



亞洲煤業
ASIA COAL

Asia Coal Limited

亞洲煤業有限公司

Stock Code: 835

2016

Interim Report



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)
Other comprehensive income (expense):			
<i>Item that will not be reclassified to profit or loss:</i>			
Exchange differences arising on translation to presentation currency		1,110	–
<i>Item that may be reclassified subsequently to profit or loss:</i>			
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	9	–	–
		3,665	4,598
Current assets			
Trade and other receivables	10	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	11	11,134	11,403
Amounts due to a related party	12	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	13	25,855	–
		27,259	1,999
Net liabilities		(30,025)	(3,677)
CAPITAL AND RESERVES			
Share capital	14	96,078	96,078
Reserves		(126,103)	(99,755)
Equity attributable to owners of the Company		(30,025)	(3,677)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th September 2016

	Attributable to owners of the Company						Total	Non- controlling interests	Total
	Share capital	Share premium	Share options reserve	Capital contribution reserve	Translation reserve	Accumulated losses			
At 1st April 2015 (audited)	94,539	529,834	3,025	57,979	3,129	(662,663)	25,843	32	25,875
Loss for the period	-	-	-	-	-	(19,577)	(19,577)	-	(19,577)
Other comprehensive income	-	-	-	-	20	-	20	-	20
Total comprehensive (expense) income for the period	-	-	-	-	20	(19,577)	(19,557)	-	(19,557)
Subtotal	94,539	529,834	3,025	57,979	3,149	(682,240)	6,286	32	6,318
Issue of shares	1,539	18,412	-	-	-	-	19,951	-	19,951
At 30th September 2015 (unaudited)	96,078	548,246	3,025	57,979	3,149	(682,240)	26,237	32	26,269
At 1st April 2016 (audited)	96,078	548,246	3,025	57,979	3,996	(713,001)	(3,677)	-	(3,677)
Loss for the period	-	-	-	-	-	(27,244)	(27,244)	-	(27,244)
Other comprehensive income	-	-	-	-	896	-	896	-	896
Total comprehensive (expense) income for the period	-	-	-	-	896	(27,244)	(26,348)	-	(26,348)
Subtotal	96,078	548,246	3,025	57,979	4,892	(740,245)	(30,025)	-	(30,025)
Lapsed of share options	-	-	(285)	-	-	285	-	-	-
At 30th September 2016 (unaudited)	96,078	548,246	2,740	57,979	4,892	(739,960)	(30,025)	-	(30,025)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30th September 2016

	Six months ended 30th September	
	2016	2015
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net cash used in operating activities	(23,294)	(20,360)
Net cash used in investing activities	(31)	(414)
Net cash from financing activities		
Proceeds from issue of shares	–	20,001
Issuance of unlisted bond	30,000	–
Other financing cash flows	(6,495)	(5,407)
	23,505	14,594
Net increase (decrease) in cash and cash equivalents	180	(6,180)
Cash and cash equivalents at 1st April	7,367	36,583
Effect of foreign exchange rate changes	(56)	(51)
Cash and cash equivalents at 30th September	7,491	30,352
Represented by:		
Bank balances and cash	7,491	30,352

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 of the Company (the "Directors") have given careful consideration to the future liquidity of the Company and its subsidiaries (collectively referred to as the "Group") in light of the fact that its current liabilities exceeded its current assets by approximately HK\$6,431,000 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 13, 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th September 2016

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th September 2016

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		Six month ended		Six month ended	
	30th September		30th September		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)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th September 2016

3. SEGMENT INFORMATION (CONTINUED)

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 HK\$'000 (unaudited)	2015 HK\$'000 (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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th September 2016

6. LOSS FOR THE PERIOD

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

	Six months ended 30th September 2016 HK\$'000 (unaudited)	2015 HK\$'000 (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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th September 2016

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th September 2016

8. DIVIDENDS

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

9. EXPLORATION AND EVALUATION ASSETS

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 current period, because of the following:

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

The Directors 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th September 2016

10. 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
Other receivables, deposits and prepayments	6,003 2,647	5,808 4,301
	8,650	10,109

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th September 2016

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:

	At 30th September 2016 HK\$'000 (unaudited)	At 31st March 2016 HK\$'000 (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

12. AMOUNTS DUE TO A RELATED PARTY

It represents amounts due to Sharp Victory. Sharp Victory is the immediate and ultimate holding company of the Company. The amount is unsecured, interest-free and repayable on demand.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th September 2016

13. 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.

14. SHARE CAPITAL

	Number of shares	Nominal value HK\$'000
Ordinary shares of HK\$0.10 each:		
Authorised:		
At 1st April 2016 and 30th September 2016	300,000,000,000	3,000,000
Issued and fully paid:		
At 1st April 2016 and 30th September 2016	9,607,753,752	96,078

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th September 2016

15. SHARE-BASED PAYMENT TRANSACTIONS

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

(a) 2003 Scheme

A share option scheme (the "2003 Scheme") was adopted by the Company pursuant to a resolution passed on 26th August 2003. Under the 2003 Scheme, the Directors may invite any Director (including non-executive Director and independent non-executive Director), employee of the Company or any of its subsidiaries or associated companies or any suppliers of goods or services to the Group to take up options to subscribe for share of HK\$0.01 each (which was adjusted to HK\$0.10 per share following the consolidation of the Company's shares on 20th December 2004 and further adjusted to HK\$0.01 per share following the capital reorganisation of the Company's shares on 5th March 2013) in the capital of the Company.

Upon acceptance of the option, a nominal consideration of HK\$1.00 will be paid by each grantee for each lot of share option granted within 21 days from the date of making offer of option. The options are exercisable within ten years after date of grant.

(b) 2007 Scheme

A share option scheme (the "2007 Scheme") was adopted by the Company pursuant to a resolution passed on 28th September 2007. Under the 2007 Scheme, the Directors may invite any Director (including non-executive Director and independent non-executive Director), employee of the Company or any of its subsidiaries or associated companies or any suppliers of goods or services to the Group to take up options to subscribe for share of HK\$0.10 each (which was adjusted to HK\$0.01 per share following the capital reorganisation of the Company's shares on 5th March 2013) in the capital of the Company.

Upon acceptance of the option, a nominal consideration of HK\$1.00 will be paid by each grantee for each lot of share option granted within 21 days from the date of making offer of option. The options are exercisable within ten years after date of grant.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th September 2016

15. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

(c) 2016 Scheme

A share option scheme (the “2016 Scheme”) was adopted by the Company pursuant to a resolution passed on 28th September 2016. Under the 2016 Scheme, the Directors may invite any Director (including non-executive Director and independent non-executive Director), employee of the Company or any of its subsidiaries or associated companies or any suppliers of goods or services to the Group to take up options to subscribe for share of HK\$0.01 each in the capital of the Company.

Upon acceptance of the option, a nominal consideration of HK\$1.00 will be paid by each grantee for each lot of share option granted within 21 days from the date of making offer of option. The options are exercisable within ten years after date of grant.

The following table discloses movements in the Company’s share options during the six months ended 30th September 2016:

	Option Scheme type	Date of grant	Vesting period	Exercisable period	Exercise price per share HK\$	At 1st April 2016	Lapsed during the period	At 30th September 2016
Directors	2007	29th July 2010	N/A	29th July 2010 to 28th July 2020	0.200	20,000,000	-	20,000,000
Employees	2007	3rd March 2009	N/A	3rd March 2009 to 2nd March 2019	0.270	2,000,000	-	2,000,000
Consultants	2003	21st August 2006	N/A	21st August 2006 to 21st August 2016	0.210	5,442,320	(5,442,320)	-
	2007	22nd November 2007	N/A	22nd November 2007 to 21st November 2017	0.270	18,060,000	-	18,060,000
						45,502,320	(5,442,320)	40,060,000
Exercisable at end of the period								40,060,000
						HK\$	HK\$	HK\$
Weighted average exercise price						0.232	0.210	0.235

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th September 2016

16. PLEDGE OF ASSETS

At the end of reporting period, certain motor vehicles owned by the Group with the total amount of approximately HK\$2,552,000 (31st March 2016: HK\$3,318,000) were pledged to a non-bank financial institution in order to secure the borrowings from the non-bank financial institution.

In addition, the Group's obligations under finance leases are secured by the lessors' title to the leased asset, which has a carrying amount of HK\$402,000 (31st March 2016: HK\$473,000).

17. CAPITAL COMMITMENT

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

18. RELATED PARTY DISCLOSURES

- (i) During the period ended 30th September 2016, Mr. Zhu provided a personal guarantee to the extent of HK\$708,000 to secure the Group's obligations under finance leases.
- (ii) The compensation to key management personnel in respect of the period is as follows:

	Six months ended 30th September	
	2016	2015
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Salaries and other short-term benefits	3,990	3,990
Equity-settled share-based payment expense	–	–
Contributions to retirement benefit schemes	36	27
	4,026	4,017

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.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (CONTINUED)

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (CONTINUED)

Segmental Analysis (Continued)

Coal Trading

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)%).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (CONTINUED)

Liquidity, Financial Position and Capital Structure (Continued)

On 21st April 2016, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (CONTINUED)

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

OTHER INFORMATION

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

As at 30th September 2016, the interests of the Directors and chief executives and their associates of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules, were as follows:

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

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

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

Notes:

1. These 6,006,850,314 shares are held by Sharp Victory Holdings Limited which is wholly-owned by Mr. Zhu Xinjiang.
2. The personal interests of Mr. Sun David Lee represent an interest in the underlying shares in respect of 9,000,000 share options granted by the Company entitling Mr. Sun David Lee to subscribe for 9,000,000 shares of HK\$0.01 each in the share capital of the Company as detailed in the section "Share Option Schemes" below.
3. The personal interests of Mr. Yeung Ting Lap, Derek Emory represent an interest in the underlying shares in respect of 7,000,000 share options granted by the Company entitling Mr. Yeung Ting Lap, Derek Emory to subscribe for 7,000,000 shares of HK\$0.01 each in the share capital of the Company as detailed in the section "Share Option Schemes" below.
4. The personal interests of Mr. Ho Man Kin, Tony represent an interest in the underlying shares in respect of 2,000,000 share options granted by the Company entitling Mr. Ho Man Kin, Tony to subscribe for 2,000,000 shares of HK\$0.01 each in the share capital of the Company as detailed in the section "Share Option Schemes" below.
5. The personal interests of Mr. Li Kar Fai, Peter represent an interest in the underlying shares in respect of 2,000,000 share options granted by the Company entitling Mr. Li Kar Fai, Peter to subscribe for 2,000,000 shares of HK\$0.01 each in the share capital of the Company as detailed in the section "Share Option Schemes" below.

Save as disclosed above, none of the Directors nor chief executives and their associates of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as at 30th September 2016, as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

OTHER INFORMATION

DISCLOSABLE INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS UNDER THE SFO

Save as disclosed in the section “Directors’ and Chief Executives’ Interests and Short Positions in Shares, Underlying Shares and Debentures” above, as at 30th September 2016, the following corporation, other than a Director or chief executive of the Company, had the following interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

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

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

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 30th September 2016.

SHARE OPTION SCHEMES

The Company adopted a share option scheme on 26th August 2003 (“2003 Scheme”), a share option scheme on 28th September 2007 (“2007 Scheme”) and a share option scheme on 28th September 2016 (“2016 Scheme”). The 2003 Scheme was terminated when the 2007 Scheme came into effect on 28th September 2007 and the 2007 Scheme was terminated when the 2016 Scheme came into effect on 28th September 2016. Details of the 2003 Scheme and the 2007 Scheme are set out in the published annual report of the Company for the year ended 31st March 2016 and the details of the 2016 Scheme are set out in the Company’s circular dated 22nd July 2016.

During the period from 28th September 2016 to 30th September 2016, no share option was granted under the 2016 Scheme.

The movements in the share options granted under the 2003 Scheme and the 2007 Scheme during the six months ended 30th September 2016 are as follows:

Grantee	Option scheme type	Date of grant	Exercisable period	Exercise price per share HK\$	Number of share options				Balance at 30/09/2016
					Balance at 01/04/2016	Granted during the Period	Exercised during the Period	Lapsed during the Period	
Directors									
Sun David Lee	2007	29/07/2010	29/07/2010 to 28/07/2020	0.20	9,000,000	-	-	-	9,000,000
Yeung Ting Lap, Derek Emory	2007	29/07/2010	29/07/2010 to 28/07/2020	0.20	7,000,000	-	-	-	7,000,000
Ho Man Kin, Tony	2007	29/07/2010	29/07/2010 to 28/07/2020	0.20	2,000,000	-	-	-	2,000,000
Li Kar Fai, Peter	2007	29/07/2010	29/07/2010 to 28/07/2020	0.20	2,000,000	-	-	-	2,000,000
Sub-total:					20,000,000	-	-	-	20,000,000

OTHER INFORMATION

SHARE OPTION SCHEMES (CONTINUED)

Grantee	Option scheme type	Date of grant	Exercisable period	Exercise price per share HK\$	Number of share options				
					Balance at 01/04/2016	Granted during the Period	Exercised during the Period	Lapsed during the Period	Balance at 30/09/2016
Employees	2007	03/03/2009	03/03/2009 to 02/03/2019	0.27	2,000,000	-	-	-	2,000,000
Consultants	2003	21/08/2006	21/08/2006 to 21/08/2016	0.21	5,442,320	-	-	(5,442,320)	-
	2007	22/11/2007	22/11/2007 to 21/11/2017	0.27	18,060,000	-	-	-	18,060,000
Sub-total:					25,502,320	-	-	(5,442,320)	20,060,000
Total:					45,502,320	-	-	(5,442,320)	40,060,000

Save as disclosed above, no other share options were outstanding, granted, exercised, cancelled or lapsed under the 2003 Scheme, the 2007 Scheme and the 2016 Scheme at any time during the Period.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than the 2003 Scheme, the 2007 Scheme and the 2016 Scheme disclosed in the section "Share Option Schemes" above, at no time during the Period was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the Directors or their spouses or children under the age of 18 to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

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

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

CORPORATE GOVERNANCE

The Company has, throughout the six months ended 30th September 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.

OTHER INFORMATION

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct regarding 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.

By Order of the Board
Asia Coal Limited
Zhu Xinjiang
Chairman

Hong Kong, 22nd November 2016

CORPORATE INFORMATION

DIRECTORS

Executive Directors

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

Independent Non-executive Directors

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

AUDIT COMMITTEE

Li Kar Fai, Peter (*Chairman*)
Edward John Hill III
Ho Man Kin, Tony

REMUNERATION COMMITTEE

Ho Man Kin, Tony (*Chairman*)
Edward John Hill III
Li Kar Fai, Peter

NOMINATION COMMITTEE

Zhu Xinjiang (*Chairman*)
Ho Man Kin, Tony
Li Kar Fai, Peter

COMPANY SECRETARY

Chan Kwong Leung, Eric

AUDITOR

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PRINCIPAL BANKER

The Hongkong and Shanghai Banking Corporation Limited

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SHARE LISTING

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