record to the Company on an annual basis.

During the year, all Directors have complied with the code provisions A.6.5 of the CG Code through attending training courses, workshops and/or reading materials relevant to their professional qualifications and/or duties of Directors.

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.

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.

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. The Board adopted a board diversity policy 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.

As at 31st March 2016, the Nomination Committee comprised 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.

During the year, there was a meeting held by the Nomination Committee to (i) review the structure, size and composition of the Board; (ii) assess the independence of Independent Non-executive Directors; and (iii) make recommendation to the Board on nominating the retiring Directors for re-election at the AGM. The complete attendance record of individual committee member is set out in the table on page 12 of this annual report.

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 recommendations to the Board on the remuneration packages of individual Executive Directors and senior management.

As at 31st March 2016, the Remuneration Committee comprised three Independent Non-executive Directors, namely Mr. Ho Man Kin, Tony (Chairman), Mr. Edward John Hill III and Mr. Li Kar Fai, Peter.

During the year, there was a meeting held by the Remuneration Committee to (i) review and recommend the remuneration of new senior project staff; and (ii) review and recommend the increase of the Executive Directors' remuneration. The complete attendance record of individual committee member 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 2016 are disclosed in note 16 to the consolidated financial statements of this annual report.

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 reporting matters of the Company. The Audit Committee has reviewed the Group's annual results for the year ended 31st March 2016.

As at 31st March 2016, the Audit Committee comprised 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.

During the year, there were five meetings held by the Audit Committee to (i) review with the auditor the audited financial statements for the year ended 31st March 2015 and review the unaudited interim financial statements for the six months ended 30th September 2015, with recommendations to the Board for approval; (ii) review the 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) review and recommend to the Board on the auditor's re-appointment and remuneration. The complete attendance record of individual committee member 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 auditor with respect to these financial statements are set out in the "Independent Auditor's Report" on pages 31 and 32 of this annual report.

AUDITOR'S REMUNERATION

During the year ended 31st March 2016, 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	1,100
Non-audit services	
Advisory services	1,068
Other services	3,734
	5,902

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 2016 is sound and is effective to safeguard the interests of the shareholders' investment and the Group's assets.

COMPANY SECRETARY

Mr. Chan Kwong Leung, Eric is the Company Secretary. According to Rule 3.29 of the Listing Rules, he has taken no less than 15 hours of relevant professional training during the year ended 31st March 2016. 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, an 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 with 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, which are 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.

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.

SHAREHOLDERS' RIGHTS ***(Continued)***

Procedures for shareholders to put forward proposals at general meetings ***(Continued)***

If a shareholder wishes to propose a person other than 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.

Procedures for sending enquiries to the Board

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 2016.

EXECUTIVE DIRECTORS

Mr. ZHU Xinjiang ("Mr. Zhu")

Mr. Zhu, aged 41, 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 PRC. Mr. Zhu is a citizen of the PRC, the sole shareholder and director of Sharp Victory Holdings Limited, holding company 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. CHEUNG Siu Fai ("Mr. Cheung")

Mr. Cheung, aged 46, 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 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..

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

Mr. Sun, aged 50, 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 October 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.

Biographical Details of Directors

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

Mr. Yeung, aged 43, 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") and 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. 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, and a member of the Telecommunications Users and Consumers Advisory Committee of Office of the Communications Authority.

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

Mr. Hill, aged 41, 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.

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

Mr. Ho, aged 45, 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 51, 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 Super Strong Holdings Limited, the shares of which are listed on the Growth Enterprise Market of the Stock Exchange. Mr. Li was also an independent non-executive director of Brilliance Worldwide Holdings Limited from November 2010 to May 2016, the shares of which are listed on the Growth Enterprise Market of the Stock Exchange.

The Directors have pleasure in presenting their annual report and the audited consolidated financial statements of the Company for the year ended 31st March 2016.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. Its subsidiaries are principally engaged in the coal mining and coal trading business.

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 pages 33 and 34 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 36 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 86 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 18 to the consolidated financial statements.

SHARE CAPITAL

Details of movements during the year in the share capital are set out in note 27 to the consolidated financial statements.

EQUITY-LINKED AGREEMENTS

Save for the share option schemes of the Company as set out in note 28 to the consolidated financial statements, no equity-linked agreements were entered into by the Group during the year or subsisted at the end of the year.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company had no distributable reserve at 31st March 2016 and 31st March 2015 under The Companies Act 1981 of Bermuda.

BUSINESS REVIEW

The business review of the Group for the year ended 31st March 2016 is provided in the section headed "Management Discussion and Analysis" of this annual report.

Directors' Report

MAJOR SUPPLIERS AND CUSTOMERS

The aggregate purchases attributable to the Group's largest supplier and five largest suppliers taken together accounted for 50% and 99% respectively of the Group's total purchases for the year.

The whole amount of sales was attributable to the Group's sole customer.

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

DIRECTORS

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

Executive Directors

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

Independent Non-executive Directors

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

In accordance with bye-law 110(A) of the Bye-laws, Mr. Zhu Xinjiang, Mr. Cheung Siu Fai and Mr. Yeung Ting Lap, Derek Emory will retire as Directors by rotation at the forthcoming annual general meeting and, being eligible, have offered 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 2016, 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 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

	Number of shares/underlying shares held			
Name of director	**Personal interests**	**Corporate interests**	**Total**	**% of the issued share capital**
Zhu Xinjiang	–	6,006,850,314 *(Note 1)*	6,006,850,314	62.52
Sun David Lee	9,000,000 *(Note 2)*	–	9,000,000	0.09
Yeung Ting Lap, Derek Emory	7,000,000 *(Note 3)*	–	7,000,000	0.07
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 6,006,850,314 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.

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 2016, 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 28 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 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 the 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 the 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 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 2.51% 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 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 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 a period of 10 years commencing from 28th September 2007.

SHARE OPTION SCHEMES *(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 01/04/2015	Granted during the year	Exercised during the year	Lapsed during the year	Balance at 31/03/2016
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
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 options were outstanding, granted, exercised, cancelled or lapsed under the 2003 Scheme and the 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' Report

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 year 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.

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 31st March 2016, 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 held	% of the issued share capital
Sharp Victory Holdings Limited *(Note)*	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 31st March 2016.

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 (namely the GF Agreement and the PF Agreement, details of which were disclosed in the Company's circular dated 19th May 2008 ("Circular")) and for procuring the completion of the acquisitions (namely the GF Acquisition and the PF Acquisition as defined in the Circular) 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.

On 1st November 2010, the PF Acquisition was terminated by way of deed of settlement as announced by the Company on 2nd November 2010. Therefore, the issuance of new shares to Mr. Yeung in respect of the payment of consideration of PF Acquisition by the Company was no longer required as a result of the termination.

Pursuant to a letter dated 18th May 2015, the vendor of the GF Acquisition has waived, released and discharged the Company from any and all obligations under clause 7 of the GF Agreement. Accordingly, the Company has no further obligations to issue the shares to Mr. Yeung.

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.

PERMITTED INDEMNITY

Pursuant to the Company's Bye-laws, every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities (to the fullest extent permitted by the Companies Ordinance (Cap. 622)) which he may sustain or incur in or about the execution of the duties of his office or otherwise in relation thereto. The Company has arranged appropriate insurance coverage in respect of the directors' and officers' liabilities for the Directors.

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.

Directors' Report

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 (including Mr. Ho Man Fai, Tony and Mr. Li Kar Fai, Peter, who have served on the Board for more than nine years) an annual confirmation of their respective independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all the Independent Non-executive Directors are independent.

EMOLUMENT POLICY

The emoluments of the Directors and senior management are recommended by the Remuneration Committee and approved by the Board, 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 28 to the consolidated financial statements.

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 2016

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 33 to 85, which comprise the consolidated statement of financial position as at 31st March 2016, 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.

Independent Auditor's Report

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 financial position of the Group as at 31st March 2016, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
27th June 2016

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31st March 2016

	NOTES	2016 HK$'000	2015 HK$'000
Continuing operations			
Revenue	8 & 9	**11,659**	29,200
Cost of sales		**(11,036)**	(27,498)
Gross profit		**623**	1,702
Other income	10	**39**	12
Selling and distribution expenses		**(82)**	(295)
Administrative expenses		**(50,598)**	(31,745)
Finance costs	11	**(390)**	(348)
Loss before tax		**(50,408)**	(30,674)
Income tax credit (expense)	12	**70**	(173)
Loss for the year from continuing operations	13	**(50,338)**	(30,847)
Discontinued operation			
Profit for the year from discontinued operation	14	**–**	5,702
Loss for the year		**(50,338)**	(25,145)
Other comprehensive (expense) income			
Item that will not be reclassified to profit or loss:			
Exchange differences arising on translation to presentation currency		**(6)**	–
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**873**	2,942
Total comprehensive expense for the year		**(49,471)**	(22,203)
(Loss) profit for the year attributable to owners of the Company:			
– from continuing operations		**(50,338)**	(30,846)
– from discontinued operation		**–**	5,702
		(50,338)	(25,144)
Loss for the year attributable to non-controlling interests:			
– from continuing operations		**–**	(1)
		(50,338)	(25,145)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31st March 2016

	NOTES	2016 HK$'000	2015 HK$'000
Total comprehensive expense attributable to:			
Owners of the Company		**(49,471)**	(22,202)
Non-controlling interests		**–**	(1)
		(49,471)	(22,203)
LOSS PER SHARE FROM CONTINUING AND DISCONTINUED OPERATIONS	17		
Basic and diluted (HK cents)		**(0.52)**	(0.28)
LOSS PER SHARE FROM CONTINUING OPERATIONS	17		
Basic and diluted (HK cents)		**(0.52)**	(0.34)

Consolidated Statement of Financial Position

At 31st March 2016

	NOTES	**2016 HK$'000**	2015 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	18	**4,598**	6,994
Exploration and evaluation assets	19	**–**	–
		4,598	6,994
Current assets			
Trade and other receivables	20	**10,109**	13,536
Bank balances and cash	21	**7,367**	36,583
		17,476	50,119
Current liabilities			
Trade and other payables and accrued charges	22	**11,403**	5,516
Amounts due to related parties	23	**9,407**	19,696
Other borrowings	25	**2,803**	2,662
Obligations under finance leases	26	**139**	134
Tax payables		**–**	101
		23,752	28,109
Net current (liabilities) assets		**(6,276)**	22,010
Total assets less current liabilities		**(1,678)**	29,004
Non-current liabilities			
Other borrowings	25	**1,727**	2,718
Obligations under finance leases	26	**272**	411
		1,999	3,129
Net (liabilities) assets		**(3,677)**	25,875
CAPITAL AND RESERVES			
Share capital	27	**96,078**	94,539
Reserves		**(99,755)**	(68,696)
Equity attributable to owners of the Company		**(3,677)**	25,843
Non-controlling interests		**–**	32
Total equity		**(3,677)**	25,875

The consolidated financial statements on pages 33 to 85 were approved and authorised for issue by the Board of Directors on 27th June 2016 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 2016

	Attributable to owners of the Company								
	Share capital	Share premium	Share options reserve	Capital contribution reserve	Translation reserve	Accumulated losses	Total	Non-controlling interests	Total
	HK$'000	HK$'000	HK$'000	HK$'000 (Note)	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1st April 2014	90,211	484,111	3,025	57,979	187	(637,519)	(2,006)	33	(1,973)
Loss for the year	–	–	–	–	–	(25,144)	(25,144)	(1)	(25,145)
Exchange differences arising on translation of foreign operations	–	–	–	–	2,942	–	2,942	–	2,942
Total comprehensive income (expense) for the year	–	–	–	–	2,942	(25,144)	(22,202)	(1)	(22,203)
Subtotal	90,211	484,111	3,025	57,979	3,129	(662,663)	(24,208)	32	(24,176)
Issue of shares (net of transaction costs)	4,328	45,723	–	–	–	–	50,051	–	50,051
At 31st March 2015	94,539	529,834	3,025	57,979	3,129	(662,663)	25,843	32	25,875
Loss for the year	–	–	–	–	–	(50,338)	(50,338)	–	(50,338)
Exchange differences arising on translation	–	–	–	–	867	–	867	–	867
Total comprehensive income (expense) for the year	–	–	–	–	867	(50,338)	(49,471)	–	(49,471)
Subtotal	94,539	529,834	3,025	57,979	3,996	(713,001)	(23,628)	32	(23,596)
Issue of shares (net of transaction costs)	1,539	18,412	–	–	–	–	19,951	–	19,951
Derecognition of non-controlling interests on deregistration of a subsidiary	–	–	–	–	–	–	–	(32)	(32)
At 31st March 2016	96,078	548,246	3,025	57,979	3,996	(713,001)	(3,677)	–	(3,677)

Note: The capital contribution reserve represented the credits arising from waiver of debts owing by the Group to its shareholders.

Consolidated Statement of Cash Flows

For the year ended 31st March 2016

	2016 HK$'000	2015 HK$'000
OPERATING ACTIVITIES		
Loss before tax	**(50,408)**	(24,972)
Adjustments for:		
Depreciation of property, plant and equipment	**2,860**	2,702
Exchange loss	**883**	2,798
Finance costs	**390**	348
Gain on deregistration of a subsidiary	**(32)**	–
Interest income	**(9)**	(12)
Loss on disposal of property, plant and equipment	**35**	–
Operating cash flows before movements in working capital	**(46,281)**	(19,136)
Decrease in inventories	**–**	2,908
Decrease (increase) in trade and other receivables	**3,427**	(8,774)
Increase (decrease) in trade and other payables and accrued charges	**5,908**	(8,557)
Cash used in operations	**(36,946)**	(33,559)
Interest income received	**9**	12
Tax paid	**(28)**	(72)
NET CASH USED IN OPERATING ACTIVITIES	**(36,965)**	(33,619)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(821)**	(98)
Proceeds on disposal of property, plant and equipment	**319**	–
NET CASH USED IN INVESTING ACTIVITIES	**(502)**	(98)

Consolidated Statement of Cash Flows

For the year ended 31st March 2016

	2016 HK$'000	2015 HK$'000
FINANCING ACTIVITIES		
Repayment of amounts due to related parties	**(10,289)**	–
Repayment of borrowings from a non-bank financial institution	**(920)**	(363)
Finance costs paid	**(261)**	(348)
Repayment of obligations under finance leases	**(134)**	(163)
Transaction costs on issue of shares	**(50)**	(150)
Proceeds from issue of shares	**20,001**	50,201
Advance from related parties	**–**	4,996
Receipt from borrowings from a non-bank financial institution	**–**	4,000
Repayment of bank borrowing	**–**	(8,000)
NET CASH FROM FINANCING ACTIVITIES	**8,347**	50,173
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(29,120)**	16,456
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**36,583**	20,131
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(96)**	(4)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR represented by bank balances and cash	**7,367**	36,583

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 Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). At 31st March 2016 and 2015, its immediate holding company and ultimate holding company is Sharp Victory Holdings Limited ("Sharp Victory"), a company incorporated in the British Virgin Islands which is controlled by Mr. Zhu Xinjiang ("Mr. Zhu"). 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 34.

In prior years, the Company regarded Hong Kong dollars ("HKD" or "HK$") as its functional currency and presented its financial statements in HK$. During the year, the Group generated revenue solely from coal trading business in the People's Republic of China (the "PRC"). The directors have reassessed the Company's business strategy and determined that the functional currency of the Company was changed from HK$ to Renminbi ("RMB"). The change in functional currency of the Company was applied prospectively from date of change in accordance with HKAS 21 "The Effect of Changes in Foreign Exchange Rate". On the date of the change of functional currency, all assets, liabilities, issued capital and other components of equity and profit and loss items were translated into RMB at the exchange rate on that date.

Despite the change of functional currency of the Company from HK$ to RMB, the directors of the Company continued to select HK$ as the presentation currency because the shares of the Company are listed on the Stock Exchange.

The health and beauty products and services segment was discontinued in prior year. Details of this discontinued operation are set out in note 14.

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 referred to as the "Group") in light of the fact that its current liabilities exceeded its current assets by approximately HK$6,276,000 as at 31st March 2016, its total liabilities exceeded its total assets by approximately HK$3,677,000 as of that date and the Group incurred a loss of approximately HK$50,338,000 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) As detailed in note 36, up to the date of approval of these consolidated financial statements, the Bonds in the principal amount of HK$30 million have been fully subscribed.

(ii) The management will continue to reduce all non-essential costs of development of mine basin until the Group has sufficient funding for the operation.

(iii) Subsequent to the end of the reporting period, Sharp Victory has agreed not to demand repayment of the amount due to it by the Group of approximately HK$9.4 million as at 31st March 2016 in the next twelve months from the date of approval of these consolidated financial statements. Sharp Victory has also agreed to provide continuous financial support to the Group as necessary to enable the Group to meet its financial obligations, as and when they fall due for the foreseeable future.

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

Application of amendments to HKFRSs

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

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 the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 9	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 16	Leases[4]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[1]
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers[2]
Amendments to HKAS 1	Disclosure Initiative[1]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[1]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle[1]

1 Effective for annual periods beginning on or after 1st January 2016, with earlier application permitted.
2 Effective for annual periods beginning on or after 1st January 2018, with earlier application permitted.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1st January 2019, with earlier application permitted.

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

HKFRS 16 Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 "*Leases*", introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

Total operating lease commitment of the Group in respect of rented premises with terms more than 12 months as at 31st March 2016 amounting to HK$11,221,000. The management of the Group does not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group's results but it is expected that certain portion of these lease commitments will be required to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

The directors of the Company anticipate that the application of other new and amendments to standards will have no material impact on the results and the financial position of the Group.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared 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 ("Listing Rules") and by the Hong Kong Companies Ordinance ("CO").

The provisions of the new Hong Kong Companies Ordinance (Cap 622) regarding preparation of accounts and directors' reports and audits became effective for the Company for the financial year ended 31st March 2016. Further, the disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new CO and to streamline with HKFRSs. Accordingly, the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31st March 2016 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31st March 2016 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor CO or Listing Rules but not under the new CO or amended Listing Rules are not disclosed in these consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

The consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

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.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

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.

Service income is recognised when services are provided.

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 estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

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

Depreciation is recognised so as to write off the cost of assets 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.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

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.

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

At the end of the reporting period, the Group reviews the carrying amount of its tangible assets 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 assets 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 become demonstrable, previously recognised exploration and evaluation assets are reclassified as either other intangible assets or property, plant and equipment, and the assets are assessed for impairment before reclassification.

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 at 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

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 period. 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.

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.

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 that 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 bases 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 differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

The carrying amount of deferred tax assets is reviewed at the end of each 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.

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 are recognised in profit or loss, except when they relate 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

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as obligations under finance leases.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below).

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

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

4. **SIGNIFICANT ACCOUNTING POLICIES** ***(Continued)***

Retirement benefit 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 instruments.

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.

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 instrument 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 debt instrument, 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 of loans and receivables below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets ***(Continued)***

Impairment of loans and receivables

Loans and receivables are assessed for indicators of impairment at the end of each 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 a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of loans and receivables, such as trade 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, as well as 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 asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off to profit or loss. Subsequent recoveries of amounts previously written off are credited to profit or loss.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either 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 an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Other financial liabilities

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

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.

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.

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 have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees or consultants

Equity-settled share-based payments to employees and consultants are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, 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 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.

Share options issued to consultants in exchange for services are measured at the fair values of the services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the counterparty renders the service. 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.

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 on-going 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.

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 19 to the consolidated financial statements, full impairment loss on exploration and evaluation assets was recognised during the year ended 31st March 2014.

In the opinion of the directors of the Company, no reversal of impairment loss of the mining right licenses is appropriate in the current period because of the following:

- The Mining Prohibition Law (the "MPL") may significantly restrict the mining exploration activities of the Group;
- The compensation investigation of any enforcement is still in progress by the Minerals Authority of Mongolia (the "Authority") and the related departments, and accordingly the amount and timing of any compensation cannot be determined;
- The legal and political environment of Mongolia remains uncertain; and
- There are no precedent cases of compensation paid by the Authority in respect of expropriated area of mining activities.

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 overall market conditions for coal and any impact arising from the MPL. If the compensation amount and timing of receipt under the MPL can be accurately determined, the reversal of the impairment of mining right licenses may be recognised as income immediately.

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 amounts due to related parties, other borrowings and obligations under finance leases, 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 of the Company consider the cost of capital and the risks associates with each class of capital. Based on recommendation of the directors of the Company, the Group will balance its overall capital structure through the issue of new debt or the redemption of existing debt, as well as new share issues.

7. FINANCIAL INSTRUMENTS

7a. Categories of financial instruments

	2016 **HK$'000**	2015 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**13,175**	45,336
Financial liabilities		
Financial liabilities at amortised cost	**17,772**	25,905
Obligations under finance leases	**411**	545
	18,183	26,450

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, other borrowings and obligations under finance leases. Details of the 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. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure that appropriate measures are implemented on a timely and effective manner.

7. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk

(i) Currency risk

The Group has monetary assets and liabilities denominated in US dollars ("USD"), RMB and HKD, which are not 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.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	2016 **HK$'000**	2015 HK$'000
Assets		
HKD	**4,592**	–
RMB	**32**	254
USD	**–**	91
Liabilities		
HKD	**9,415**	–

Sensitivity analysis

In the opinion of directors of the Company, as the Group's foreign currency risk in relation to RMB against HKD, and USD against RMB is insignificant for both years, no sensitivity analysis is presented.

The Group is mainly exposed to the currency of HKD against RMB in relation to bank balances and amount due to a related party.

The Group's sensitivity analysis is prepared by using a 10% (2015: nil) increase and decrease in RMB against HKD. Having considered the fluctuation of foreign exchange rates in the current year, 10% (2015: nil) 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% (2015: nil) change in foreign currency rates. Where HKD strengthens 10% (2015: nil) against RMB, the Group loss for the year would be increased by approximately HK$482,000 (2015: nil). For 10% (2015: nil) weakening of HKD against RMB, there would be an equal and opposite impact on the loss for the year.

7. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk *(Continued)*

(i) Currency risk (Continued)

Sensitivity analysis (Continued)

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:

	2016 **HK$'000**	2015 HK$'000
Liabilities		
USD	**25,058**	24,718

The Group is mainly exposed to the currency of USD against Mongolian Tögrögs ("MNT") in relation to the inter-group balances.

The Group's sensitivity analysis is prepared by using a 10% (2015: 10%) increase and decrease in MNT against USD. Having considered the fluctuation of foreign exchange rates in the current year, 10% (2015: 10%) 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% (2015: 10%) change in foreign currency rates. Where USD strengthens 10% (2015: 10%) against MNT, the Group loss for the year would be increased by approximately HK$2,506,000 (2015: HK$2,472,000). For 10% (2015: 10%) weakening of USD against MNT, there would be an equal and opposite impact on the loss for the year.

(ii) Interest rate risk

The Group's bank balances (see note 21 for details) carry floating-rate interests and have 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 borrowings from a non-bank financial institution and an independent third party and obligations under finance leases (see notes 25 and 26 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.

7. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk *(Continued)*

(ii) Interest rate risk (Continued)

Sensitivity analysis

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

Credit risk

As at 31st March 2016, 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 arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group's concentration of credit risk by geographical locations is in the PRC, which accounted for 100% of the total trade receivables as at 31st March 2016 and 2015. The Group has concentration of credit risk as the whole amount of trade receivables was due from the Group's sole customer (2015: largest customer) within the coal trading segment.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals 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 Group has concentration of credit risk in relation to deposits with banks. However, the credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Other than concentration of credit risk on trade receivables and liquid funds, the Group does not have any other significant concentration of credit risk.

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.

The following table details the Group's contractual maturity for its non-derivative financial liabilities. 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 maturity dates for the financial liabilities are based on the agreed repayment dates.

7. FINANCIAL INSTRUMENTS *(Continued)*

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

Liquidity risk *(Continued)*

The table includes both interest and principal cash flows.

	Weighted average interest rate %	On demand or less than a month HK$'000	More than 1 month but within 3 months HK$'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 2016							
Trade and other payables	–	1,202	2,633	–	–	3,835	3,835
Amounts due to related parties							
– non-interest bearing	–	9,407	–	–	–	9,407	9,407
Borrowings from a non-bank financial institution							
– fixed rate	7.47	97	193	870	1,837	2,997	2,717
Loan from an independent third party							
– fixed rate	8.00	1,813	–	–	–	1,813	1,813
Obligations under finance leases	4.27	13	26	116	283	438	411
		12,532	2,852	986	2,120	18,490	18,183
At 31st March 2015							
Trade and other payables	–	829	–	–	–	829	829
Amounts due to related parties							
– non-interest bearing	–	19,696	–	–	–	19,696	19,696
Borrowings from a non-bank financial institution							
– fixed rate	7.47	97	193	870	2,997	4,157	3,637
Loan from an independent third party							
– fixed rate	8.00	1,743	–	–	–	1,743	1,743
Obligations under finance leases	4.27	13	26	116	437	592	545
		22,378	219	986	3,434	27,017	26,450

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 their fair values.

8. REVENUE

Revenue represents the amounts received and receivable from trading of coal, net of discounts, to outside customers during the year.

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. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segment. The reports are analysed based on categories of business. Two operating segments were presented:

(1) Coal mining
(2) Trading of coal purchased from third parties ("Coal trading")

The health and beauty products and services segment was discontinued during the year ended 31st March 2015. The segment information reported on this note does not include any amounts for the discontinued operation, which are described in more detail in note 14.

Segment revenue and results

The following is an analysis of the Group's revenue and results from continuing operations by reportable and operating segment:

	Coal mining		Coal trading		Total	
	2016	2015	**2016**	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue						
External sales	**–**	–	**11,659**	29,200	**11,659**	29,200
Segment loss	**(1,285)**	(3,142)	**(875)**	(50)	**(2,160)**	(3,192)
Unallocated income						
– Interest income					**9**	12
– Other income					**30**	–
Unallocated expenses						
– Central administration costs					**(47,897)**	(27,146)
– Finance costs					**(390)**	(348)
Loss before tax					**(50,408)**	(30,674)

Segment loss represents the loss from each segment without allocation of interest income, 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.

9. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities

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

	2016 HK$'000	2015 HK$'000
Segment assets		
Coal mining	1	1
Coal trading	6,696	9,062
Total segment assets	6,697	9,063
Assets relating to health and beauty products and services (discontinued operation)	–	51
Other unallocated assets	15,377	47,999
Consolidated assets	22,074	57,113
Segment liabilities		
Coal mining	2,104	1,994
Coal trading	3,850	5,963
Total segment liabilities	5,954	7,957
Liabilities relating to health and beauty products and services (discontinued operation)	–	210
Other unallocated liabilities	19,797	23,071
Consolidated liabilities	25,751	31,238

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 head office liabilities.

9. SEGMENT INFORMATION *(Continued)*

Other segment information

	Coal mining		Coal trading		Unallocated		Total	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
	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	**–**	–	**–**	75	**821**	731	**821**	806
Depreciation	**–**	4	**14**	6	**2,846**	2,692	**2,860**	2,702
Loss on disposal of property, plant and equipment	**–**	–	**–**	–	**35**	–	**35**	–

Geographical information

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

Information about the Group's revenue from continuing operations from external customers is presented based on the location of the customers. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Revenue from external customers		Non-current assets	
	2016	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**–**	–	**4,546**	6,925
PRC	**11,659**	29,200	**52**	69
	11,659	29,200	**4,598**	6,994

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2016	2015
	HK$'000	HK$'000
Customer A	**11,659**	23,959
Customer B	**–**	4,825

10. OTHER INCOME

	2016 HK$'000	2015 HK$'000
Interest income	**9**	12
Others	**30**	–
	39	12

11. FINANCE COSTS

	2016 HK$'000	2015 HK$'000
Interest on		
– obligations under finance leases	**21**	17
– bank and other borrowings	**369**	331
	390	348

12. INCOME TAX CREDIT (EXPENSE)

	2016 HK$'000	2015 HK$'000
The PRC Enterprise Income Tax ("EIT")		
– Current tax	**–**	(173)
– Overprovision in prior year	**70**	–
	70	(173)

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

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

12. INCOME TAX CREDIT (EXPENSE) *(Continued)*

The tax (credit) charge 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:

	2016 **HK$'000**	2015 HK$'000
(Loss) profit before tax		
– from continuing operations	**(50,408)**	(30,674)
– from discontinued operation	**–**	5,702
	(50,408)	(24,972)
Tax at applicable tax rate of 25% (2015: 25%)	**(12,602)**	(6,243)
Tax effect of expenses not deductible for tax purpose	**5,420**	2,872
Tax effect of income not taxable for tax purpose	**–**	(18)
Overprovision in respect of prior year	**(70)**	–
Tax effect of tax losses not recognised	**3,162**	2,203
Utilisation of tax losses previously not recognised	**(5)**	(974)
Effect of different tax rate of group entities operating in other jurisdictions	**4,025**	2,333
Income tax (credit) expense for the year, from continuing operations	**(70)**	173

Details of unrecognised deferred taxation are set out in note 24.

13. (LOSS) PROFIT FOR THE YEAR

	2016 HK$'000	2015 HK$'000
Continuing operations		
Loss for the year has been arrived at after charging (crediting):		
Staff costs (including directors' remuneration):		
Salaries and other benefits	**15,214**	10,591
Retirement benefit scheme contributions	**197**	124
Total employee benefits expenses	**15,411**	10,715
Auditors' remuneration	**1,107**	1,169
Depreciation of property, plant and equipment	**2,860**	2,702
Loss on disposal of property, plant and equipment	**35**	–
Gain on deregistration of a subsidiary	**(32)**	–
Cost of inventories recognised as an expense	**11,036**	27,498
Operating lease rentals in respect of rented premises	**4,047**	3,900
Net exchange loss	**883**	2,797
Discontinued operation		
Profit for the year has been arrived at after charging:		
Auditors' remuneration	**–**	110
Cost of inventories recognised as an expense	**–**	2,977
Net exchange loss	**–**	1

14. 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 Procare (Holdings) Company Limited ("Procare Holdings") to Mr. Andy Kwok Wing Leung ("Mr. Kwok"), a former director of the Company. Procare 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 year in prior year are set out below.

	HK$'000
Revenue recognised from sales of products and provision of services and expiry of services contracts	11,153
Cost of sales	(3,016)
	8,137
Administrative expenses	(352)
Selling and distribution expenses	(2,083)
Profit for the year from discontinued operation	5,702

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

	HK$'000
Net cash used in operating activities	(66)
Net cash outflows	(66)

15. DIVIDENDS

No dividend was paid or proposed for both years, nor has any dividend been proposed since the end of the reporting period (2015: nil).

16. DIRECTORS' AND EMPLOYEES' REMUNERATION

(a) Directors' emoluments

Directors' remuneration for the year, disclosed pursuant to the applicable Listing Rules and Companies Ordinance, is as follows:

2016

	Fees HK$'000	Salaries and other benefits HK$'000	Contribution to retirement benefit scheme HK$'000	Total HK$'000
Executive directors				
Zhu Xinjiang (Chairman)	**80**	**3,760**	**12**	**3,852**
Cheung Siu Fai	**–**	**1,200**	**18**	**1,218**
Sun David Lee	**–**	**1,200**	**18**	**1,218**
Yeung Ting Lap, Derek Emory	**–**	**1,200**	**18**	**1,218**
Independent non-executive directors				
Ho Man Kin, Tony	**180**	**–**	**–**	**180**
Li Kar Fai, Peter	**180**	**–**	**–**	**180**
Edward John HILL III	**180**	**–**	**–**	**180**
	620	**7,360**	**66**	**8,046**

2015

	Fees HK$'000	Salaries and other benefits HK$'000	Contribution to retirement benefit scheme HK$'000	Total HK$'000
Executive directors				
Zhu Xinjiang (Chairman)	240	3,165	–	3,405
Cheung Siu Fai *(Note i)*	627	–	–	627
Sun David Lee	700	–	–	700
Yeung Ting Lap, Derek Emory	700	–	–	700
Independent non-executive directors				
Ho Man Kin, Tony	180	–	–	180
Li Kar Fai, Peter	180	–	–	180
Edward John HILL III	180	–	–	180
	2,807	3,165	–	5,972

Notes:

(i) Mr. Cheung Siu Fai was appointed as the executive director of the Company on 15th May 2014.

(ii) The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

(iii) The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

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

(b) Employees' emoluments

The five highest paid employees of the Group during the year included four directors (2015: three directors), details of whose remuneration are set out in (a) above.

Details of the remuneration for the year of the remaining one (2015: two) highest paid employee(s) who are not a director of the Company are as follows:

	2016 HK$'000	2015 HK$'000
Salaries and other benefits	**1,500**	1,516
Retirement benefit scheme contributions	**11**	35
	1,511	1,551

The number of the highest paid employees who are not the directors of the Company whose remuneration fell within the following bands is as follows:

	2016 No. of employees	2015 No. of employees
Not exceeding HK$1,000,000	**–**	2
HK$1,500,001 to HK$2,000,000	**1**	–
	1	2

During the years ended 31st March 2016 and 2015, no remuneration 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. There was no arrangement under which a director of the Company waived or agreed to waive any remuneration during the years ended 31st March 2016 and 2015.

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

17. (LOSS) EARNINGS PER SHARE

From continuing and discontinued operations

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

	2016 HK$'000	2015 HK$'000
Loss for the year attributable to owners of the Company for the purposes of basic and diluted loss per share	**50,338**	25,144

	2016	2015
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**9,593,882,031**	9,144,626,273

In calculating the diluted loss per share for the years ended 31st March 2016 and 2015, the potential issue of shares arising from the Company's share option would decrease the loss per share and was therefore not taken into account as they have an anti-dilutive effect.

From continuing operations

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

	2016 HK$'000	2015 HK$'000
Loss for the year attributable to owners of the Company for the purpose of basic loss per share from continuing operations	**50,338**	30,846

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

From discontinued operation

Basic and diluted earnings per share for the discontinued operation for the year ended 31st March 2015 was HK0.06 cents, based on the profit for the year of HK$5,702,000 from discontinued operation and the denominator detailed above.

18. PROPERTY, PLANT AND EQUIPMENT

	Furniture, fixtures and office equipment	Leasehold improvements	Computer equipment	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
COST					
At 1st April 2014	487	2,269	861	8,558	12,175
Exchange realignment	(5)	–	(19)	(33)	(57)
Additions	17	13	66	710	806
Disposals	(161)	–	(118)	–	(279)
At 31st March 2015	338	2,282	790	9,235	12,645
Exchange realignment	(2)	–	(8)	(9)	(19)
Additions	–	88	–	733	821
Disposals	–	–	–	(590)	(590)
At 31st March 2016	336	2,370	782	9,369	12,857
DEPRECIATION					
At 1st April 2014	252	615	723	1,695	3,285
Exchange realignment	(5)	–	(19)	(33)	(57)
Provided for the year	58	830	69	1,745	2,702
Eliminated on disposals	(161)	–	(118)	–	(279)
At 31st March 2015	144	1,445	655	3,407	5,651
Exchange realignment	(1)	–	(6)	(9)	(16)
Provided for the year	57	925	73	1,805	2,860
Eliminated on disposals	–	–	–	(236)	(236)
At 31st March 2016	200	2,370	722	4,967	8,259
CARRYING VALUES					
At 31st March 2016	136	–	60	4,402	4,598
At 31st March 2015	194	837	135	5,828	6,994

18. 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	Over the shorter of the term of the relevant lease, or 3 years
Computer equipment	33.3%
Motor vehicles	20% – 33.3%

The net book value of the Group's motor vehicles included an amount of HK$473,000 (2015: HK$615,000) in respect of assets held under finance leases.

The Group has pledged motor vehicles with a net book value of approximately HK$3,318,000 (2015: HK$4,849,000) to secure the borrowings from a non-bank financial institution.

19. EXPLORATION AND EVALUATION ASSETS

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 licenses and exploration licenses 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.

19. EXPLORATION AND EVALUATION ASSETS *(Continued)*

On 25th January 2008, the Company as the purchaser, CEC Resources Limited ("CEC Resources") as the vendor, and China Enterprise Capital Limited as the guarantor entered into 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. On 18th May 2015, the vendor agreed to waive, release and discharge the Group's obligation on the additional consideration for the GF acquisition.

In accordance with the abovementioned sale and purchase agreement, SMI LLC ("SMI"), incorporated in Mongolia, became an indirectly wholly-owned subsidiary of the Company after the GF acquisition. 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 right licenses are MV-011985 and MV-002366 with 1,229.15 and 39.36 hectares respectively, and located in the same area.

The Group's mining rights may be restricted as a result of the enactment of 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.

During the year ended 31st March 2016, the Group had incurred an amount of approximately HK$377,000 (2015: HK$338,000) for the exploration and evaluation work on the Saikhan Ovoo coal mine, including license fee, labour and other costs directly attributable to exploration activities. The Group has not carried out any development nor production activity.

During the year ended 31st March 2014, a revocation letter (the "Letter") was received from the Authority informing SMI that the mining right 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 the 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. 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. The full impairment loss for the mining right license MV-011985 has been recognised in accordance to HKAS 36 *Impairment of Assets* during the year ended 31st March 2014.

19. 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.

SMI further received a letter dated 11th September 2015 from the Authority informing SMI that the two mining rights are partially within the area designated as land where mineral exploration and mining are prohibited under the MPL. Accordingly, such overlapped areas may be expropriated and the relevant licenses may be revised. The Group is currently in the process of negotiating with the Authority in view that prospective underground mining operations would not affect the aforementioned prohibited areas. As at 31st March 2016, the accumulated costs capitalised as exploration and evaluation assets in respect of the two mining right licenses that are fully impaired amounted to approximately HK$382 million (2015: HK$382 million).

After seeking the legal advice, the directors of the Company consider no reversal of the impairment loss of the mining right licenses, including MV-011985 and MV-002366, at this stage is appropriate in the current year, because of the following:

- The 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;
- The legal and political environment of Mongolia remains uncertain; and
- There are no precedent cases of compensation paid by the Authority in respect of expropriated area of mining activities.

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 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 of mining right licenses may be recognised as income immediately.

20. TRADE AND OTHER RECEIVABLES

	2016 HK$'000	2015 HK$'000
Trade receivables	**5,808**	8,753
Deposits and prepayments	**4,301**	4,783
	10,109	13,536

As at 31st March 2016, the whole amount of trade receivables was due from the sole customer of the Group. As at 31st March 2015, the whole amount of trade receivables was due from the Group's largest customer. The Group allows its trade customers a credit period ranging from 15 to 60 days (2015: 15 days) from the date of invoices.

The following is an aged analysis of trade receivables presented based on the invoice dates.

	2016 HK$'000	2015 HK$'000
Within 90 days	**3,114**	8,753
91 -180 days	**2,694**	–
	5,808	8,753

Included in the Group's trade receivable balance is the sole customer of the Group with aggregate carrying amount of approximately HK$2,694,000 (2015: HK$4,728,000) which are past due at the end of each reporting period for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. The average age of these receivables is 130 days (2015: 70 days).

Aging of trade receivables which are past due but not impaired

	2016 HK$'000	2015 HK$'000
Overdue by:		
Within 90 days	**1,939**	4,728
91 -180 days	**755**	–
	2,694	4,728

The Group closely monitors the granting of credit and periodically reviews the recoverability of each trade receivable. As at 31st March 2016 and 2015, management assessed and considered the Group's outstanding trade receivables were in good credit quality as there are no history of default from the customers.

21. BANK BALANCES AND CASH

Bank balances

Bank balances carry interest at market rates ranged from 0.001% to 0.35% (2015: 0.001% to 0.35%) 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:

	HKD	**RMB**	**USD**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
At 31st March 2016	**4,592**	**32**	**–**	**4,624**
At 31st March 2015	–	254	91	345

22. TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

The following is an aged analysis of trade payables presented based on the invoice date.

	2016	2015
	HK$'000	HK$'000
Trade payables:		
0 to 90 days	**2,633**	820
91 to 180 days	**1,095**	–
181 to 365 days	**98**	–
	3,826	820
Accrued charges	**7,568**	4,687
Other payables	**9**	9
	11,403	5,516

The average credit period on purchases of coals is 15 to 30 days (2015: 15 days).

23. AMOUNTS DUE TO RELATED PARTIES

	Notes	**2016 HK$'000**	2015 HK$'000
Sharp Victory	(i)	**9,407**	14,700
Mr. Zhu	(ii)	**–**	4,996
		9,407	19,696

Notes:

(i) Sharp Victory 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.

24. 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 and prior years:

	Accelerated tax depreciation HK$'000	**Tax losses** HK$'000	**Total** HK$'000
At 1st April 2014	656	(656)	–
(Credit) charge to profit or loss	(295)	295	–
At 31st March 2015	361	(361)	–
(Credit) charge to profit or loss	(263)	263	–
At 31st March 2016	98	(98)	–

At the end of the reporting period, the Group has unused tax losses of approximately HK$149 million (2015: HK$135 million) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$1 million (2015: HK$2 million) of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses of HK$148 million (2015: HK$133 million) due to the unpredictability of future profit streams.

At 31st March 2016, included in unrecognised tax losses are losses of HK$739,000 (2015: HK$694,000) that will expire in 2016 to 2018 (2015: 2015 to 2017). Other losses may be carried forward indefinitely.

25. OTHER BORROWINGS

	Notes	2016 HK$'000	2015 HK$'000
Borrowings from a non-bank financial institution	(i)	**2,717**	3,637
Loan from an independent third party	(ii)	**1,813**	1,743
		4,530	5,380
Secured		**2,717**	3,637
Unsecured		**1,813**	1,743
		4,530	5,380
The carrying amounts of the above borrowings are repayable:	(iii)		
Within one year		**2,803**	2,662
Within a period of more than one year but not exceeding two years		**1,067**	991
Within a period of more than two years but not exceeding five years		**660**	1,727
		4,530	5,380
Less: Amounts due within one year shown under current liabilities		**(2,803)**	(2,662)
Amounts shown under non-current liabilities		**1,727**	2,718

Notes:

(i) At 31st March 2016 and 2015, the amount represented fixed-rate borrowings from a non-bank financial institution, which are repayable over 4 years without repayable on demand clause. The effective interest rates for both years were 7.47% per annum. The borrowings are denominated in HK$ and secured by certain motor vehicles owned by the Group.

(ii) The loan is unsecured, repayable on demand and carries interest at the fixed rate of 8% per annum.

(iii) The amounts due are based on scheduled repayment dates set out in the loan agreements.

26. OBLIGATIONS UNDER FINANCE LEASES

The Group leased a motor vehicle under finance leases. The lease term is 5 years. Interest rate underlying the obligations under finance leases is fixed at contract date at 4.27% per annum. The Group has options to purchase the motor vehicle for a nominal amount at the end of the lease term. No arrangements have been entered into for contingent rental payments.

	Minimum lease payments		**Present value of minimum lease payments**	
	2016	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable under finance leases:				
Within one year	**155**	155	**139**	134
In more than one year and not more than two years	**155**	155	**146**	139
In more than two years but not more than five years	**128**	282	**126**	272
Less: future finance charges	**(27)**	(47)	**N/A**	N/A
Present value of lease obligations	**411**	545	**411**	545
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(139)**	(134)
Amount due for settlement after 12 months			**272**	411

The Group's obligations under finance leases are secured by the lessors' title to the leased asset.

Finance lease obligations are denominated in HK$.

27. SHARE CAPITAL

		Authorised		Issued and fully paid	
		Number of shares	Nominal value	Number of shares	Nominal value
	Notes		HK$'000		HK$'000
Ordinary shares of HK$0.01 each					
At 1st April 2014		300,000,000,000	3,000,000	9,021,133,752	90,211
Issuance of shares	(i)	–	–	202,000,000	2,020
Issuance of shares	(ii)	–	–	230,770,000	2,308
At 31st March 2015		300,000,000,000	3,000,000	9,453,903,752	94,539
Issuance of shares	(ii)	–	–	153,850,000	1,539
At 31st March 2016		300,000,000,000	3,000,000	9,607,753,752	96,078

Notes:

(i) On 13th August 2014, the Company entered into two subscription agreements to issue and allot a total number of 202,000,000 shares of the Company at the price of HK$0.10 per share. The two subscription agreements are not inter-conditional upon each other. The total number of 202,000,000 shares represented approximately 2.19% of the issued share capital of the Company as enlarged by the allotment and issue of the shares. The gross and net proceeds from the subscriptions was approximately HK$20.2 million. The net proceeds from the subscriptions was used as general working capital of the Group and for its business development. The subscriptions were completed on 22nd August 2014. The new shares rank pari passu with all other shares in all respects.

(ii) On 25th March 2015, the Company entered into two subscription agreements to issue and allot a total number of 230,770,000 shares and 153,850,000 shares of the Company at the price of HK$0.13 per share respectively. 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 the 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 amounting 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 all respects.

28. 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.

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

Share options of the Company *(Continued)*

The following table discloses movements in the Company's share options during the years ended 31st March 2016 and 2015:

	Option Scheme type	Date of grant	Vesting period	Exercisable period	Exercise price per share HK$	At 1st April 2014, 31st March 2015 and 2016
Directors	2007	29th July 2010	N/A	29th July 2010 to 28th July 2020	0.200	20,000,000
Employees	2007	3rd March 2009	N/A	3rd March 2009 to 2nd March 2019	0.270	2,000,000
Consultants	2003	21st August 2006	N/A	21st August 2006 to 21st August 2016	0.210	5,442,320
	2007	22nd November 2007	N/A	22nd November 2007 to 21st November 2017	0.270	18,060,000
						45,502,320
Exercisable at end of the year						45,502,320
						HK$
Weighted average exercise price						0.232

During the years ended 31st March 2016 and 2015, no options have been granted or agreed to be granted or exercised under the 2003 Scheme and 2007 Scheme.

29. 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:

	2016 HK$'000	2015 HK$'000
Within one year	**3,915**	3,992
In the second to fifth year inclusive	**7,467**	–
	11,382	3,992

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

30. RETIREMENT BENEFIT 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 and PRC

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

31. 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 23.

(ii) Compensation of key management personnel and directors during the year is set out in note 16.

(iii) During the year ended 31st March 2015, consultancy fee of HK$200,000 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.

(iv) During the year ended 31st March 2015, Mr. Zhu provided a personal guarantee to the extent of HK$8,000,000 to a bank to secure a banking facility granted to a subsidiary of the Company. The personal guarantee was released upon the repayment of bank loan during the year ended 31st March 2015.

(v) During the years ended 31st March 2016 and 2015, Mr. Zhu provided a personal guarantee to the extent of HK$708,000 to a bank to secure the obligations under finance leases.

32. MAJOR NON-CASH TRANSACTION

During the year ended 31st March 2015, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of HK$708,000.

33. PLEDGE OF ASSETS

At the end of reporting period, certain motor vehicles owned by the Group with the total amount of approximately HK$3,318,000 (2015: HK$4,849,000) were pledged to a non-bank financial institution in order to secure the borrowings from the non-bank financial institution.

In addition, the Group's obligations under finance leases (see note 26) are secured by the lessors' title to the leased asset, which has a carrying amount of HK$473,000 (2015: HK$615,000).

34. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The following table lists the subsidiaries of the Group as at 31st March 2016 which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

Name of subsidiaries	Place of incorporation/ establishment and operations	Issued and fully paid share capital/ registered capital	Proportion of issued share capital held by the Company directly/indirectly		Principal activities
			2016	2015	
NB Management Services Limited	Hong Kong	HK$1	**100%**	100%	Provision of management services
SMI LLC	Mongolia	MNT12,000,000	**100%**	100%	Coal mining
廣東亞煤能源貿易有限公司	PRC	RMB10,000,000	**100%**	100%	Coal trading

At the end of the reporting period, the Company has 5, 4 and 1 subsidiaries (2015: 6, 4 and 1) 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.

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

The following is the statement of financial position of the Company as at 31st March 2016:

	2016	2015
	HK$'000	HK$'000
ASSETS AND LIABILITIES		
Non-current asset		
Investments in subsidiaries	**–**	–
Current assets		
Other receivables	**2,444**	4,716
Bank balances	**4,400**	32,228
	6,844	36,944
Current liabilities		
Other payables and accrued charges	**6,923**	3,381
Amounts due to related parties	**9,407**	14,700
	16,330	18,081
Net current (liabilities) assets	**(9,486)**	18,863
Net (liabilities) assets	**(9,486)**	18,863
CAPITAL AND RESERVES		
Share capital	**96,078**	94,539
Reserves *(note)*	**(105,564)**	(75,676)
Total equity	**(9,486)**	18,863

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

note:

Reserves

	Share premium HK$'000	Share options reserve HK$'000	Capital contribution reserve HK$'000	Translation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1st April 2014	484,111	3,025	363	–	(577,740)	(90,241)
Loss for the year	–	–	–	–	(31,158)	(31,158)
Issue of shares	45,723	–	–	–	–	45,723
At 31st March 2015	529,834	3,025	363	–	(608,898)	(75,676)
Loss for the year	–	–	–	–	(48,139)	(48,139)
Issue of shares	18,412	–	–	–	–	18,412
Exchange differences arising on translation	–	–	–	(161)	–	(161)
At 31st March 2016	548,246	3,025	363	(161)	(657,037)	(105,564)

36. EVENTS AFTER THE REPORTING PERIOD

On 21st April 2016, the Company entered into a placing agreement for the placing of the two-year, unlisted bonds (the "Bonds") in the aggregate principal amount of up to HK$30 million at the issue price of 100% of the principal amount of the Bonds. The Bonds bear interest at the fixed rate of 7% per annum, payable semi-annually. Up to the date of approval of these consolidated financial statements, the Bonds have been fully subscribed. The proceeds from the subscribed Bonds will be used for general working capital of the Group and for its business development.

Financial Summary

RESULTS

	For the year ended 31st March				
	2012 HK$'000	2013 HK$'000	2014 HK$'000	2015 HK$'000	**2016 HK$'000**
REVENUE FROM CONTINUING AND DISCONTINUED OPERATIONS	11,174	8,728	12,499	40,353	**11,659**
LOSS BEFORE TAX	(309,254)	(52,742)	(144,097)	(24,972)	**(50,408)**
INCOME TAX (EXPENSE) CREDIT	–	–	–	(173)	**70**
LOSS FOR THE YEAR	(309,254)	(52,742)	(144,097)	(25,145)	**(50,338)**
Loss for the year attributable to:					
Owners of the Company	(306,945)	(52,779)	(144,094)	(25,144)	**(50,338)**
Non-controlling interests	(2,309)	37	(3)	(1)	**–**
	(309,254)	(52,742)	(144,097)	(25,145)	**(50,338)**

ASSETS AND LIABILITIES

	At 31st March				
	2012 HK$'000	2013 HK$'000	2014 HK$'000	2015 HK$'000	**2016 HK$'000**
TOTAL ASSETS	157,239	138,259	36,691	57,113	**22,074**
TOTAL LIABILITIES	(230,630)	(44,857)	(38,664)	(31,238)	**(25,751)**
NET (LIABILITIES) ASSETS	(73,391)	93,402	(1,973)	25,875	**(3,677)**