Asia Coal Limited
亞洲煤業有限公司

(Incorporated in Bermuda with limited liability)
(Stock Code: 835)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2016

The board (the "Board") of directors (the "Directors") of Asia Coal Limited (the "Company") announces the unaudited interim results of the Company and its subsidiaries (together, the "Group") for the six months ended 30th September 2016, together with the unaudited comparative figures for the corresponding period in 2015 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended 30th September 2016

	Notes	**Six months ended 30th September** **2016** ***HK$'000*** **(unaudited)**	2015 *HK$'000* (unaudited)
Revenue	3	**6,638**	6,860
Cost of sales		**(6,322)**	(6,452)
Gross profit		**316**	408
Other income		**3**	23
Selling and distribution expenses		**(27)**	(24)
Administrative expenses		**(25,968)**	(19,774)
Finance costs	4	**(1,568)**	(205)
Loss before tax		**(27,244)**	(19,572)
Income tax expense	5	**–**	(5)
Loss for the period	6	**(27,244)**	(19,577)

	Notes	Six months ended 30th September **2016** **HK$'000** **(unaudited)**	2015 *HK$'000* (unaudited)
Other comprehensive income (expense):			
Item that will not be reclassified to profit or loss:			
Exchange differences arising on translation to presentation currency		**1,110**	–
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(214)**	20
		896	20
Total comprehensive expense for the period		**(26,348)**	(19,557)
Loss for the period attributable to owners of the Company		**(27,244)**	(19,577)
Total comprehensive expense attributable to owners of the Company		**(26,348)**	(19,557)
LOSS PER SHARE	7		
Basic and diluted (HK cents)		**(0.28)**	(0.21)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th September 2016

	Notes	At 30th September 2016 *HK$'000* (unaudited)	At 31st March 2016 *HK$'000* (audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**3,665**	4,598
Exploration and evaluation assets		**–**	–
		3,665	4,598
Current assets			
Trade and other receivables	9	**8,650**	10,109
Bank balances and cash		**7,491**	7,367
		16,141	17,476
Current liabilities			
Trade and other payables and accrued charges	10	**11,134**	11,403
Amounts due to a related party		**8,589**	9,407
Other borrowings		**2,707**	2,803
Obligations under finance leases		**142**	139
		22,572	23,752
Net current liabilities		**(6,431)**	(6,276)
Total assets less current liabilities		**(2,766)**	(1,678)
Non-current liabilities			
Other borrowings		**1,204**	1,727
Obligations under finance leases		**200**	272
Unlisted bonds	11	**25,855**	–
		27,259	1,999
Net liabilities		**(30,025)**	(3,677)
CAPITAL AND RESERVES			
Share capital		**96,078**	96,078
Reserves		**(126,103)**	(99,755)
Equity attributable to owners of the Company		**(30,025)**	(3,677)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the six months ended 30th September 2016

1. BASIS OF PREPARATION

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

In preparing the condensed consolidated financial statements, the Directors have given careful consideration to the future liquidity of the Group in light of the fact that its current liabilities exceeded its current assets by approximately HK$6,431,000 as at 30th September 2016, its total liabilities exceeded its total assets by approximately HK$30,025,000 as of that date and the Group incurred a loss of approximately HK$27,244,000 for the period 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 11, the unlisted 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, the Company has obtained a loan facility from an independent third party, in an aggregate principal amount of HK$45 million, at an interest rate of 7% per annum for a term of 2 years.

(iv) Subsequent to the end of the reporting period, Sharp Victory Holdings Limited ("Sharp Victory") has agreed not to demand repayment of the amount due to it by the Group of approximately HK$9 million as at 30th September 2016 in the next twelve months from the date of approval of these condensed consolidated financial statements. Sharp Victory has also agreed to provide continuous financial support to the Group as and when necessary to enable the Group to meet its financial obligations, as and when they fall due for the foreseeable future.

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st March 2016.

In the current interim period, the Group has applied, for the first time, the following amendments to HKFRSs issued by the HKICPA.

Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle

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

3. SEGMENT INFORMATION

The Group determines its operating segments based on the reports reviewed by the chief operating decision maker, the Chairman of the Group, for the purposes of resource allocation and performance assessment. 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) Coal trading

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

	Coal mining		**Coal trading**		**Total**	
	Six month ended 30th September		**Six month ended 30th September**		**Six month ended 30th September**	
	2016	2015	**2016**	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)
Revenue						
External sales	**–**	–	**6,638**	6,860	**6,638**	6,860
Segment loss	**(260)**	(419)	**(348)**	(1,698)	**(608)**	(2,117)
Unallocated income						
– Interest income					**3**	5
– Other income					**–**	18
Unallocated expenses						
– Central administration costs					**(25,071)**	(17,273)
– Finance costs					**(1,568)**	(205)
Loss before tax					**(27,244)**	(19,572)

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

4. FINANCE COSTS

	Six months ended 30th September	
	2016	2015
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interest on:		
– obligations under finance leases	**8**	11
– other borrowings	**156**	194
– unlisted bonds	**1,404**	–
	1,568	205

5. TAXATION

Under the Law of the People's Republic of China (the "PRC") 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 periods.

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

6. LOSS FOR THE PERIOD

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

	Six months ended 30th September	
	2016	2015
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Directors' remuneration	**4,026**	4,017
Depreciation of property, plant and equipment	**963**	1,379
Loss on disposal of property, plant and equipment	**–**	35
Operating lease rentals in respect of rented premises	**1,982**	2,026
Net exchange loss	**656**	144
Interest income	**(3)**	(5)

7. LOSS PER SHARE

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

	Six months ended 30th September 2016 HK$'000 (unaudited)	2015 HK$'000 (unaudited)
Loss for the period attributable to owners of the Company for the purposes of basic and diluted loss per share	**(27,244)**	(19,577)

	Six months ended 30th September 2016 (unaudited)	2015 (unaudited)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**9,607,753,752**	9,147,240,309

The calculation of diluted loss per share for the six months ended 30th September 2016 and 2015 has not assumed the exercise of the share options as the exercise price of these options was higher than the average market price for the corresponding periods.

8. DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the period (2015: nil).

9. TRADE AND OTHER RECEIVABLES

The credit term is 60 days from the date of invoices. The following is an analysis of trade receivable by age, presented based on the invoice date at the end of the reporting period:

	At 30th September 2016 HK$'000 (unaudited)	At 31st March 2016 HK$'000 (audited)
Trade receivables:		
0 to 90 days	**6,003**	3,114
91 to 180 days	**–**	2,694
	6,003	5,808
Other receivables, deposits and prepayments	**2,647**	4,301
	8,650	10,109

10 TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

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

	At 30th September 2016	At 31st March 2016
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Trade payables:		
0 to 90 days	**2,623**	2,633
91 to 180 days	**74**	1,095
181 to 365 days	**1,063**	98
	3,760	3,826
Accrued charges	**7,365**	7,568
Other payables	**9**	9
	11,134	11,403

11. UNLISTED BONDS

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 equivalent to 100% of the principal amount of the Bonds. The Bonds bear interest at the fixed rate of 7% per annum, payable semi-annually. During the period ended 30th September 2016, the Bonds have been fully subscribed. The proceeds from the subscribed bonds has been used for general working capital of the group and for its business development.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the six months ended 30th September 2016 (the "Period"), the Group continued to engage in coal mining and coal trading business.

Financial Review

Results Analysis

The Group's unaudited consolidated revenue for the Period was approximately HK$6,638,000, representing a slightly 3% decrease from approximately HK$6,860,000 recorded in the corresponding period last year. The Group recorded a gross profit of approximately HK$316,000, representing a 23% decrease from approximately HK$408,000 recorded in the corresponding period last year. The gross profit margin for the Period slightly decreased to 5% from 6% of the corresponding period last year.

Loss attributable to owners of the Company for the Period increased to approximately HK$27,244,000 from HK$19,577,000 as recorded in the corresponding period last year. Such increase was mainly due to the additional legal and professional fee of approximately HK$6 million incurred for business development and the additional interest expenses of approximately HK$1 million on unlisted bonds issued during the Period.

Segmental Analysis

Coal Mining

As disclosed in the Company's annual report for the year ended 31st March 2016, full impairment loss of the mining right licenses has been recognised according to HKAS 36 "Impairment of Assets" in previous financial years.

After seeking the legal advice and assessing the viability of developing potential projects with the mining right licenses in light of the current challenging market and business conditions in Mongolia, the Directors considered that it is not appropriate to reverse the impairment loss of the mining right licenses in the 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 will continue to review the carrying amount of the mining right licenses and assess the recoverable amount by taking into account, among others, the overall market conditions for coal and any impact arising from the MPL. If the compensation amount and timing of receipt under the MPL could be accurately determined, the reversal of the impairment loss of the mining right licenses may be recognised as income immediately.

Coal Trading

Revenue contributed by the coal trading segment for the Period amounted to HK$6,638,000, representing a slightly 3% decrease as compared to the corresponding period last year. The gross profit generated by this segment decreased from HK$408,000 of the corresponding period last year to approximately HK$316,000. The gross profit margin of this segment decreased slightly from 6% of the corresponding period last year to 5% for the Period. 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.

Liquidity, Financial Position and Capital Structure

As at 30th September 2016, the Group held cash and bank balances amounting to approximately HK$7,491,000 (31st March 2016: HK$7,367,000) while the total borrowings of the Group were approximately HK$16,070,000 (31st March 2016: HK$14,348,000). As at 30th September 2016, the total borrowings included amounts due to a related party, other borrowings, obligations under finance leases and unlisted bonds.

The gearing ratio, defined as the ratio of total borrowings less cash and bank balances to equity attributable to owners of the Company, was (104)% (31st March 2016: (190)%).

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% per annum, up to an aggregate principal amount of HK$30,000,000. During the Period, the bonds have been fully subscribed and the net proceeds of HK$25,200,000 were utilised for the Group's general working capital and business development.

In view of the liquidity position of the Group, the Group had obtained a confirmation from its shareholder confirming that the said shareholder will not demand the repayment of the amount of approximately HK$9 million due to it in the next twelve months from the date of approval of these condensed consolidated financial statements. In addition, subsequent to the end of the reporting period, the Company has obtained a loan facility from an independent third party, in an aggregate principal amount of HK$45 million, at an interest rate of 7% per annum for a term of 2 years. The Directors are satisfied that, after taking into account of the present available financial resources and facilities, the Group will have sufficient financial resources to meet its financial obligations as they fall due for the foreseeable future.

Foreign Exchange Risk Management

During the Period, the Group experienced immaterial exchange rate fluctuations as the functional 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 30th September 2016, property, plant and equipment with carrying values of approximately HK$2,954,000 were pledged to secure the Group's borrowings from a non-bank financial institution and obligations under finance leases.

Contingent Liabilities

As at 30th September 2016, the Group had no significant contingent liabilities.

Prospects and Outlook

It is expected that the PRC government will continue its effort to achieve stable economic growth and push for an effective implementation of the supply-side reform initiatives to bring about a transformation of the nation's economy. The supply-side reform policies in the coal industry implemented during the first half of 2016 have seen effective results, with the 276 working days limit for domestic coal mines successfully controlled the coal production volume and drove towards an equilibrium between supply and demand in the coal market. In November 2016, the National Development and Reform Commission modified the 276 working days limit to allow the mines with qualifying safety records to extend working days to 330 before the end of the winter heating season. This move demonstrates the PRC government's flexibility over the coal market's policy and its desire to effect the healthy development of the coal industry. Consolidation of small-scale coal enterprises in the PRC gained traction and will continue to bring the industry back to a healthy operating environment in the long run. The Group is confident about the long-term development of the coal industry as a clear development blueprint is in place.

Looking forward, with the strong support of the PRC governmental policies, the Group will seize opportunities in the coal industry to scale up its business, and will ultimately develop into a leading energy company. The Group will also strive to pursue new business chances to further expand its market foothold and diversify its customer base in order to create the maximum value for its shareholders.

Human Resources

As at 30th September 2016, the Group had a total of 29 employees. The Group believes its success and long-term growth depend primarily on the quality, performance and commitment of its employees. To ensure that the Group attracts and retains competent staff, remuneration packages are reviewed on a regular basis. Discretionary bonuses and share options are also offered to qualified employees based on individual and the Group's performance.

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 condensed consolidated financial statements. Meanwhile, the coal trading operation is a business processed 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 activities.

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.

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

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

CORPORATE GOVERNANCE

The Company has, throughout the six months ended 30th September 2016, applied the principles and complied with the requirements of the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules, except for the following deviations:

Code Provision A.2.1

Code provision A.2.1 of the CG Code requires that the roles of chairman and chief executive should be separate 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, Chairman of the Board, provides leadership to the Board to ensure that the Board works effectively and all important issues were discussed in a timely manner. The day-to-day management of the Group's business is handled by the Executive Directors collectively. The Board believes that the present arrangement is adequate to ensure an effective management and control of the Group's business operations. The Board will continue to review the effectiveness of the Group's structure as business continues to grow and develop in order to assess whether any changes, including the appointment of a chief executive officer, are necessary.

Code Provision E.1.2

Code provision E.1.2 of the CG Code requires that the chairman of the board should attend the annual general meeting. Mr. Zhu Xinjiang, Chairman of the Board, was unable to attend the annual general meeting of the Company held on 28th September 2016 due to his engagement of the Group's other pressing business.

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 as its code of conduct regarding Directors' securities transactions. The Company, having made specific enquiry, confirms that all Directors have fully complied with the Model Code throughout the six months ended 30th September 2016.

NOMINATION COMMITTEE

The Nomination Committee is responsible for reviewing the structure, size and composition of the Board on a regular basis and making recommendations regarding any proposed changes, identifying and recommending individuals suitably qualified to become Board members, and assessing the independence of Independent Non-executive Directors. As at 30th September 2016, the Nomination Committee comprises one Executive Director, namely Mr. Zhu Xinjiang (chairman) and two Independent Non-executive Directors, namely Mr. Ho Man Kin, Tony and Mr. Li Kar Fai, Peter.

REMUNERATION COMMITTEE

The Remuneration Committee is responsible for making recommendations to the Board on, among other things, the Company's policy and structure for the remuneration of all Directors and senior management of the Company. No individual Director or any of his associates is involved in decisions relating to his own remuneration. The Remuneration Committee has adopted the model under code provision B.1.2(c)(ii) of the CG Code to make recommendations to the Board on the remuneration packages of individual Executive Directors and senior management of the Company. As at 30th September 2016, the Remuneration Committee comprises three Independent Non-executive Directors, namely Mr. Ho Man Kin, Tony (chairman), Mr. Edward John Hill III and Mr. Li Kar Fai, Peter.

AUDIT COMMITTEE

The Audit Committee is responsible for reviewing the accounting principles and practices adopted by the Group, as well as discussing and reviewing the risk management and internal control systems and financial reporting matters of the Company. The Audit Committee has reviewed the Group's unaudited interim results for the six months ended 30th September 2016 with the management. As at 30th September 2016, the Audit Committee comprises three Independent Non-executive Directors, namely Mr. Li Kar Fai, Peter (chairman), Mr. Edward John Hill III and Mr. Ho Man Kin, Tony. Mr. Li Kar Fai, Peter, the chairman of the Audit Committee, has professional qualification and in-depth experience in accounting and corporate finance. No member of the Audit Committee is a member of the former or existing auditor of the Company.

PUBLICATION OF INTERIM REPORT

The Company's Interim Report 2016 containing all the information required by Appendix 16 to the Listing Rules will be published on the websites of the Stock Exchange and the Company respectively in due course.

By Order of the Board
Asia Coal Limited
Zhu Xinjiang
Chairman

Hong Kong, 22nd November 2016

As at the date of this announcement, the Board comprises Mr. ZHU Xinjiang, Mr. CHEUNG Siu Fai, Mr. SUN David Lee and Mr. YEUNG Ting Lap, Derek Emory as executive directors; and Mr. Edward John HILL III, Mr. HO Man Kin, Tony and Mr. LI Kar Fai, Peter as independent non-executive directors.