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 2011

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 2011.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST MARCH 2011

	NOTES	**2011** **HK$'000**	2010 HK$'000
Revenue	*3*	**8,531**	6,866
Cost of sales		**(6,677)**	(4,613)
Gross profit		**1,854**	2,253
Other income	*5*	**10,296**	160
Selling and distribution expenses		**(22,788)**	(7,640)
Administrative expenses		**(31,024)**	(52,643)
Finance costs	*6*	**(20,907)**	(17,719)
Impairment loss on prepayments		**(15,653)**	–
Compensation expense on rescission of contract		**(129,468)**	–
Impairment loss on an intangible asset		**–**	(800)
Loss before tax		**(207,690)**	(76,389)
Taxation	*7*	**–**	–
Loss for the year	*8*	**(207,690)**	(76,389)
Other comprehensive income:			
Exchange differences arising on translation of foreign operations		**499**	318
Total comprehensive expense for the year		**(207,191)**	(76,071)
Loss for the year attributable to:			
Owners of the Company		**(207,064)**	(76,245)
Non-controlling interests		**(626)**	(144)
		(207,690)	(76,389)

	NOTES	2011 HK$'000	2010 HK$'000
Total comprehensive expense attributable to:			
Owners of the Company		**(206,576)**	(75,928)
Non-controlling interests		**(615)**	(143)
		(207,191)	(76,071)
LOSS PER SHARE	*9*		
Basic and diluted		**(12.42) HK cents**	(4.61) HK cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31ST MARCH 2011

	NOTES	**2011** **HK$'000**	2010 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**9,844**	3,021
Exploration and evaluation assets		**391,349**	383,828
Prepayments		**–**	16,278
		401,193	403,127
Current assets			
Inventories – finished goods		**1,556**	1,674
Trade and other receivables	*11*	**6,231**	5,678
Pledged bank deposits		**1,720**	1,719
Bank balances and cash		**5,946**	26,837
		15,453	35,908
Current liabilities			
Trade and other payables and accrued charges	*12*	**14,737**	7,761
Amounts due to related parties		**20,768**	200
Amount due to a non-controlling shareholder of a subsidiary		**2,812**	–
Obligations under finance leases – due within one year		**30**	48
Convertible bonds		**158,501**	–
Secured bank overdrafts		**1,331**	1,354
		198,179	9,363
Net current (liabilities) assets		**(182,726)**	26,545
Total assets less current liabilities		**218,467**	429,672
Non-current liabilities			
Obligations under finance leases – due after one year		**71**	101
Convertible bonds		**63,941**	138,203
		64,012	138,304
Net assets		**154,455**	291,368
CAPITAL AND RESERVES			
Share capital		**166,875**	166,192
Reserves		**(12,050)**	124,931
Equity attributable to owners of the Company		**154,825**	291,123
Non-controlling interests		**(370)**	245
		154,455	291,368

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2011

1. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

(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 its current liabilities exceed its current assets by HK$182,726,000 as at 31st March 2011 and incurred a loss of approximately HK$207,690,000 for the year then ended. The convertible bonds, which were classified as the current liabilities as at 31st March 2011, with the principal amount of HK$52 million were converted to the share capital of the Company in June 2011. Also, the Group had obtained the confirmations from the remaining convertible bonds holders that they agreed not to redeem the convertible bonds in the next twelve months from the date of approval of these consolidated financial statements. In addition, the Group also obtained a confirmation from a director that the said director will not demand the repayment of the amount due to him of approximately HK$19.6 million in the next twelve months from the date of approval of these consolidated financial statements.

Additionally, the directors have a plan to raise additional funds to improve the cash position of the Group including negotiating with an independent third party to issue a convertible bond amounting to approximately HK$30 million in the next twelve months from the date of approval of these consolidated financial statements. Further to the fundraising plan as mentioned above, 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 the fundraising plan and the cost-saving 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.

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

New and revised standards and interpretations applied in the current year

In the current year, the Group has applied the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (as revised in 2008)	Business Combinations
HKAS 27 (as revised in 2008)	Consolidated and Separate Financial Statements
HKAS 32 (Amendments)	Classification of Right Issues
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners
HK – Int 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Except as described below, the application of the new and revised HKFRSs in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

Amendments to HKAS 1 Presentation of Financial Statements (as part of Improvements to HKFRSs issued in 2009)

The amendments to HKAS 1 clarify that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current.

In line with the amendments to HKAS 1, the Group has classified the liability component of convertible bonds issued in the current year as non-current based on when cash settlement may be required to be made. As at 31st March 2011, the liability component of the convertible bonds with the carrying amount of HK$63,941,000 has been presented as non-current liabilities.

HKAS 27 (as revised in 2008) Consolidated and Separate Financial Statements

The application of HKAS 27 (as revised in 2008) has resulted in changes in the Group's accounting policies for attribution of loss to non-controlling interests.

HKAS 27 (Revised) requires the Group to allocate the total comprehensive income and expense of a subsidiary to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Previously, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

The application of HKAS 27 (as revised in 2008) has resulted in an decrease in loss and other comprehensive expenses attributable to owners of the Company by HK$564,000 and nil, respectively, and an increase in loss and other comprehensive expenses for the year attributable to non-controlling interests by the same amounts. The effects on the basic and diluted loss per share are insignificant.

New and revised Standards and Interpretations issued but not yet effective

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

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010[1]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[3]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[4]
HKFRS 11	Joint Arrangements[4]
HKFRS 12	Disclosure of Interests in Other Entities[4]
HKFRS 13	Fair Value Measurement[4]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[5]
HKAS 24 (as revised in 2009)	Related Party Disclosures[6]
HKAS 27 (as revised in 2011)	Separate Financial Statements[4]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[4]
HK(IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[6]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[2]

1 Effective for annual periods beginning on or after 1st July 2010 or 1st January 2011, as appropriate.
2 Effective for annual periods beginning on or after 1st July 2010.
3 Effective for annual periods beginning on or after 1st July 2011.
4 Effective for annual periods beginning on or after 1st January 2013.
5 Effective for annual periods beginning on or after 1st January 2012.
6 Effective for annual periods beginning on or after 1st January 2011.

HKFRS 9 *Financial Instruments* (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 *Financial instruments* (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

The application of HKFRS 9 *Financial Instruments* (as issued in November 2009) will not affect the classification and measurement of the Group's financial assets. The Group's financial assets are classified as loans and receivables and are held within a business model with an objective to collect the contractual cash flows and the contractual cash flows that are solely payments of principal and interest on the principal outstanding so these financial assets will continue to be measured at amortised cost.

The application of HKFRS 9 *Financial Instruments* (as issued in November 2010) will not affect the classification and measurement of the Group's financial liabilities.

HKFRS 9 is effective for annual periods beginning on or after 1st January 2013, with earlier application permitted.

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

3. REVENUE

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

	2011 ***HK$'000***	2010 *HK$'000*
Sales of health and beauty products	**6,918**	6,866
Provision of beauty services	**882**	–
Provision of logistic services	**731**	–
	8,531	6,866

4. SEGMENT INFORMATION

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

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

Segment revenue and results

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

	Health and beauty products and services		Coal mining		Logistic services		Total	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue								
External sales	**7,800**	6,866	**–**	–	**731**	–	**8,531**	6,866
Segment loss	**(25,280)**	(11,023)	**(18,415)**	(4,406)	**(1,153)**	–	**(44,848)**	(15,429)
Unallocated income								
– Interest income							**4**	44
– Compensation income							**10,000**	–
Unallocated expenses								
– Compensation expense on rescission of contract							**(129,468)**	–
– Central administration costs							**(22,471)**	(43,285)
– Finance costs							**(20,907)**	(17,719)
Loss before tax							**(207,690)**	(76,389)

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment loss represents the loss incurred by each segment without allocation of interest income, compensation income, compensation expense on rescission of contract, 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.

5. OTHER INCOME

	2011	2010
	HK$'000	*HK$'000*
Interest income	**4**	44
Compensation income	**10,000**	–
Others	**292**	116
	10,296	160

6. FINANCE COSTS

	2011	2010
	HK$'000	*HK$'000*
Interest on		
– bank overdrafts	**16**	9
– obligations under finance leases	**8**	12
Effective interests expense on convertible bonds	**20,883**	17,698
	20,907	17,719

7. TAXATION

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

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

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

8. LOSS FOR THE YEAR

	2011	2010
	HK$'000	*HK$'000*
Loss for the year has been arrived at after charging (crediting):		
Staff costs (including directors' remuneration):		
Salaries and other benefits	**18,021**	29,478
Retirement benefits scheme contributions	**446**	310
Equity-settled share-based payment expense	**3,122**	–
Total employee benefits expenses	**21,589**	29,788
Auditors' remuneration		
– Current year	**1,226**	1,123
Cost of inventories recognised as an expense	**3,338**	2,833
Write-down of inventories	**–**	227
Depreciation of property, plant and equipment	**2,599**	933
Loss (gain) on disposal of property, plant and equipment	**80**	(11)
Operating lease rentals in respect of rented premises	**10,659**	5,857
Impairment loss recognised in respect of other receivables	**1,300**	302
Net exchange gain	**(3,104)**	(1,364)

9. LOSS PER SHARE

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

	2011	2010
	HK$'000	*HK$'000*
Loss for the year attributable to owners of the Company for the purposes of basic and diluted loss per share	**(207,064)**	(76,245)

	2011	2010
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**1,667,630,060**	1,654,059,019

The calculation of diluted loss per share for the year ended 31st March 2011 and 2010 has not assumed the conversion of the Company's convertible bonds and exercise of the share options as these potential ordinary shares are anti-dilutive during the respective financial years.

10. DIVIDENDS

The directors do not recommend the payment of a final dividend for the year (2010: Nil).

11. TRADE AND OTHER RECEIVABLES

	2011	2010
	HK$'000	*HK$'000*
Trade receivables	**708**	225
Other receivables, deposits and prepayments	**5,523**	5,453
	6,231	5,678

The Group has a policy of allowing credit periods ranging from 15 days to 90 days to its trade customers. The following is an analysis of trade receivable by age, presented based on the invoice date at the end of the reporting period:

	2011	2010
	HK$'000	*HK$'000*
0 to 90 days	**708**	218
91 to 180 days	**–**	–
181 to 365 days	**–**	–
Over 365 days	**–**	7
	708	225

12. TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

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

	2011	2010
	HK$'000	*HK$'000*
Trade payables:		
0 to 90 days	**3,577**	1,503
91 to 180 days	**1,780**	1,235
181 to 365 days	**–**	54
Over 365 days	**523**	464
	5,880	3,256
Deposits received from customers	**2,383**	102
Accrued charges	**5,216**	4,352
Other payables	**1,258**	51
	14,737	7,761

SUMMARY OF THE INDEPENDENT AUDITOR'S REPORT

The following are extracted from the independent auditor's report with modification:

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 2011, 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.

Emphasis of matter

Without qualifying our opinion, we draw attention to note 2 to the consolidated financial statements which indicates that the Group incurred a loss of HK$207,690,000 during the year ended 31st March 2011 and, as of that date, the Group's current liabilities exceed its current assets by HK$182,726,000. The directors of the Company are implementing a fundraising plan and 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 the plan and these measures. These conditions, along with other matters as set forth in note 2 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 and services and has also expanded into coal transportation business.

In the coal mining segment, the Group continues to hold the mining right to the Saikhan Ovoo coal deposit in the Bulgan province of Mongolia. The JORC compliant Resources Report prepared by an independent technical adviser shows estimated resources for the Saikhan Ovoo coal deposit in excess of 190 million tonnes as follows:

JORC Class	Volumn, m^3	Tonnes
Measured	6,565,000	11,467,000
Indicated	64,852,000	112,831,000
Inferred	39,057,000	69,494,000
Total	110,474,000	193,792,000

During the year, the Group has engaged 中煤國際工程集團武漢設計研究院 (Wuhan Design & Research Institute of Sino-Coal International Engineering Group) (the "Design Institute") for the feasibility and coal mine and washing plant design in relation to the Saikhan Ovoo coal deposit. The design calls for an estimated production capacity of 2.5 million tonnes of raw coal per annum. The Design Institute is still in the process of preparing the feasibility and design.

During the year under review, the Group has also expanded into the coal transportation business and provides trucking transportation in Mongolia and from Mongolia to China. The Group has encountered various problems such as border crossing control and truck driver management which has limited the transportation volume and is now in the process of correcting the problems.

In the health and beauty segment, four additional new Dermagram shops or beauty centers have been opened during the year to provide better services to the customers. With more new shops, the Group has ceased to distribute Dermagram products through the major distributor so that the Group has more flexibility and greater control over the pricing and marketing strategies of Dermagram. The Group has also ceased to distribute LaVie products through the major distributor from November 2010 as the health and beauty segment now focuses its efforts on the Dermagram brand.

Financial Review

Results Analysis

For the year ended 31st March 2011, the Group generated a consolidated turnover of approximately HK$8.5 million, representing an increase of HK$1.7 million or 24.2% as compared to that of last financial year. The increase in turnover was mainly due to the higher sales income generated by the new Dermagram shops and beauty centers and the introduction of the logistic services business.

The Group recorded a gross profit of approximately HK$1.9 million, representing a HK$0.4 million or 17.7% decrease as compared to that of last financial year. The gross profit margin also decreased from 32.8% as recorded in previous year to 21.7% for the year under review. The lower gross profit and gross profit margin were mainly attributable to the gross loss recorded by the logistic services business.

Loss attributable to owners of the Company increased to approximately HK$207 million from HK$76 million as recorded in the previous financial year. The increase in loss was mainly due to the increase in selling and distribution expenses by approximately HK$15.1 million, impairment loss on prepayments of approximately HK$15.7 million and loss incurred on issue of the Termination Convertible Bonds of approximately HK$129 million in relation to the termination of the PF Agreement, as defined in the Material Acquisitions section below.

Segmental Analysis

Coal Mining

<u>Saikhan Ovoo Coal Deposit</u>

Approximately HK$4 million additional expenditures for the exploration and review works of the Saikhan Ovoo coal deposit performed by technical adviser and consultants were incurred and capitalized as exploration and evaluation assets during the year.

<u>Termination of PF Acquisition</u>

As a result of the termination of PF Agreement as described in the Material Acquisitions section below, the prepayments which represented payments made to technical advisers for conducting technical assessment on the Erdenetsogt coal deposit (the "Sinotum Resources Technical Assessment") amounting to HK$15,653,000 were fully impaired during the year.

Logistic Services

During the year under review, coal transportation service income amounted to approximately HK$0.7 million and gross loss of the segment amounted to approximately HK$0.7 million. The new logistic services business was in its initial setup stage. The service income was unsteady due to reasons including unstable border crossing capacity and fuel shortage in Mongolia. The fleet was not working at its full capacity while the operating costs were partly fixed in nature. The logistic services business therefore incurred segment loss of approximately HK$1.2 million for the year.

Health and Beauty Products and Services

During the year under review, sales of health and beauty products and provision of beauty services amounted to approximately HK$7.8 million, representing an increase of HK$0.9 million or 13.6% as compared with that of last financial year. Gross profit of the segment also increased by HK$0.3 million or 12.2% to approximately HK$2.5 million this year. Opening more Dermagram shops and beauty centers has contributed to the increase in sales and gross profit. However, the gross profit margin of the segment slightly slid from 32.8% as recorded in previous year to 32.4% this year mainly due to the lower profit margin contributed by the new OEM products introduced during the year.

The segmental loss for the year increased to approximately HK$25.3 million from HK$11.0 million as recorded in the previous financial year owing to the significant increase in selling and distribution expenses as more Dermagram shops and beauty centers have been opened and greater advertising and marketing spending was incurred for Dermagram to enhance brand recognition.

Financial Resources, Liquidity and Capital Structure

As at 31st March 2011, the Group held cash and bank balances amounting to approximately HK$7,666,000 (2010: HK$28,556,000) while the total borrowings of the Group were approximately HK$246,165,000 (2010: HK$138,203,000). As at 31st March 2011, the borrowings represented the liability component of the convertible bond issued in July 2008 (the "GF Convertible Bonds") and the Termination Convertible Bonds issued in February 2011. The GF Convertible Bonds and the Termination Convertible Bonds with respective principal amounts of HK$218,221,675 and HK$110,000,000 are zero coupon, unsecured and have a maturity of five years from the issue date. The holders of the convertible bonds have the right to require the Company to redeem at 100% of the principal amount of all or part of the outstanding amount of the convertible bonds from the next date following the third anniversary of the issue date to the date immediately before the maturity date. As at 31st March 2011, the borrowings also included bank overdrafts and amount due to a related party and a non-controlling shareholder of a subsidiary. The gearing ratio, defined as the ratio of total borrowings less cash and bank balances to equity attributable to owners of the Company, was 154.0% (2010: 37.7%).

On 16th June 2011, GF Convertible Bonds with principal amount of HK$52,000,000 was converted into 208,000,000 ordinary shares of HK$0.10 each of the Company at the conversion price of HK$0.25 per share.

In view of the decrease in cash and bank balances and the increase in gearing ratio of the Group, the Group had obtained the confirmations from the convertible bonds holders that they agreed not to redeem the convertible bonds in the next twelve months from the date of approval of these consolidated financial statements. In addition, the Group also obtained a confirmation from a director that the said director will not demand the repayment of the amount due to him of approximately HK$19.6 million in the next twelve months from the date of approval of these consolidated financial statements. Additionally, the directors have a plan to raise additional funds to improve the cash position of the Group including negotiating with an independent third party to issue a convertible bond amounting to approximately HK$30 million in the next twelve months from the date of approval of these consolidated financial statements. Provided that the fundraising plan and the cost-saving measures are successful and can effectively improve the liquidity of the Group, the directors are satisfied that the Group will have sufficient financial resources to meet its financial obligations as they fall due for the foreseeable future.

Charges on Assets

As at 31st March 2011, bank deposits and property, plant and equipment with respective carrying values of approximately HK$1,720,000 and HK$113,000 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 sales, 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.

Material Acquisitions

1. As disclosed in the Company's annual report 2009/10, on 25th January 2008, the Company entered into an agreement (the "GF Agreement") to acquire Giant Field Group Limited ("GF") which, through its wholly-owned subsidiary, SMI LLC ("SMI"), holds the mining right to the Saikhan Ovoo coal deposit. As at 31st March 2011, the total consideration for the GF acquisition is subject to adjustment and will be determined based on the Proved Coal Ore Reserves and Probable Coal Ore Reserves 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. Pursuant to the GF Agreement, the Company should deliver to the vendor the SMI Technical Assessment within 24 months following the completion of the GF acquisition, i.e. on or before 29th July 2010. In light of the positive results of the resources report as set out in the Company's announcements dated 9th August 2010 and 10th December 2010, the Company entered into extension letters with the vendor and the guarantor to extend the delivery date of the SMI Technical Assessment to 31st March 2012.

2. On 25th January 2008, the Group entered into an agreement (the "PF Agreement") to acquire Power Field Holdings Limited ("PF") which indirectly holds the mineral exploration rights to the Erdenetsogt coal deposit in the Dornogobi province of Mongolia.

   As set out in the circular of the Company dated 28th January 2011, due to the change of circumstances and business environment, the Company entered into a deed of settlement (the "Deed of Settlement") with the vendor and the guarantor to terminate the PF Agreement on 1st November 2010.

The settlement consideration payable by the Company under the Deed of Settlement included (i) the issue of the five-year zero coupon convertible bonds in the principal amount of HK$110,000,000 at an initial conversion price of HK$0.20 per share ("Termination Convertible Bonds") by the Company to the vendor; and (ii) the payment in cash to reimburse of the vendor and the guarantor of the fees and disbursements of the advisers incurred by them in connection with the preparation and negotiations of the Deed of Settlement, the Termination Convertible Bonds and other related documents and any transactions contemplated by such documents provided that such fees shall be up to an amount not exceeding HK$800,000.

The Deed of Settlement was approved by the independent shareholders of the Company in a special general meeting held on 16th February 2011. Upon fulfillment of conditions of the Deed of Settlement, the Termination Convertible Bonds was issued on 28th February 2011 and approximately HK$129 million compensation expense on rescission of contract was recognized in the consolidated statement of comprehensive income during the year.

3. On 30th April 2009, the Company as the purchaser, Wonder Champion Investment Limited as the vendor, and Mr. Zeng Jian as the guarantor entered into a sale and purchase agreement pursuant to which the Company conditionally agreed to acquire from the vendor the entire issued share capital of Seawise Group Limited (the "Seawise Acquisition"). Both the vendor and the guarantor were independent third parties of the Company. Details are set out in the circular of the Company dated 20th May 2010. Since the vendor was unable to fulfil certain conditions precedent, the Seawise Acquisition was terminated. On 28th July 2010, the Company entered into a deed of settlement with the director of the vendor/controlling shareholder and the guarantor. Pursuant to the deed of settlement, the guarantor has agreed to compensate the Company a total sum of HK$50 million with HK$10 million already paid to and received by the Company and the remaining HK$40 million to be paid within 6 months of the deed of settlement in cash and/or issued shares of Hong Kong listed issuer tradable on The Stock Exchange of Hong Kong Limited.

   Up to the date of approval of these consolidated financial statements, the Group has not yet received the balance of the compensation of HK$40 million. In the opinion of the directors, the realisation of the remaining HK$40 million is uncertain, therefore it is not recognised in the consolidated financial statements for the year ended 31st March 2011. While continuing its discussions with Zeng Jian, the Company is also exploring legal alternatives to recover the unpaid balance of HK$40,000,000.

Capital Commitment

As at 31st March 2011, the Group had capital commitments contracted but not provided for in the consolidated financial statements amounting to approximately HK$251,000 in respect of the exploration work to be performed.

Contingent Liabilities

As at 31st March 2011, the Group had no significant contingent liabilities.

Prospects and Outlook

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

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 2011, the Group had a total of 90 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

Ms. Hu Suling held both positions of chairman and chief executive officer of the Company during the period from 1st April 2010 to 27th September 2010 until her resignation with effect from 28th September 2010. Hence, during the said period from 1st April 2010 to 27th September 2010, the Company did not have a separate chairman and chief executive officer and 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. Currently, the Company does not have chief executive officer.

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 2011.

AUDIT COMMITTEE

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

The primary duties of the Audit Committee are to review the accounting principles and practices adopted by the Group, as well as to discuss and review the internal control and financial reporting matters of the Company. The Audit Committee has reviewed the Group's annual results for the year ended 31st March 2011.

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 2011 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 two independent non-executive directors namely Mr. Ho Man Kin, Tony (chairman) and Mr. Li Kar Fai, Peter and one non-executive director namely Mr. Yeung Ting Lap, Derek Emory.

The remuneration policies for the Company as well as the directors are market alignment and reward for performance. The Company reviews the remuneration package annually taking into consideration 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 www.asiacoallimited.com. 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
Chen Yunfei
Chairman

Hong Kong, 30th June 2011

As at the date of this announcement, the Board comprises (i) Mr. Chen Yunfei, Mr. Jin Langchuan, Mr. Sun David Lee and Mr. Kwok Wing Leung, Andy as executive directors of the Company; (ii) Mr. Yeung Ting Lap, Derek Emory as non-executive director of the Company; and (iii) Ms. Lu He, Ms. Chiu Kam Hing, Kathy, Mr. Ho Man Kin, Tony and Mr. Li Kar Fai, Peter as independent non-executive directors of the Company.