亞洲煤業
ASIA COAL

Asia Coal Limited
亞洲煤業有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 835)

ANNOUNCEMENT OF ANNUAL AUDITED RESULTS FOR THE YEAR ENDED 31ST MARCH 2010

The board of directors (the "Board") of Asia Coal Limited (the "Company") herein announces the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31st March 2010.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST MARCH 2010

		Continuing Operations		Discontinued Operations		Total	
		2010	2009	**2010**	2009	**2010**	2009
	NOTES	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue	2	**6,866**	9,819	**–**	6,592	**6,866**	16,411
Cost of sales		**(4,613)**	(5,508)	**–**	(4,253)	**(4,613)**	(9,761)
Gross profit		**2,253**	4,311	**–**	2,339	**2,253**	6,650
Other income		**160**	691	**–**	943	**160**	1,634
Selling and distribution expenses		**(7,640)**	(10,662)	**–**	(1,101)	**(7,640)**	(11,763)
Administrative expenses		**(52,643)**	(25,146)	**–**	(1,405)	**(52,643)**	(26,551)
Finance costs	4	**(17,719)**	(10,560)	**–**	(15)	**(17,719)**	(10,575)
Impairment loss on an intangible asset		**(800)**	(5,400)	**–**	–	**(800)**	(5,400)
(Loss) profit before tax		**(76,389)**	(46,766)	**–**	761	**(76,389)**	(46,005)
Taxation	5	**–**	390	**–**	–	**–**	390
Gain on disposal of subsidiaries	8	**–**	–	**–**	10,539	**–**	10,539
(Loss) profit for the year	6	**(76,389)**	(46,376)	**–**	11,300	**(76,389)**	(35,076)
Other comprehensive income (expense):							
Exchange differences arising on translation of foreign operations		**318**	(1,110)	**–**	–	**318**	(1,110)
Total comprehensive (expense) income for the year		**(76,071)**	(47,486)	**–**	11,300	**(76,071)**	(36,186)

	NOTES	Total 2010 HK$'000	Total 2009 HK$'000
Loss for the year attributable to:			
Owners of the Company		**(76,245)**	(35,076)
Minority interests		**(144)**	—
		(76,389)	(35,076)
Total comprehensive expense attributable to:			
Owners of the Company		**(75,928)**	(36,186)
Minority interests		**(143)**	—
		(76,071)	(36,186)
(LOSS) EARNINGS PER SHARE	*7*		
From continuing and discontinued operations			
Basic and diluted		**(4.61) HK cents**	(2.43) HK cents
From continuing operations			
Basic and diluted		**(4.61) HK cents**	(3.22) HK cents
From discontinued operations			
Basic and diluted		**N/A**	0.78 HK cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31ST MARCH 2010

	NOTES	2010 HK$'000	2009 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**3,021**	815
Intangible asset		**—**	800
Exploration and evaluation assets		**383,828**	370,704
Prepayments		**16,278**	12,222
		403,127	384,541
Current assets			
Inventories — finished goods		**1,674**	1,806
Trade and other receivables	*10*	**5,678**	5,642
Pledged bank deposits		**1,719**	1,717
Bank balances and cash		**26,837**	102,039
		35,908	111,204
Current liabilities			
Trade and other payables and accrued charges	*11*	**7,761**	10,382
Amount due to a related party		**200**	200
Obligations under finance leases — due within one year		**48**	85
Secured bank overdrafts		**1,354**	—
		9,363	10,667
Net current assets		**26,545**	100,537
Total assets less current liabilities		**429,672**	485,078
Non-current liabilities			
Obligations under finance leases — due after one year		**101**	55
Convertible bond		**138,203**	120,505
		138,304	120,560
NET ASSETS		**291,368**	364,518
CAPITAL AND RESERVES			
Share capital		**166,192**	165,254
Reserves		**124,931**	199,264
Equity attributable to owners of the Company		**291,123**	364,518
Minority interests		**245**	—
		291,368	364,518

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

(a) The consolidated financial statements have been prepared on the historical cost basis and in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the consolidated financial statements included applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance.

(b) In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that the Group incurred a loss of HK$76,389,000 for the year ended 31st March 2010. The consolidated financial statements have been prepared on a going concern basis as the directors of the Company believe that the following cost-saving measures can improve the Group's liquidity position.

(i) The management have made a detailed cost-saving plan to reduce administrative expenses including directors' emoluments and discretionary bonus.

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

Provided that these measures are successful and can effectively improve the liquidity position of the Group, the directors are satisfied that the Group will have sufficient financial resources to meet its financial obligations as they fall due for the foreseeable future.

(c) In the current year, the Group has applied the following new and revised Standards, Amendments and Interpretations ("new and revised HKFRSs") issued by HKICPA.

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) — Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) — Int 13	Customer Loyalty Programmes
HK(IFRIC) — Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) — Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) — Int 18	Transfers of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1st July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

Except as described below, the adoption of the new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

HKAS 1 (Revised 2007) Presentation of Financial Statements

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

HKFRS 8 Operating Segments

The adoption of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments (see note 3) and changes in the basis of measurement of segment profit or loss, segment assets and segment liabilities.

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

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKFRSs (Amendments)	Improvements to HKFRSs 2010[8]
HKAS 24 (Revised)	Related Party Disclosures[6]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Rights Issues[4]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[3]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[5]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[7]
HK(IFRIC) — Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[6]
HK(IFRIC) — Int 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC) — Int 19	Extinguishing Financial Liabilities with Equity Instruments[5]

1 Effective for annual periods beginning on or after 1st July 2009.
2 Effective for annual periods beginning on or after 1st July 2009 and 1st January 2010, as appropriate.
3 Effective for annual periods beginning on or after 1st January 2010.
4 Effective for annual periods beginning on or after 1st February 2010.
5 Effective for annual periods beginning on or after 1st July 2010.
6 Effective for annual periods beginning on or after 1st January 2011.
7 Effective for annual periods beginning on or after 1st January 2013.
8 Effective for annual periods beginning on or after 1st July 2010 and 1st January 2011, as appropriate.

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after 1st July 2009.

HKAS 27 (Revised) will affect the accounting treatment for changes in the parent's ownership interest in a subsidiary.

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective for annual reporting period beginning on or after 1st January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

The directors of the Company anticipate that the application of other new and revised Standards, Amendments or Interpretations will have no material impact on the financial performance and the financial position of the Group.

2. REVENUE

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

	2010	2009
	HK$'000	*HK$'000*
Continuing operations		
Sales of health and beauty products	**6,866**	9,819
Discontinued operations		
Sales of medical equipment	**—**	6,592
	6,866	16,411

3. SEGMENT INFORMATION

The Group has adopted HKFRS 8 *Operating Segments* with effect from 1st April 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor Standard (HKAS 14, *Segment Reporting*) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segment. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14. Nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss and segment assets and liabilities.

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

1) Health and beauty products
2) Coal mining
3) Medical equipment *(Note)*

Note: The segment was disposed of on 2nd July 2008, details of the discontinued operations are set out in note 8.

Segment revenue and results

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

	Continuing operations						Discontinued operations		Total	
	Health and beauty products		Coal mining		Total		Medical equipment			
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue										
External sales	**6,866**	9,819	**—**	—	**6,866**	9,819	**—**	6,592	**6,866**	16,411
Segment (loss) profit	**(11,023)**	(14,712)	**(4,406)**	(3,326)	**(15,429)**	(18,038)	**—**	602	**(15,429)**	(17,436)
Corporate income										
— Interest income					**44**	659	**—**	83	**44**	742
— Rental income					**—**	—	**—**	91	**—**	91
Central administration costs					**(43,285)**	(18,827)	**—**	—	**(43,285)**	(18,827)
Finance costs					**(17,719)**	(10,560)	**—**	(15)	**(17,719)**	(10,575)
Gain on disposal of subsidiaries					**—**	—	**—**	10,539	**—**	10,539
(Loss) profit before tax					**(76,389)**	(46,766)	**—**	11,300	**(76,389)**	(35,466)

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit (loss) represents the profit earned by each segment without allocation of corporate income, central administration costs, finance costs and gain on disposal of subsidiaries. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

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

	2010	2009
	HK$'000	*HK$'000*
Segment assets		
Health and beauty products	**5,930**	5,754
Coal mining	**402,659**	383,597
Total segment assets	**408,589**	389,351
Other unallocated assets	**30,446**	106,394
Consolidated assets	**439,035**	495,745
Segment liabilities		
Health and beauty products	**4,185**	4,896
Coal mining	**322**	3,667
Total segment liabilities	**4,507**	8,563
Other unallocated liabilities	**143,160**	122,664
Consolidated liabilities	**147,667**	131,227

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

- all assets are allocated to reportable segments other than pledge bank deposits, bank balances and cash and head office assets; and

- all liabilities are allocated to reportable segments other than bank overdrafts, convertible bond and head office liabilities.

Other segment information

	Continuing operations								Discontinued operations		Total	
	Health and beauty products		Coal mining		Unallocated		Total		Medical equipment			
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Amounts included in the measure of segment profit or loss or segment assets:												
Capital expenditure	**2,191**	79	**12,537**	372,308	**427**	159	**15,155**	372,546	**—**	3	**15,155**	372,549
Depreciation	**435**	187	**167**	17	**331**	478	**933**	682	**—**	70	**933**	752
Release of prepaid lease payments	**—**	—	**—**	—	**—**	—	**—**	—	**—**	55	**—**	55
Impairment loss recognised in respect of other receivables	**302**	78	**—**	—	**—**	—	**302**	78	**—**	—	**302**	78
Impairment loss on an intangible asset	**800**	5,400	**—**	—	**—**	—	**800**	5,400	**—**	—	**800**	5,400
(Gain) loss on disposal of property, plant and equipment	**2**	274	**—**	—	**(13)**	—	**(11)**	274	**—**	—	**(11)**	274
Write-down of inventories	**227**	1,285	**—**	—	**—**	—	**227**	1,285	**—**	—	**227**	1,285

Geographical information

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

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

	Revenue from external customers		Non-current assets	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**6,866**	9,589	**2,450**	1,407
PRC	**—**	230	**74**	—
Mongolia	**—**	—	**400,603**	383,134
	6,866	9,819	**403,127**	384,541

Information about major customer

Included in revenue arising from sales of health and beauty products of HK$6,866,000 (2009: HK$9,819,000) are revenue of approximately HK$6,006,000 (2009: HK$9,076,000) which arose from sales to the Group's largest customer.

4. FINANCE COSTS

	Continuing operations		Discontinued operations		Total	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Interest on						
— bank overdrafts	**9**	26	**—**	15	**9**	41
— obligations under finance leases	**12**	13	**—**	—	**12**	13
Effective interest expense on convertible bond	**17,698**	10,521	**—**	—	**17,698**	10,521
	17,719	10,560	**—**	15	**17,719**	10,575

5. TAXATION

	Continuing operations and consolidated total	
	2010	2009
	HK$'000	*HK$'000*
Deferred tax:		
Current year	**—**	(368)
Attributable to a change in tax rate	**—**	(22)
Tax credit for the year	**—**	(390)

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

No tax was payable on the profit from discontinued operations for the year ended 31st March 2009 arising in Hong Kong since the assessable profit was wholly absorbed by tax losses brought forward.

On 26th June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

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

6. (LOSS) PROFIT FOR THE YEAR

	Continuing operations		Discontinued operations		Total	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
(Loss) profit for the year has been arrived at after charging (crediting):						
Staff costs (including directors' remuneration):						
Salaries and other benefits	**29,478**	15,281	**—**	1,308	**29,478**	16,589
Retirement benefits scheme contributions	**310**	268	**—**	39	**310**	307
Equity-settled share-based payment expense	**—**	1,377	**—**	—	**—**	1,377
Total employee benefits expenses	**29,788**	16,926	**—**	1,347	**29,788**	18,273
Auditors' remuneration — Current year	**1,123**	1,242	**—**	—	**1,123**	1,242
Cost of inventories recognised as an expense	**2,833**	4,014	**—**	4,253	**2,833**	8,267
Write-down of inventories	**227**	1,285	**—**	—	**227**	1,285
Depreciation of investment properties and property, plant and equipment	**933**	682	**—**	70	**933**	752
(Gain) loss on disposal of property, plant and equipment	**(11)**	274	**—**	—	**(11)**	274
Net exchange (gain) loss	**(1,364)**	1,233	**—**	5	**(1,364)**	1,238
Operating lease rentals in respect of rented premises	**5,857**	2,453	**—**	—	**5,857**	2,453
Release of prepaid lease payments	**—**	—	**—**	55	**—**	55
Impairment loss recognised in respect of other receivables	**302**	78	**—**	—	**302**	78

7. (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:

	2010	2009
	HK$'000	*HK$'000*
Loss for the year attributable to owners of the Company for the purposes of basic and diluted loss per share	**(76,245)**	(35,076)

	2010	2009
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**1,654,059,019**	1,440,796,672

The calculation of diluted loss per share for the year ended 31st March 2010 and 2009 has not assumed the conversion of the Company's convertible bond and exercise of the share options as these potential ordinary shares are anti-dilutive during the respective financial years.

From continuing operations

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

	2010	2009
	HK$'000	*HK$'000*
Loss for the year attributable to owners of the Company	**(76,245)**	(35,076)
Less: Profit for the year from discontinued operations	**—**	11,300
Loss for the purposes of basic and diluted loss per share from continuing operations	**(76,245)**	(46,376)

The number of shares used are the same as those detailed above for basic and diluted loss per share from continuing and discontinued operations.

From discontinued operations

Basic and diluted earnings per share from the discontinued operations was 0.78 HK cents per share for the year ended 31st March 2009, based on the profit for the year from the discontinued operations of HK$11,300,000 and the number of shares detailed above for basic and diluted loss per share from continuing and discontinued operations.

8. DISCONTINUED OPERATIONS

On 31st January 2008, the Group entered into a sale and purchase agreement with an independent third party to dispose of its entire 100% equity interest in Wealthy Bridge Group Limited ("Wealthy Bridge") (together with its subsidiaries, the "Wealthy Bridge Group"), which carried out all of the Group's business of sale of medical equipment. The disposal was completed on 2nd July 2008, on which the control of Wealthy Bridge Group was passed to the acquirer.

The profit for the year from the discontinued operations is analysed as follows:

	2010	2009
	HK$'000	*HK$'000*
Profit from sale of medical equipment operation for the year	**—**	761
Profit on disposal of the business of sale of medical equipment	**—**	10,539
	—	11,300

9. DIVIDENDS

The directors do not recommend the payment of a final divided for the year (2009: Nil).

10. TRADE AND OTHER RECEIVABLES

	2010	2009
	HK$'000	*HK$'000*
Trade receivables	**225**	1,715
Other receivables, deposits and prepayments	**5,453**	3,927
	5,678	5,642

The Group has a policy of allowing credit periods ranging from 30 days to 90 days to its trade customers. The following is an analysis of trade receivable by age, presented based on the invoice date at the end of the reporting period:

	2010	2009
	HK$'000	*HK$'000*
0 to 90 days	**218**	1,701
91 to 180 days	**—**	7
181 to 365 days	**—**	—
Over 365 days	**7**	7
	225	1,715

11. TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

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

	2010	2009
	HK$'000	*HK$'000*
Trade payables:		
0 to 90 days	**1,503**	3,914
91 to 180 days	**1,235**	130
181 to 365 days	**54**	—
Over 365 days	**464**	290
	3,256	4,334
Deposits received from customers	**102**	57
Accrued charges	**4,352**	5,911
Other payables	**51**	80
	7,761	10,382

EXTRACTED FROM INDEPENDENT AUDITOR'S REPORT

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31st March 2010 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Without qualifying our opinion, we draw attention to note 1(b) to the consolidated financial statements which indicates that the Group incurred a loss of HK$76,389,000 during the year ended 31st March 2010. The directors of the Company have identified a series of measures in order to improve the liquidity position of the Group. The validity of the going concern assumption on which the consolidated financial statements are prepared is highly dependent on the successful implementation of these measures. These conditions, along with other matters as set forth in note 1(b) to the consolidated financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the year, the Group continued to engage in coal mining business and distribution of health and beauty products.

In the coal mining segment, the Group continued to hold the mining right to the Saikhan Ovoo coal deposit in the Bulgan province of Mongolia. Technical assessment on the Saikhan Ovoo coal deposit is being carried out by independent technical adviser appointed by the Group. For the acquisition of Power Field Holdings Limited ("PF"), the Sinotum resources technical assessment was completed during the year. The Company is reviewing the report and is in the course of negotiating with the vendor on alternatives regarding the PF acquisition.

In the health and beauty segment, the Group has expanded its business by opening new Dermagram beauty centers in the second half of the year to promote and sell Dermagram products and provide beauty services to customers.

Financial Review

Results Analysis

For the year ended 31st March 2010, the Group generated a consolidated turnover of approximately HK$6.9 million, representing a decrease of 58.2% as compared to that of last financial year. The Group recorded a gross profit of approximately HK$2.3 million, representing a 66.1% decrease as compared to that of last financial year. The gross profit margin also decreased from 40.5% as recorded in previous year to 32.8% for the year under review. The decrease in turnover, gross profit and gross profit margin was mainly due to the difficult business environment resulting from the keen market competition in the cosmetic and beauty sector. The disposal of the medical equipment trading business in July 2008 also had a negative impact on turnover and gross profit as last year's consolidated income statement included 3 months' turnover and gross profit from the discontinued business for the period before the disposal.

Loss attributable to equity holders of the Company increased to approximately HK$76 million from HK$35 million as recorded in the previous financial year. The increase in loss was mainly due to the increase in administrative expenses, the finance costs on the convertible bond issued in July 2008 as consideration for acquisition of the exploration and evaluation assets and the nonrecurring gain on disposal of subsidiaries of approximately HK$10,539,000 recorded in the previous financial year.

Segmental Analysis

Coal Mining

On 25th January 2008, the Group entered into agreements to acquire Giant Field Group Limited ("GF") and PF. GF, through its wholly-owned subsidiary, SMI LLC ("SMI"), holds the mineral mining and other rights to the Saikhan Ovoo coal deposit in the Bulgan province of Mongolia. PF, through its wholly-owned subsidiary, Sinotum Mongolia LLC ("Sinotum"), holds the mineral exploration and other rights to the Erdenetsogt coal deposit in the Dornogobi province of Mongolia. As disclosed in the Company's circular dated 19th May 2008, the Saikhan Ovoo coal deposit held by SMI has an estimated reserves amount of 69.6 million tonnes, as determined and classified in accordance with the 1981 Classification of Reserves and Resources of Mineral Deposits ("CIS").

Since the completion of the GF acquisition in July 2008, technical assessments on both the coal mine held by SMI and the coal mine held by Sinotum have been carried out by the independent technical advisors appointed by the Group. Approximately HK$13 million and HK$4 million additional expenditures for the SMI technical assessment and the Sinotum resources technical assessment have been incurred during the year and capitalized as exploration and evaluation assets and recorded as prepayments respectively.

The Sinotum resources technical assessment report has been completed. The Company is reviewing the report and is in the course of negotiating with the vendor on alternatives regarding the PF acquisition. Up to the date of approval of the annual report, the SMI technical assessment has not been completed and the actual reserves amount held by SMI as under the JORC Code is to be determined.

Health and Beauty Products

During the year under review, sales of health and beauty products amounted to approximately HK$6.9 million, representing a decrease of HK$3.0 million or 30.1% as compared with that of last financial year. The gross profit of the segment also decreased by HK$2 million or 47.7% to approximately HK$2.3 million this year and the gross profit margin of the segment slid from 43.9% as recorded in previous year to 32.8% this year. The decrease in turnover and gross profit was mainly attributable to the lower contribution by the LaVie brand products. The business environment was difficult with keen competition in the cosmetic and beauty sector. Greater promotional and marketing spending by international cosmetic brands and resources allocation to other new brands by our major distributor have adversely affected LaVie's sales and gross profit margin this year.

The segmental loss for the year decreased to approximately HK$11.0 million from HK$14.7 million as recorded in the previous financial year owing to the nonrecurring impairment loss on intangible asset of HK$5.4 million recorded in last year but was partly offset by the lower turnover and gross profit generated this year.

Financial Resources, Liquidity and Capital Structure

As at 31st March 2010, the Group held cash and bank balances amounting to approximately HK$28,556,000 (2009: HK$103,756,000). As at 31st March 2010, total borrowings of the Group were approximately HK$138,203,000 (2009: HK$102,505,000). The borrowings represented the liability component of the convertible bond issued in July 2008 as consideration for the acquisition of GF. The zero coupon convertible bond of principal amount of HK$218,221,675 is unsecured and has a maturity of five years from the issue date. The gearing ratio, defined as the ratio of total borrowings less cash and bank balances to equity attributable to shareholders of the Company, was 37.7% (2009: 4.6%).

In view of the decrease in cash and bank balances of the Group, the directors of the Company aim to implement a series of cost-saving measures to improve the liquidity of the Group. Provided that these measures are successful and can effectively improve the liquidity of the Group, the directors are satisfied that the Group will have sufficient financial resources to fund its operational requirements.

Charges on Assets

As at 31st March 2010, bank deposits and property, plant and equipment with respective carrying values of approximately HK$1,719,000 and HK$178,000 were pledged to secure the Group's banking facilities and finance lease obligations.

Foreign Exchange Risk Management

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

Capital Commitment

1. As at 31st March 2010, the Group had capital commitments contracted but not provided for in the consolidated financial statements amounting to approximately HK$625,000 in respect of the exploration work to be performed.

2. As at 31st March 2010, the PF acquisition has not been completed and the total consideration for the GF acquisition is subject to adjustment. Pursuant to the GF and PF sale and purchase agreements, the consideration for the GF acquisition and PF acquisition will be determined based on the quantity and quality of coal ore resources and/or reserves held by SMI and Sinotum respectively by reference to the technical assessments prepared by the technical advisers. The consideration for the GF acquisition and PF acquisition can be up to maximum of RMB760 million and RMB3,600 million respectively.

3. On 30th April 2009, the Company entered into a sale and purchase agreement to acquire the entire issued share capital of Seawise Group Limited ("Seawise") ("Seawise Acquisition"). It was originally contemplated that upon completion of a proposed reorganisation, Seawise would indirectly hold 60% and 80% equity interests in 蒲縣晟鵬煤焦有限公司 Puxian Shengpeng Coal & Coke Company Limited ("Puxian Shengpeng") and 古交市玉峁煤業有限公司 Gujiao City Yumao Coal Mining Company Limited ("Gujiao Yumao") respectively, which in turn would beneficially own the coal mine located to the west of Guyi Village, Xueguan Town, Pu County, Shanxi Province ("Guyi Mine") and the coal mine located at Nanjiashan Village, Malan Town, Gujiao City, Shanxi Province ("Gujiao Mine") respectively. However, as a result of the continuing government mandated process of consolidation of coal resources in the Shanxi Province, the mining licence of the Gujiao Mine was transferred and consolidated to a privately-owned PRC consolidating entity. In view of such circumstances, the Company entered into a supplemental agreement on 1st March 2010 to vary certain terms of the original sale and purchase agreement to the effect that Gujiao Yumao and the Gujiao Mine will no longer form part of the Seawise group, instead the vendor agreed to pay an aggregate sum of RMB256,000,000 in cash to a bank account of an indirectly wholly-owned subsidiary of Seawise as the replacement and settlement for the vendor's inability to complete the original reorganisation steps stipulated in the original sale and purchase agreement (the "Settlement").

   The consideration of the Seawise Acquisition amounts to approximately HK$1,524,525,000 (subject to the adjustment mechanism as set out in the Company's circular dated 20th May 2010) and shall be satisfied by the issue of ordinary shares and convertible bonds of the Company.

   The Seawise Acquisition constitutes a very substantial acquisition and a connected transaction under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and was approved by the independent shareholders in a special general meeting held on 9th June 2010.

   As set out in the Company's announcement dated 16th July 2010, the completion of the Seawise Acquisition is conditional upon, among other matters, the completion of the Reorganisation as defined in the Company's circular dated 20th May 2010 (including the Settlement) and the obtaining of all necessary consents and approvals required to be obtained from relevant authorities in respect of the Reorganisation (including the Settlement) and the transactions contemplated thereunder (the "Condition G") on or before 4:00 p.m. on 30th June 2010, or such later date as the vendor and the Company may agree.

   Up to 16th July 2010, the Company has not received any evidence that the Settlement has been effected. As the Condition G has not been fulfilled, the sale and purchase agreement (as amended by any supplemental agreements thereafter) shall have accordingly ceased and terminated. The Company is exploring the possibility of taking legal actions against the vendor and reserves all its rights against the vendor. The Company has not paid any consideration or deposits to the vendor in respect of the Seawise Acquisition.

4. On 30th September 2009, the Group entered into a Sale and Purchase Agreement to acquire the entire issued share capital of Glory Success Group Holdings Limited ("Glory Success") which would indirectly hold 90% interests in a coal mine located at East RongJiaGou Estate, Chengbei Jiechou Village, Shouyang County, Jinzhong City, Shanxi Province in PRC ("Maijie Mine") upon completion of a proposed reorganisation. However, as a result of the policy change for the consolidation of coal resources in Shanxi Province, the Maijie Mine has been mandated to be transferred to certain state-owned enterprises by the Shanxi Government and the reorganisation (which is one of the conditions precedent of the acquisition) could not proceed. Since the conditions precedent could not be fulfilled on or before the long stop date (i.e. 31st March 2010), the sales and purchase agreement was ceased and terminated after the long stop date and thereafter neither contracting party had any obligations and liabilities towards each other.

Contingent Liabilities

As at 31st March 2010, the Group had no significant contingent liabilities.

Prospects and Outlook

It is the Company's long term business development strategy to establish the Group as a coal mining company. Going forward, while continuing the business of distribution of health and beauty products, the coal and energy-related business will be the focus of the Group.

During the year, the Group has identified strategic acquisition opportunities which are in line with the Group's expansion strategy. The Company has entered into two sale and purchase agreements to acquire Seawise and Glory Success as set out in the above capital commitment section. Despite the difficulties encountered for these acquisitions owing to the policy change for consolidation of coal resources in Shanxi Province, the Group will continue to look for acquisition opportunities which will enhance the Group's coal resources and expand its coal business operation.

On 20th June 2010, the Company entered into a non-legally binding memorandum of understanding ("MOU") in respect of the possible acquisition of 90% beneficial interests in the two coal mines located in Shanxi Province, the PRC ("Mines"). Pursuant to the representation given by the vendor under the MOU, the aggregate coal resources of the Mines as determined under Chinese resource estimate standards shall be approximately 180,000,000 tonnes. The total consideration will be determined after post completion of technical and commercial due diligence by reference to the reserves and/or resources of the Mines as assessed under the appropriate reporting standard in compliance with the Listing Rules and will be in the range of HK$36 to HK$50 per tonne of reserves and/or resources of the Mines. The consideration of the proposed acquisition is intended to be settled by the Company by way of issuing convertible bonds, and/or cash and/or any combination thereof. The proposed acquisition will provide the Group with opportunity to further invest in the coal industry in the PRC.

The Group will continue to look for strategic acquisitions and partnership opportunities which are in line with the Group's expansion strategy or provide synergy to its principal business activities. The Group will also consider whether any asset disposal, asset acquisition, fixed assets redeployment, business rationalization, business divestment and/or business diversification will be appropriate in order to enhance the long-term growth potential of the Group.

Human Resources

As at 31st March 2010, the Group had a total of 58 employees. The Group believes its success and long-term growth depends primarily on the quality, performance and commitment of its employees. To ensure that the Group attracts and retains competent staff, remuneration packages are reviewed on a regular basis. Discretionary bonuses and share options are also offered to qualified employees based on individual and Group performance.

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.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors, the Company has complied with the code provisions listed in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Listing Rules throughout the accounting period covered by the annual results, with the exception of the following deviation:

The Separate Roles of Chairman and Chief Executive Officer

The Company does not have two separate chairman and chief executive officer, and Ms. Hu Suling currently holds both positions. This constitutes a deviation from code provision A.2.1 of the Code. However, the Board believes that vesting the roles of both chairman and chief executive officer in the same person provides the Group with strong and consistent leadership and allows for more effective planning and execution of long term business strategies. The Board continually reviews the effectiveness of the Group's corporate governance structure to assess whether any changes, including the separation of the positions of chairman and chief executive officer, are necessary.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. The Company, having made specific enquiry, confirms that all directors of the Company have fully complied with the Model Code throughout the financial year ended 31st March 2010.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") comprises three independent non-executive directors namely, Mr. Li Kar Fai, Peter (chairman), Mr. Ho Man Kin, Tony and Professor Wang Lijie, and one non-executive director namely Mr. Yeung Ting Lap, Derek Emory. Mr. Li Kar Fai, Peter, the chairman of the Audit Committee, has professional qualification and in-depth experience in accounting and corporate finance. No member of the Audit Committee is a member of the former or existing auditors of the Company.

The primary duties are to review the accounting principles and practices adopted by the Group, as well as to discuss and review the internal control and financial reporting matters of the Company. The Audit Committee of the Company has reviewed the Group's 2010 annual results.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31st March 2010 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

REMUNERATION COMMITTEE

The remuneration committee of the Company (the "Remuneration Committee") was established by the Company to establish policies, review and determine the remuneration of the directors and the senior management. The Remuneration Committee comprises three independent non-executive directors namely Mr. Ho Man Kin, Tony (chairman), Mr. Li Kar Fai, Peter and Professor Wang Lijie and one non-executive director namely Mr. Yeung Ting Lap, Derek Emory.

The remuneration policies for the Company as well as the directors are market alignment and reward for performance. The Company reviews the remuneration package annually taking into consideration of the market practice, competitive market position and individual performance.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is available for viewing on the website of the Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and on the website of the Company at http://www.irasia.com/listco/hk/asiacoal. The annual report will be dispatched to the shareholders of the Company and will be published on the same websites in due course.

By Order of the Board
Asia Coal Limited
Hu Suling
Chairman and Chief Executive Officer

Hong Kong, 19th July 2010

As at the date of this announcement, the Board comprises (i) Ms. Hu Suling, Mr. Kwok Wing Leung, Andy, Mr. Jin Langchuan and Mr. Sun David Lee as executive directors; (ii) Mr. Yeung Ting Lap, Derek Emory, Ms. Nie Fei, Mr. Li Ruihai and Mr. Yip Toutou as non-executive directors; and (iii) Ms. Chiu Kam Hing, Kathy, Mr. Ho Man Kin, Tony, Mr. Li Kar Fai, Peter, Ms. Lu He and Professor Wang Lijie as independent non-executive directors.