亞洲煤業
ASIA COAL

Asia Coal Limited
亞洲煤業有限公司

Stock Code: 835

2016/17
Annual Report

CONTENTS

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

Deloitte Touche Tohmatsu
35/F., One Pacific Place
88 Queensway
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit A, 60/F
Bank of China Tower
1 Garden Road
Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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

PRINCIPAL BANKER

The Hongkong and Shanghai Banking Corporation Limited

LEGAL ADVISER AS TO HONG KONG LAWS

Troutman Sanders
34th Floor, Two Exchange Square
8 Connaught Place
Central
Hong Kong

WEBSITE ADDRESS

www.asiacoallimited.com

SHARE LISTING

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

Chairman's Statement

Dear shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of Asia Coal Limited (the "Company", or together with its subsidiaries, the "Group"), I hereby present the annual results of the Group for the financial year 2016/17.

The overall environment of coal industry in the People's Republic of China (the "PRC") remains challenging, as the PRC government continued to make adjustments to the country's coal mining and steel production under its supply-side reform policy. The 276 working-day limit has successfully cut coal production by 9% for the year 2016, or as much as 16% year on year when compared to a 330 working-day cycle. The significant drop in production volume evidently witnessed the effectiveness of the supply-side policy, as well as the central government's determination to bring about the consolidation of coal mines for a healthy coal mining industry in the long-term.

Moving into the year 2017, the National Development and Reform Commission and National Energy Administration have laid out a solid plan in "Industrial Development of Coal in the Thirteenth Five-Year Plan", slashing coal production from substandard coal mines and zombie corporations by 800 million tons, while adding 500 million tons of coal produced through optimized location and advanced production. In addition, the central government's policy in improving air quality announced at the beginning of the year also accelerated the consolidation of coal industry in the PRC.

Going forward, the Group holds an optimistic view towards the development of coal industry in the PRC as the progress of industry consolidation has been proceeding at a faster speed than as planned. The Group will seize opportunities in the coal industry to scale up its business, and develop into a leading coal company.

The future of the Group lies in the hands of dedicated team of Board members, management and staff. I would like to take this opportunity to thank the valuable support and trust from the Board, shareholders and customers, and the relentless efforts of our management team and employees to build a strong business foundation for our future growth. We will work towards our goals and to maximize shareholders' value in the long term.

Yours faithfully,

Zhu Xinjiang
Chairman

27th June 2017

Management Discussion and Analysis

BUSINESS REVIEW

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

FINANCIAL REVIEW

Results Analysis

For the year ended 31st March 2017, the Group's consolidated revenue was approximately HK$11,219,000, representing a slight decrease of HK$0.4 million or 4% as compared to the previous financial year. The Group recorded a gross profit of approximately HK$517,000, representing a slight decrease of HK$0.1 million as compared to the previous financial year. The gross profit margin for the year maintained at 5%.

Loss attributable to owners of the Company increased to approximately HK$57 million from HK$50 million as recorded in the previous financial year. The increase in loss was mainly due to the additional finance costs of approximately HK$5 million, attributable to the issue of the unlisted bonds and other borrowings obtained from an independent third party during the year.

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 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 year, because of the following:

– there has been no change in the Mining Prohibition Law (the "MPL") which significantly restricts the Group from mining exploration activities;

– 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 being paid by the Authority in respect of expropriated areas of mining activities.

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

Management Discussion and Analysis

FINANCIAL REVIEW *(Continued)*

Segmental Analysis *(Continued)*

Coal Trading

Revenue contributed by the coal trading segment for the year amounted to HK$11,219,000, representing a slight decrease of 4% as compared to the previous financial year. The gross profit generated by this segment decreased slightly by HK$106,000 to approximately HK$517,000 and the gross profit margin of this segment maintained at 5%. The Group will closely monitor the market development and seek 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 has assessed and considered that the Group's outstanding trade receivables were in good credit quality as there are no history of default 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 and for the year ended 31st March 2017, the total number of issued shares of the Company remained unchanged at 9,607,753,752.

As at 31st March 2017, the Group held cash and bank balances amounting to approximately HK$9,987,000 (2016: HK$7,367,000) while the total borrowings of the Group were approximately HK$66,191,000 (2016: HK$14,348,000). As at 31st March 2017, the borrowings included amount due to a related party, other borrowings from a non-bank financial institution and independent third parties, obligations under a finance lease 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 (96)% (2016: (190)%).

On 21st April 2016, the Company entered into a placing agreement for the placing of the two-year unlisted bonds at an interest rate of 7% per annum, up to an aggregate principal amount of HK$30 million. During the year, the bonds have been fully subscribed and the net proceeds were utilised for the Group's general working capital and business development.

During the year, the Company entered into a loan agreement with an independent third party for a loan facility at an interest rate of 7% per annum, up to an aggregate principal amount of HK$45 million for a term of two years. As at 31st March 2017, the Company has drawn down an aggregate principal amount of HK$30 million 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 controlling shareholder confirming that it will not demand the repayment of the amount of approximately HK$9.7 million due to it in the next twelve-month period from the date of approval of these 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$70 million, at an interest rate of 7% per annum for a term of two years. The Directors are satisfied that, after taking into account of the present available financial resources and the facilities, the Group will have sufficient financial resources to meet its financial obligations as and when they fall due in the foreseeable future.

Management Discussion and Analysis

FINANCIAL REVIEW *(Continued)*

Foreign Exchange Risk Management

The Group's monetary assets, liabilities and transactions are principally denominated in Renminbi, United States dollars and Hong Kong dollars. The Group is exposed to foreign currency risk arising from the monetary assets and liabilities that are denominated in currencies other than the functional currencies of the respective group entities.

The Group currently does not have a foreign currency hedging policy as the foreign currency risk is considered to be insignificant. However, the management will continue to closely monitor the Group's foreign exchange risk exposure and will consider hedging significant foreign exchange exposure when necessary.

Charges on Assets

As at 31st March 2017, property, plant and equipment with carrying values of approximately HK$2,117,000 were pledged to secure the Group's borrowings from a non-bank financial institution and obligations under a finance lease.

Contingent Liabilities

As at 31st March 2017, the Group had no significant contingent liabilities.

PROSPECTS AND OUTLOOK

It is the Company's long term business development strategy to establish the Group as a coal mining enterprise. Going forward, the Group will continue to focus its efforts to identify and pursue 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.

Management Discussion and Analysis

HUMAN RESOURCES

As at 31st March 2017, the Group had a total of 31 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

A discussion on the Group's environmental policies and performance for the year ended 31st March 2017 is provided in the section headed "Environmental, Social and Governance Report" of this annual report.

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.

EVENTS AFTER THE REPORTING PERIOD

Details of the events after the end of the reporting period are set out in note 35 to the consolidated financial statements.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Board has always recognized the importance of shareholders' accountability and transparency and is committed to maintaining high standards of corporate governance. The Company has, throughout the year ended 31st March 2017, applied the principles and complied with the requirements of the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") save and except for certain deviations as more specifically described below. The current practices will be reviewed and updated regularly so that the latest development in corporate governance can be followed and observed.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors' securities transactions. The Company, having made specific enquiry, confirms that all Directors have fully complied with the required standard set out in the Model Code throughout the financial year ended 31st March 2017.

BOARD OF DIRECTORS

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

Executive Directors

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

Independent Non-executive Directors

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

During the year, the Board held four Board meetings. The company secretary of the Company (the "Company Secretary") assisted the Chairman and the Executive Directors in establishing the meeting agenda, and each Director was able to request inclusion of items in the agenda. All such meetings were convened in accordance with the bye-laws of the Company (the "Bye-laws"). Code provision A.1.3 of the CG Code requires that notice of at least 14 days should be given of a regular board meeting to give all directors an opportunity to attend. During the year, certain regular Board meetings were convened with less than 14 days' notice in order to enable the Board members to react timely and carry out expeditious decision making in respect of certain business matters which were significant to the Group's business. As a result, the aforesaid regular Board meetings were held with a shorter notice period than required with the consent of the Directors. The Board will do its best endeavor to meet the requirement of code provision A.1.3 of the CG Code in the future. Adequate and appropriate information are circulated to the Directors normally three days in advance of the Board meetings or such period as accepted by them. In addition to regular Board meetings, the Chairman of the Board held a meeting with the Independent Non-executive Directors without the presence of other Executive Directors during the year.

Corporate Governance Report

BOARD OF DIRECTORS *(Continued)*

During the year, the Board at all times met the requirements under Rule 3.10 of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one of them possessing appropriate professional qualifications or accounting or related financial management expertise.

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

The Board members have no financial, business, family or other material/relevant relationship with each other. Given the nature and business objective of the Company, the Board has a balance of skill and experience appropriate for the requirements of the business of the Company. The list of current Directors and their respective biographies are set out on pages 17 and 18 of this annual report.

Pursuant to bye-law 110(A) of the Bye-laws, at each annual general meeting of the Company, one-third of the Directors for the time being shall retire from office by rotation, provided that every Director shall be subject to retirement by rotation at least once every three years. All retiring Directors shall be eligible for re-election. All Independent Non-executive Directors have been appointed for specific terms.

Pursuant to bye-law 101 of the Bye-laws, any Director appointed by the Board either to fill a casual vacancy or as an addition to the existing Board, shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at such meeting.

While daily operation and administration are delegated to the management, the Board is responsible for the types of decisions relating to the following aspects:

– formulation of operational and strategic direction of the Group;

– monitoring the financial performance of the Group;

– overseeing the performance of the management;

– ensuring a prudent and effective framework of internal control is in place to enable risks to be assessed and managed; and

– setting the Company's values and standards.

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

Corporate Governance Report

BOARD OF DIRECTORS *(Continued)*

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

Every Board member has full access to the advice and services of the Company Secretary with a view to ensuring that Board procedures and all applicable rules and regulations are followed and he is also entitled to have full access to Board papers and related materials so that he is able to make an informed decision and to discharge his duties and responsibilities.

The Company has arranged appropriate and adequate Directors and Officers Liability Insurance to protect the Directors and officers of the Group against their potential legal liabilities.

DIRECTORS' ATTENDANCE

During the year, details of individual Director's attendance at the Board meetings, committee meetings and the annual general meeting of the Company held on 28th September 2016 (the "AGM") are set out as follows:

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

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, the Chairman of the Board, was unable to attend the AGM due to his engagement of the Group's other pressing business.

Corporate Governance Report

DIRECTORS' TRAINING AND CONTINUOUS PROFESSIONAL DEVELOPMENT

Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company has provided relevant materials published by professional bodies or regulators to the Directors to keep them abreast of the latest development of legal, regulatory and corporate governance. The Company has maintained a training record in order to assist the Directors to record the training that they have undertaken and they are requested to submit a training record to the Company on an annual basis.

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

CHAIRMAN AND CHIEF EXECUTIVE

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

CORPORATE GOVERNANCE FUNCTIONS

The Board is also responsible for performing the corporate governance duties as set out below:

(1) to develop and review the Company's policies and practices on corporate governance;

(2) to review and monitor the training and continuous professional development of Directors and senior management;

(3) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(4) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to Directors and employees; and

(5) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

Corporate Governance Report

NOMINATION COMMITTEE

The Nomination Committee is responsible for reviewing the structure, size and composition of the Board on a regular basis and making recommendations regarding any proposed changes, identifying and recommending individuals suitably qualified to become Board members, and assessing the independence of Independent Non-executive Directors. The Board adopted a board diversity policy which sets out the approach to achieve diversity on the Board with a view to achieving a sustainable and balanced development of the Company. The Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, professional qualification, skills, knowledge and length of service of the Directors.

As at 31st March 2017, the Nomination Committee comprised one Executive Director, namely Mr. Zhu Xinjiang (chairman) and two Independent Non-executive Directors, namely Mr. Ho Man Kin, Tony and Mr. Li Kar Fai, Peter.

During the year, there was a meeting held by the Nomination Committee to (i) review the structure, size and composition of the Board; (ii) assess the independence of Independent Non-executive Directors; and (iii) make recommendations to the Board on nominating the retiring Directors for re-election at the AGM. The complete attendance record of individual committee member is set out in the table on page 10 of this annual report.

REMUNERATION COMMITTEE

The Remuneration Committee is responsible for making recommendations to the Board on, among other things, the Company's policy and structure for the remuneration of all Directors and senior management of the Company. No individual Director or any of his associates is involved in decisions relating to his own remuneration. The Remuneration Committee has adopted the model under code provision B.1.2(c)(ii) of the CG Code to make recommendations to the Board on the remuneration packages of individual Executive Directors and senior management.

As at 31st March 2017, the Remuneration Committee comprised three Independent Non-executive Directors, namely Mr. Ho Man Kin, Tony (chairman), Mr. Edward John Hill III and Mr. Li Kar Fai, Peter.

During the year, there were two meetings held by the Remuneration Committee to (i) review the proposed remuneration package of a new senior staff with peculiar job assignments, and (ii) to recommend the said proposed remuneration package of that new staff to the Board for approval. The complete attendance record of individual committee member is set out in the table on page 10 of this annual report.

Corporate Governance Report

AUDIT COMMITTEE

The Audit Committee is responsible for reviewing the accounting principles and practices adopted by the Group, as well as discussing and reviewing the risk management and internal control systems and financial reporting matters of the Company. The Audit Committee has reviewed the Group's annual results for the year ended 31st March 2017.

As at 31st March 2017, the Audit Committee comprised three Independent Non-executive Directors, namely Mr. Li Kar Fai, Peter (chairman), Mr. Edward John Hill III and Mr. Ho Man Kin, Tony. Mr. Li Kar Fai, Peter, the chairman of the Audit Committee, has professional qualification and in-depth experience in accounting and corporate finance. No member of the Audit Committee is a member of the former or existing auditor of the Company.

During the year, there were three meetings held by the Audit Committee to (i) review with the auditor the audited financial statements for the year ended 31st March 2016 and review the unaudited interim financial statements for the six months ended 30th September 2016, with recommendations to the Board for approval; (ii) review the risk management and internal control systems; (iii) review with the management of the Company the accounting principles and practices adopted by the Group; and (iv) review and make recommendations to the Board on the auditor's re-appointment and remuneration. The complete attendance record of individual committee member is set out in the table on page 10 of this annual report.

ACCOUNTABILITY AND AUDIT

The Directors are responsible for the preparation of the financial statements of the Group for the relevant accounting periods under applicable statutory and regulatory requirements which give a true and fair view of the Group's financial position on a going concern basis and other inside information announcements and financial disclosures. Management provides the Board with the relevant information it needs to discharge these responsibilities.

The responsibilities of the auditor with respect to these financial statements are set out in the "Independent Auditor's Report" on pages 33 to 38 of this annual report.

Corporate Governance Report

AUDITOR'S REMUNERATION

During the year ended 31st March 2017, the fees paid/payable to the external auditor, Messrs. Deloitte Touche Tohmatsu, in respect of its audit and non-audit services provided to the Group were as follows:

Nature of services rendered	Fee paid/payable HK$'000
Audit services	1,070
Non-audit services	
Other services	3,251
	4,321

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibility for maintaining sound and effective risk management and internal control systems to safeguard the Group's assets and the shareholders' interests. The risk management and internal control systems are designed to provide reasonable, but not absolute, assurance of no material misstatement or loss and to manage rather than eliminate risks of failure in operational systems and achievements of the Group's objectives.

The Company has not established an internal audit department and the Directors are of the view that given the size, nature and complexity of the business of the Group, it would be more cost effective to appoint external independent professional firms to perform the internal audit function for the Group in order to meet its needs.

During the year, the Board has, through the Audit Committee, conducted review of the effectiveness of the risk management and internal control systems of the Group with the assistance of an independent internal control consultancy firm. The review covered the financial, operational and procedural compliance functions during the year. The review report with examination results and relevant improvement recommendations were duly reported to the Audit Committee and the Board for them to assess control of the Company and the effectiveness of the risk management system and any material failings or weaknesses in the internal control system, and to take appropriate actions to remedy any of these failings or weaknesses in a timely manner. All remedial actions will be regularly followed up where necessary to ensure that the failings and weaknesses have been duly addressed.

The Board considers that the risk management and internal control systems are effective and adequate and that the Company has complied with the code provisions relating to risk management and internal control of the CG Code.

The Company is aware of its obligation under the Securities and Futures Ordinance, the Listing Rules and the overriding principle that inside information should be announced on a timely manner and conducts its affairs in strict compliance with the applicable laws and regulations prevailing in Hong Kong. The Company has established disclosure mechanism regarding the procedures of identifying inside information and preserving its confidentiality until proper dissemination with the Board's approval through the electronic publication systems operated by the Stock Exchange and the Company.

Corporate Governance Report

COMPANY SECRETARY

Mr. Chan Kwong Leung, Eric is the Company Secretary of the Company. According to Rule 3.29 of the Listing Rules, he has taken no less than 15 hours of relevant professional training during the year ended 31st March 2017. Mr. Chan Kwong Leung, Eric is delegated by an external service provider and the primary contact person in the Company is Mr. Sun David Lee, an Executive Director.

CORPORATE COMMUNICATION WITH SHAREHOLDERS/INVESTORS

The CG Code requires the Company to have a dialogue with shareholders and the Board recognises the importance of maintaining effective communications with shareholders. Annual reports and interim reports provide shareholders with comprehensive information on the Group's operational and financial performances while general meetings offer a platform for shareholders to state and exchange views with the Board directly.

The management communicates continually with analysts and institutional investors and provides them with up-to-date and comprehensive information regarding the Group's development. The Company practices timely dissemination of information including annual reports, interim reports, announcements and press releases, which are updated in a timely manner to ensure transparency.

SHAREHOLDERS' RIGHTS

Procedures for convening a special general meeting

Shareholders have the right to request the Board to convene a special general meeting (the "SGM") of the Company. Shareholders holding in aggregate of not less than one-tenth of the paid up capital of the Company may send a written request to the Board to request for the SGM.

The written requisition, duly signed by the shareholders concerned, must state the purposes of the meeting and must be deposited at the Company's head office and principal place of business in Hong Kong at Unit A, 60/F, Bank of China Tower, 1 Garden Road, Central, Hong Kong or at the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

The Company would take appropriate actions and make necessary arrangements, and the shareholders concerned would be responsible for the expenses incurred in giving effect thereto in accordance with the requirements under Section 74 of the Companies Act 1981 of Bermuda (the "Companies Act") once a valid requisition is received.

Procedures for shareholders to put forward proposals at general meetings

The following shareholders are entitled to put forward a proposal (which may properly be put to the meeting) for consideration at a general meeting of the Company:

(a) any number of members representing not less than one-twentieth of the total voting rights of the Company on the date of the requisition; or

(b) not less than 100 members holding shares in the Company.

Corporate Governance Report

SHAREHOLDERS' RIGHTS *(Continued)*

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

The requisition specifying the proposal, duly signed by the shareholders concerned, together with a statement of not more than 1,000 words with respect to the matter referred to in the proposal must be deposited at the Company's head office and principal place of business in Hong Kong at Unit A, 60/F, Bank of China Tower, 1 Garden Road, Central, Hong Kong or at the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong. The Company would take appropriate actions and make necessary arrangements, and the shareholders concerned would be responsible for the expenses incurred in giving effect thereto in accordance with the requirements under Sections 79 and 80 of the Companies Act once valid documents are received.

If a shareholder wishes to propose a person other than a retiring Director for election as a Director at a general meeting, the shareholder should follow the "Procedures for shareholders to propose a person for election as a Director" which can be found on the website of the Company.

Procedures for sending enquiries to the Board

Shareholders may at any time send in their enquiries and concerns to the Board in writing via the following channels:

The Board of Directors/Company Secretary
Asia Coal Limited
Unit A, 60/F
Bank of China Tower
1 Garden Road
Central
Hong Kong
Email: ir@asiacoallimited.com
Telephone: (852) 2152 0098
Facsimile: (852) 2152 0810

Shareholders may also make enquiries to the Board at general meetings of the Company.

CONSTITUTIONAL DOCUMENTS

There was no significant change in the Company's constitutional documents during the year ended 31st March 2017.

Biographical Details of Directors

EXECUTIVE DIRECTORS

Mr. ZHU Xinjiang ("Mr. Zhu")

Mr. Zhu, aged 42, was appointed as a Non-executive Director of the Company in March 2013 and was re-designated as the Chairman and an Executive Director of the Company in May 2013. He is also a director of other members of the Group. Mr. Zhu has over 10 years of experience in the property development business and holds management positions in property development companies in Guangdong province of the PRC. He is the sole shareholder and director of Sharp Victory Holdings Limited, holding company of the Company, and a real estate developer in Guangzhou of the PRC. Mr. Zhu indirectly owns 廣州仲源房地產開發有限公司 (Guangzhou Zhongyuan Real Estate Development Limited), a real estate development company in Guangzhou of the PRC and has been its executive director and chairman since 2005. He has extensive experience in management of property development business, corporate merger and acquisition, distressed asset management, investment planning, business acquisition and development and corporate management.

Mr. CHEUNG Siu Fai ("Mr. Cheung")

Mr. Cheung, aged 47, was appointed as an Executive Director of the Company in May 2014. He is also a director of other members of the Group. Mr. Cheung holds a Master Degree in Business Administration from The Chinese University of Hong Kong and a Bachelor Degree in Electronic Engineering from The Hong Kong Polytechnic University. He is a Certified Financial Analyst. Mr. Cheung was the Head of Asia Pacific of the Strategic Equity Solutions of Merrill Lynch (Asia Pacific) Limited ("Merrill Lynch"). Prior to his position at Merrill Lynch, Mr. Cheung was the Head of Asia Pacific of the Strategic Equity Solutions and the Managing Director of the Structured Products of Asia of Citigroup Global Markets Asia Limited. He also held key positions in various major investment banks in Asia Pacific like Calyon Corporate & Investment Bank (presently known as Crédit Agricole Corporate & Investment Bank) and JPMorgan Chase & Co..

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

Mr. Sun, aged 51, served as an Executive Director of the Company from August 2008 to May 2013, the Chairman of the Company from June 2011 to May 2013 and a Non-executive Director of the Company from May 2013 to October 2013. From October 2013, Mr. Sun was re-designated from a Non-executive Director to an Executive Director of the Company. He is also a director of other members of the Group. Mr. Sun holds a Juris Doctor from the University of Illinois College of Law and a Bachelor of Arts degree from Cornell University, the United States of America. He is currently an executive director of China Outfitters Holdings Limited and an independent non-executive director of Dynasty Fine Wines Group Limited, the shares of these companies are listed on the Main Board of the Stock Exchange. Mr. Sun is currently responsible for brands sourcing and transaction management of China Outfitters Holdings Limited and he is a director of CEC Management Limited. Prior to helping to form CEC Management Limited, Mr. Sun was the managing director and general counsel of Pacific Alliance Group Limited. He was the director of Strategy and Business Development Asia at InBev. Prior to his position at InBev, Mr. Sun was a consultant in the Corporate Finance and Strategy Practice of McKinsey & Company, Inc. in Hong Kong. Prior to his position at McKinsey & Company, Inc., Mr. Sun practised law as an associate in the corporate group at Linklaters.

Biographical Details of Directors

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

Mr. Yeung, aged 44, was appointed as a Non-executive Director of the Company in September 2005 and was re-designated as an Executive Director of the Company in October 2013. He is also a director of other members of the Group. Mr. Yeung holds a Bachelor Degree in Applied Mathematics and Economics from Brown University and a Master Degree in Business Administration and Accounting from Northeastern University, both in the United States of America. He is the co-founder and chief executive officer of She.Com International Holdings Limited ("she.com"). Mr. Yeung is also an independent non-executive director of Dynasty Fine Wines Group Limited, the shares of which are listed on the Main Board of the Stock Exchange. Prior to founding she.com, he was an associate with Telecom Venture Group Limited and a consultant with Arthur Andersen & Company both in Boston and Hong Kong. Mr. Yeung is a certified public accountant, a member of the Chinese People's Political Consultative Conference of Qingdao City, and a member of the Telecommunications Users and Consumers Advisory Committee of Office of the Communications Authority.

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

Mr. Hill, aged 42, was appointed as an Independent Non-executive Director of the Company in August 2012. He holds a Bachelor of Arts degree in East Asian Languages and Cultures (China Focus) and a Bachelor of Science degree in Business Administration, both in the University of Kansas. Mr. Hill has over 13 years of experience across several different areas of banking, including mergers and acquisitions advisory, equity and debt capital markets, special situations trading, leveraged finance and corporate credit. He was a director of Technology, Media and Telecom and Financial Sponsors Investment Banking, Royal Bank of Scotland in Hong Kong.

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

Mr. Ho, aged 46, was appointed as an Independent Non-executive Director of the Company in March 2006. He holds a Bachelor Degree in Management Science from the University of St. Andrews. Mr. Ho was the Head of Special Situation Investments – Greater China, LaSalle Investment Management in Hong Kong and held key positions in various corporate advisory assignments. He has also worked as an equity investment analyst for various major investment banks in Hong Kong.

Mr. LI Kar Fai, Peter ("Mr. Li")

Mr. Li, aged 52, was appointed as an Independent Non-executive Director of the Company in March 2006. He holds a Bachelor Degree in Accountancy from the City University of Hong Kong and is a member of the Hong Kong Institute of Certified Public Accountants. Mr. Li has extensive experience in corporate finance and accounting. He was an independent non-executive director of Super Strong Holdings Limited from March 2016 to April 2017 and an independent non-executive director of China Hanya Group Holdings Limited (formerly known as Brilliance Worldwide Holdings Limited) from November 2010 to May 2016, the shares of these companies are listed on the Growth Enterprise Market of the Stock Exchange.

Directors' Report

The Directors present their annual report and the audited consolidated financial statements of the Company for the year ended 31st March 2017.

PRINCIPAL ACTIVITIES

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

BUSINESS REVIEW

The business review of the Group for the year ended 31st March 2017 is provided in the section headed "Management Discussion and Analysis" on pages 4 to 7 of this annual report.

RESULTS AND DIVIDENDS

The results of the Group for the year are set out in the consolidated statement of profit or loss and other comprehensive income on page 39 of this annual report.

The Directors do not recommend the payment of any dividend for the year ended 31st March 2017.

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial years, as extracted from the audited consolidated financial statements, is set out on page 90 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 25 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 41 of this annual report.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company had no distributable reserve at 31st March 2017 and 31st March 2016 under The Companies Act 1981 of Bermuda.

EQUITY-LINKED AGREEMENTS

Save for the share option schemes of the Company as set out in note 26 to the consolidated financial statements, no equity-linked agreements were entered into by the Group during the year or subsisted at the end of the year.

Directors' Report

UNLISTED BONDS

On 21st April 2016, the Company entered into a placing agreement for the placing (the "Placing") of the two-year unlisted bonds (the "Bonds") up to an aggregate principal amount of HK$30 million to placees who and whose ultimate beneficial owners are third parties independent of the Company and its connected persons 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 in arrears. The Placing was completed during the year and the Bonds have been fully subscribed. The proceeds from the subscription of the Bonds have been used for the general working capital of the Group and its business development.

Details of the Placing are set out in the announcement of the Company dated 21st April 2016 and note 24 to the consolidated financial statements.

MAJOR SUPPLIERS AND CUSTOMERS

The aggregate purchases attributable to the Group's largest supplier and five largest suppliers taken together accounted for 37% and 100% respectively of the Group's total purchases for the year.

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

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

RELATIONSHIPS WITH EMPLOYEES, SUPPLIERS AND CUSTOMERS

The Group understands that employees are valuable assets. The Group provides competitive remuneration package to attract and motivate the employees. The Group regularly reviews the remuneration package of employees and makes necessary adjustments to conform to the market standard.

The Group also understands that it is important to maintain good relationship with its suppliers and customers to fulfil its immediate and long-term goals. To maintain its competitiveness, the Group aims at delivering quality products to its customers. During the year, there was no material and significant dispute between the Group and its suppliers and/or customers.

DIRECTORS

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

Executive Directors

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

Independent Non-executive Directors

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

In accordance with bye-law 110(A) of the Bye-laws, Mr. Sun David Lee, Mr. Ho Man Kin, Tony and Mr. Li Kar Fai, Peter will retire as Directors by rotation at the forthcoming annual general meeting and, being eligible, have offered themselves for re-election at the forthcoming annual general meeting.

Directors' Report

DIRECTORS' SERVICE CONTRACTS

None of the Directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

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

As at 31st March 2017, the interests of the Directors and chief executives and their associates of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Listing Rules, were as follows:

Long positions in ordinary shares of the Company

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

Notes:

1. These 6,006,850,314 shares are held by Sharp Victory Holdings Limited which is wholly-owned by Mr. Zhu Xinjiang.
2. The personal interests of Mr. Sun David Lee represent an interest in the underlying shares in respect of 9,000,000 share options granted by the Company entitling Mr. Sun David Lee to subscribe for 9,000,000 shares of HK$0.01 each in the share capital of the Company as detailed in the section headed "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 headed "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 headed "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 headed "Share Option Schemes" below.

Directors' Report

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

Long positions in ordinary shares of the Company *(Continued)*

Save as disclosed above, none of the Directors nor chief executives and their associates of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as at 31st March 2017, as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEMES

Particulars of the Company's share option schemes are set out in note 26 to the consolidated financial statements.

2003 Scheme

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

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

The 2003 Scheme was terminated when the 2007 Scheme (as defined below) came into effect on 28th September 2007. Upon the termination of the 2003 Scheme, no further options would be granted, but the options granted prior to such termination continue to be valid and exercisable in accordance with the provisions of the 2003 Scheme.

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 shares 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.

Directors' Report

SHARE OPTION SCHEMES *(Continued)*

2007 Scheme *(Continued)*

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 offer of the option. The options are exercisable within ten years after the date of grant.

The 2007 Scheme was terminated when the 2016 Scheme (as defined below) came into effect on 28th September 2016. Upon the termination of the 2007 Scheme, no further options would be granted, but the options granted prior to such termination continue to be valid and exercisable in accordance with the provisions of the 2007 Scheme.

2016 Scheme

A share option scheme (the "2016 Scheme") was adopted by the Company pursuant to a resolution passed on 28th September 2016.

A summary of the principal terms of the 2016 Scheme is given below:

(I)	Purpose of the scheme	:	The purpose of the 2016 Scheme is to encourage the participants to perform their best in achieving the goals of the Group and at the same time allow the participants to enjoy the results of the Company attained through their efforts and contributions and to provide the participants with incentives and help the Group in retaining its existing employees and recruiting additional employees.
(II)	Participants of the scheme	:	The Directors may invite any Director (including Non-executive Director and Independent Non-executive Director) and employee of the Company and any of its subsidiaries, or any supplier or provider of goods and/or services to the Group, or any other person who, at the sole discretion of the Directors, has contributed or may contribute to the Group to take up options to subscribe for shares of HK$0.01 each in the capital of the Company.

Directors' Report

SHARE OPTION SCHEMES *(Continued)*

2016 Scheme *(Continued)*

(III)	Total number of shares available for issue under the scheme and percentage of the issued shares as at the date of this annual report	:	The number of shares available for issue under the 2016 Scheme was 960,775,375 shares representing approximately 10% of the total number of issued shares of the Company as at the date of this annual report.
(IV)	Maximum entitlement of each participant under the scheme	:	The maximum number of shares issued and which may fall to be issued upon exercise of the options granted and to be granted under the 2016 Scheme to each participant in any 12-month period up to the date of grant must not exceed 1% of the shares in issue unless it is approved by shareholders (other than the grantees and/or their respective close associates) in a general meeting of the Company. Any share options granted to a substantial shareholder or an Independent Non-executive Director or to any of their respective close associates, in excess of 0.1% of the shares in issue and with an aggregate value (based on the closing price of the shares at the date of the grant) in excess of HK$5 million, in any 12-month period, are subject to shareholders' approval in general meeting of the Company.
(V)	The period within which the shares must be taken up under an option	:	The period within which the options must be exercised will be specified by the Company at the time of grant. This period shall not be more than 10 years from the relevant date of grant.
(VI)	The minimum period for which an option must be held before it can be exercised	:	The Company may specify any minimum period(s) for which an option must be held before it can be exercised at the time of grant of the options. The 2016 Scheme does not contain any such minimum period.
(VII)	The amount payable upon acceptance of option	:	Upon acceptance of the option, a nominal consideration of HK$1.00 will be paid by each grantee for each lot of share option granted within 21 days from the date of offer of the option.

Directors' Report

SHARE OPTION SCHEMES *(Continued)*

2016 Scheme *(Continued)*

(VIII)	The basis of determining the exercise price	:	The exercise price must not be less than the higher of: (i) the closing price of the shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant, which must be a trading day; (ii) the average closing prices of the shares as stated in the daily quotations sheets of the Stock Exchange for the five trading days immediately preceding the date of grant; and (iii) the nominal value of a share.
(IX)	The remaining life of the scheme	:	The 2016 Scheme has a period of 10 years commencing from 28th September 2016.

No share option was granted under the 2016 Scheme since its adoption.

Directors' Report

SHARE OPTION SCHEMES *(Continued)*

Details of the share options granted under the 2003 Scheme and the 2007 Scheme are as follows:

					Number of share options				
Grantee	**Option Scheme Type**	**Date of Grant**	**Exercisable Period**	**Exercise price per share** HK$	**Balance at 01/04/2016**	**Granted during the year**	**Exercised during the year**	**Lapsed during the year**	**Balance at 31/03/2017**
Directors									
Sun David Lee	2007	29/07/2010	29/07/2010 to 28/07/2020	0.20	9,000,000	–	–	–	9,000,000
Yeung Ting Lap, Derek Emory	2007	29/07/2010	29/07/2010 to 28/07/2020	0.20	7,000,000	–	–	–	7,000,000
Ho Man Kin, Tony	2007	29/07/2010	29/07/2010 to 28/07/2020	0.20	2,000,000	–	–	–	2,000,000
Li Kar Fai, Peter	2007	29/07/2010	29/07/2010 to 28/07/2020	0.20	2,000,000	–	–	–	2,000,000
Sub-total:					20,000,000	–	–	–	20,000,000
Employees	2007	03/03/2009	03/03/2009 to 02/03/2019	0.27	2,000,000	–	–	–	2,000,000
Consultants	2003	21/08/2006	21/08/2006 to 21/08/2016	0.21	5,442,320	–	–	(5,442,320)	–
	2007	22/11/2007	22/11/2007 to 21/11/2017	0.27	18,060,000	–	–	–	18,060,000
Sub-total:					25,502,320	–	–	(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 year.

Save as disclosed above, none of the Directors or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

Directors' Report

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

DISCLOSABLE INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS UNDER THE SFO

Save as disclosed in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" above, as at 31st March 2017, 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 *(Note)*	Beneficial owner	Long position	6,006,850,314	62.52

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

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 31st March 2017.

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the year and up to the date of this annual report, no Directors are considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group pursuant to Rule 8.10 of the Listing Rules, other than those businesses of which the Directors were appointed as directors to represent the interests of the Company.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company, its holding company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, existed at the end of the year or at any time during the year.

PERMITTED INDEMNITY PROVISION

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

Directors' Report

INDEPENDENT NON-EXECUTIVE DIRECTORS' CONFIRMATION OF INDEPENDENCE

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

EMOLUMENT POLICY

The emoluments of the Directors and senior management are recommended by the Remuneration Committee and approved by the Board, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted share option schemes as an incentive to Directors and eligible employees. Details of the schemes are set out in note 26 to the consolidated financial statements.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

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.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirm that the Company has maintained the amount of public float as required under the Listing Rules as at the date of this annual report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

AUDITOR

A resolution will be submitted to the annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Zhu Xinjiang
Chairman

Hong Kong, 27th June 2017

Environmental, Social and Governance Report

In accordance with the requirements set out in Appendix 27 — Environmental, Social and Governance Reporting Guide (the "ESG Guide") to the Listing Rules, the Group hereby presents the Environmental, Social and Governance report covering the Group's principle business and operations for the year ended 31st March 2017.

The Group is committed to the long-term sustainability of its business and the local communities where we operate. The Group also recognises the importance of the views and interests of its stakeholders such as shareholders, regulators, employees and the public in making business decisions. The Group aims at making constant efforts in areas such as environmental protection and general social welfare.

A. ENVIRONMENTAL

The Group supports environmental protection programs and is constantly looking to reduce the impact of business activities on the environment.

A1: Emissions

As regards the coal mining business operation in Mongolia, the Group has not carried out any development nor production activity during the reporting year. As such, the emissions during the mining process are not applicable during the reporting year.

The types of emissions generated from the coal trading business operations are principally emitted from third party transportation providers involved in the logistics arrangement of coal products and personnel. The emissions data of which during the year are unavailable to the Group. The Group believes there is no significant environmental impact generated by its business operations.

A2: Use of Resources

The Group is committed to promoting environmental protection, hoping to improve resources utilisation and advocating commercial acts accountability to the environment so as to minimise possible risks of impact on the environment arising from business development.

The Group also encourages employees to save energy and improve efficient utilisation of resources through the use of energy-saving lightings and recycled papers, minimising the use of papers, reducing energy consumption by switching off idle lightings, computers and electrical appliances.

A3: The Environment and Natural Resources

The Group constantly assesses and monitors the environmental risks in its daily operation, and formulates corresponding mitigation measures promptly when discovering any potential risk to the environment, so as to ensure such risk can be controlled and reduced to an acceptable level.

Environmental, Social and Governance Report

B. SOCIAL

Employment and Labour Practices

B1: Employment

Employees are regarded as the greatest and valuable assets and core competitive advantage of the Group. The Group values talent development and team construction and strives to introduce talents through multi-channels. The Group identifies and absorbs talents, and will not treat them differently because of gender, age, race, religion, or disability, so as to give equal opportunities to everybody.

In order to provide a good and fair working environment and safeguard the well-being of the employees, the Group seriously considers all those valuable opinions from the employees for enhancing workplace productivity and harmony.

The Group offers competitive remuneration, promotional opportunity, compensation and benefit packages to attract and retain talents. Remuneration packages are reviewed periodically based on the Group's operating results, individual performance and market information. The Group aims to reward and motivate the contribution and performance of employees and assist them in their career development and promotion within the Group.

The Group strictly complies with applicable laws and regulations in the localities of its operation, and the relevant administrative rules and measures are strictly enforced. These rules and regulations specify the requirements relating to employment, labour relations, employees' remuneration, social insurances, housing fund, mandatory provident fund and welfare to protect the rights of employees.

B2: Health and Safety

The Group strives to provide a safe and satisfactory workplace for all employees. The Group also encourages employees to take part in work-life balance activities and community service.

To safeguard employees' occupational health and safety, the Group provides a safe, healthy and comfortable working environment and has strictly complied with regulations on occupational health and safety in the localities of its operation. Employees are requested to stringently abide by all safety rules and regulations, and utilize available and applicable protection measures at all times to avoid accidents and protect themselves and co-workers from safety risks in accordance with the relevant laws and regulations. The Company offers its employees comprehensive health care coverage.

During the reporting year, there was no breach of relevant laws and regulations relating to employees' health and safety.

Environmental, Social and Governance Report

B. SOCIAL *(Continued)*

Employment and Labour Practices *(Continued)*

B3: Development and Training

The Group recognizes the importance of the personal development and professional growth of its employees. We sponsor and provide time-off for employees who take external training programs relevant to their duties and responsibilities. The Group also encourages employees to identify their own personal objectives for development, allowing them to grow together with the Group. Experienced employees will act as mentors to guide the new comers on jobs. Such arrangements not only enhance the communication and team spirit, but also improve their technical skills and managerial capability and encourage the learning and further development of the employees at all levels. The Group also updates employees on the latest information of the industry and laws and regulations which are essential to the Group's operations and their job responsibilities from time to time.

B4: Labour Standards

The Group is committed to protecting human rights and complying with all relevant labour regulations and laws as stipulated by local authorities. We have no tolerance for the use of forced labour or child labour in our business operations. The Group enters into employment contract with each of its employees in accordance with the relevant laws and regulations in the localities of its operation.

Operating Practices

B5: Supply Chain Management

To ensure the Group's product quality, we select and build up close relationship with quality suppliers. The Group will carry out continuous quality monitoring on all suppliers.

B6: Product Responsibility

In carrying out its coal trading operation, the Group complies with various PRC regulations relating to its products and services.

During the reporting year, no reports or customer complaints of violations of relevant service responsibility, laws and regulations were received.

The Group is responsible for protecting the privacy of customers and devotes all our efforts to prevent the leakage of customer information. Except for the public documents as specified in laws and regulations, the Group strictly follows the relevant privacy ordinance and never allows information disclosure without the approval of data owners.

Employees are obligated to retain in confidence all information obtained in connection with their employment, including but not limited to, trade secrets, know-how, client information, supplier information and other proprietary information.

The Group did not note any cases of material non-compliance in relation to data privacy during the reporting year.

Environmental, Social and Governance Report

B. SOCIAL *(Continued)*

Operating Practices *(Continued)*

B7: Anti-corruption

All of the Group's operations comply with local and national legislation on standards of conduct, such as with the Prevention of Bribery Ordinance in Hong Kong and relevant legislation on anti-corruption and bribery in the PRC. The Group requires employees to strictly conform to the code of business ethics.

During the reporting year, the Group was not involved in any litigation regarding corruption, bribery, fraud or money-laundering.

Community

B8: Community Investment

The Group is committed to being a responsible member of the community and aims to make a positive impact on the local community. The Group encourages employees to participate in various voluntary events, creating a strong social network and providing assistance and supports for the people in need, which could provide an opportunity for them to establish connections outside the workplace, and inspire team building experiences while contributing to the local communities.

Independent Auditor's Report

Deloitte.
德勤

TO THE MEMBERS OF ASIA COAL LIMITED
亞洲煤業有限公司
(incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Asia Coal Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 39 to 89, which comprise the consolidated statement of financial position as at 31st March 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31st March 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report

KEY AUDIT MATTERS *(Continued)*

Key audit matter

Impairment of trade receivables

We identified the impairment of trade receivables as a key audit matter due to the concentration of credit risk as a result of fact that the trade receivables are solely in respect of the Group's sole customer within the coal trading segment, and the estimation associated with the determination of impairment of trade receivables.

The outstanding trade receivable balances (before allowance for doubtful debts) amounted to HK$3,780,000 as at 31st March 2017, including HK$2,723,000 that has been past due but not impaired, as disclosed in note 17 to the consolidated financial statements.

In determining the allowance for trade receivables, management considers the estimation of the future discount cash flow with reference to the credit history including default or delay in payments, settlement records, subsequent settlements and aging analysis of the trade receivables.

Based on management's estimation of the impairment of trade receivables as disclosed in note 5 to the consolidated financial statements, no allowance for doubtful debts was recognised as at 31st March 2017.

How our audit addressed the key audit matter

Our procedures in relation to the impairment of trade receivables included:

- Obtaining an understanding of how the allowance for doubtful debts is estimated by management;
- Discussing with management in respect of the recoverability of trade receivables with reference to the credit history including default or delay in payments, settlement records, subsequent settlements and aging analysis of the trade receivables;
- Evaluating management's assessment on the trade receivables which are past due but not impaired by examining the aging analysis and subsequent settlement of the trade receivables, on a sample basis, to the source documents.

Independent Auditor's Report

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter

Reversal of the impairment loss recognised in prior years in respect of exploration and evaluation assets

We identified the reversal of the impairment loss recognised in prior years in respect of exploration and evaluation assets as a key audit matter due to the significant management judgement involved in determining whether the conditions set out in HKAS 36 "Impairment of Assets" have been met in order to reverse these impairment loss.

The exploration and evaluation assets of the Group represented the considerations paid for acquisition of mineral mining licenses and exploration licenses in respect of the Saikhan Ovoo coal deposits in the Bulgan province of Mongolia in previous years and the costs incurred for subsequent exploration and evaluation works. As disclosed in note 16 to the consolidated financial statements, full impairment loss of HK$382,446,000 has been recognised during the year ended 31 March 2014.

Management performed a review to assess whether it is appropriate to reverse the impairment loss with reference to the legal advice obtained from an external legal counsel. Management concluded that no reversal of the impairment on the exploration and evaluation assets previously impaired because of the following:

- There has been no change in the Mining Prohibition Law (the "MPL") may significantly restricts the Group from mining exploration activities;
- 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;

Our procedures in relation to the reversal of the impairment loss recognised in prior year in respect of exploration and evaluation assets include:

- Obtaining an understanding of how the valuation of exploration and evaluation assets has been estimated by management;
- Obtaining the legal advice received by the Group from an external legal counsel in Mongolia to understand the latest status of the effects of the MPL or other applicable laws and regulations on the exploration and evaluation assets of the Group; and
- Evaluating management's assessment of the impact of the MPL on the valuation of the exploration and evaluation assets of the Group, and their conclusions in respect of the potential reversal of impairment losses.

Independent Auditor's Report

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Reversal of the impairment loss recognised in prior years in respect of exploration and evaluation assets (Continued)	
• The legal and political environment of Mongolia remains uncertain; and • There are no precedent cases of compensation being paid by the Authority in respect of expropriated areas of mining activities.	

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Independent Auditor's Report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Independent Auditor's Report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Ip Chiu Yin.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

27th June 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31st March 2017

	NOTES	**2017 HK$'000**	2016 HK$'000
Revenue	6 & 7	**11,219**	11,659
Cost of sales		**(10,702)**	(11,036)
Gross profit		**517**	623
Other income	8	**6**	39
Selling and distribution expenses		**(28)**	(82)
Administrative expenses		**(52,211)**	(50,598)
Finance costs	9	**(5,198)**	(390)
Loss before tax		**(56,914)**	(50,408)
Income tax credit	10	**–**	70
Loss for the year attributable to owners of the Company	11	**(56,914)**	(50,338)
Other comprehensive income (expense)			
Item that will not be reclassified subsequently to profit or loss:			
Exchange differences arising on translation to presentation currency		**2,897**	(6)
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(806)**	873
Other comprehensive income for the year		**2,091**	867
Total comprehensive expense for the year attributable to owners of the Company		**(54,823)**	(49,471)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	14		
Basic and diluted (HK cents)		**(0.59)**	(0.52)

Consolidated Statement of Financial Position

At 31st March 2017

	NOTES	**2017 HK$'000**	2016 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	**2,720**	4,598
Exploration and evaluation assets	16	**–**	–
		2,720	4,598
Current assets			
Trade and other receivables	17	**7,148**	10,109
Bank balances and cash	18	**9,987**	7,367
		17,135	17,476
Current liabilities			
Trade and other payables and accrued charges	19	**12,164**	11,403
Amount due to a related party	20	**9,718**	9,407
Other borrowings	22	**2,691**	2,803
Obligations under a finance lease	23	**146**	139
		24,719	23,752
Net current liabilities		**(7,584)**	(6,276)
Total assets less current liabilities		**(4,864)**	(1,678)
Non-current liabilities			
Other borrowings	22	**26,503**	1,727
Obligations under a finance lease	23	**126**	272
Unlisted bonds	24	**27,007**	–
		53,636	1,999
Net liabilities		**(58,500)**	(3,677)
CAPITAL AND RESERVES			
Share capital	25	**96,078**	96,078
Reserves		**(154,578)**	(99,755)
Total equity		**(58,500)**	(3,677)

The consolidated financial statements on pages 39 to 89 were approved and authorised for issue by the Board of Directors on 27th June 2017 and are signed on its behalf by:

Zhu Xinjiang
DIRECTOR

Cheung Siu Fai
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31st March 2017

	Attributable to owners of the Company								
	Share capital HK$'000	**Share premium** HK$'000	**Share options reserve** HK$'000	**Capital contribution reserve** HK$'000 (*Note*)	**Translation reserve** HK$'000	**Accumulated losses** HK$'000	**Total** HK$'000	**Non-controlling interests** HK$'000	**Total** HK$'000
At 1st April 2015	94,539	529,834	3,025	57,979	3,129	(662,663)	25,843	32	25,875
Loss for the year	–	–	–	–	–	(50,338)	(50,338)	–	(50,338)
Exchange differences arising on translation	–	–	–	–	867	–	867	–	867
Total comprehensive income (expense) for the year	–	–	–	–	867	(50,338)	(49,471)	–	(49,471)
Subtotal	94,539	529,834	3,025	57,979	3,996	(713,001)	(23,628)	32	(23,596)
Issue of shares (net of transaction costs)	1,539	18,412	–	–	–	–	19,951	–	19,951
Derecognition of non-controlling interests on deregistration of a subsidiary	–	–	–	–	–	–	–	(32)	(32)
At 31st March 2016	96,078	548,246	3,025	57,979	3,996	(713,001)	(3,677)	–	(3,677)
Loss for the year	–	–	–	–	–	(56,914)	(56,914)	–	(56,914)
Exchange differences arising on translation	–	–	–	–	2,091	–	2,091	–	2,091
Total comprehensive income (expense) for the year	–	–	–	–	2,091	(56,914)	(54,823)	–	(54,823)
Subtotal	96,078	548,246	3,025	57,979	6,087	(769,915)	(58,500)	–	(58,500)
Lapse of share options	–	–	(285)	–	–	285	–	–	–
At 31st March 2017	96,078	548,246	2,740	57,979	6,087	(769,630)	(58,500)	–	(58,500)

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

Consolidated Statement of Cash Flows

For the year ended 31st March 2017

	2017	2016
	HK$'000	HK$'000
OPERATING ACTIVITIES		
Loss before tax	**(56,914)**	(50,408)
Adjustments for:		
Depreciation of property, plant and equipment	**1,913**	2,860
Exchange loss	**1,628**	883
Finance costs	**5,198**	390
Gain on deregistration of a subsidiary	**–**	(32)
Interest income	**(6)**	(9)
Loss on disposal of property, plant and equipment	**–**	35
Operating cash flows before movements in working capital	**(48,181)**	(46,281)
Decrease in trade and other receivables	**2,961**	3,427
(Increase) decrease in trade and other payables and accrued charges	**(137)**	5,908
Cash used in operations	**(45,357)**	(36,946)
Interest income received	**6**	9
Tax paid	**–**	(28)
NET CASH USED IN OPERATING ACTIVITIES	**(45,351)**	(36,965)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(39)**	(821)
Proceeds on disposal of property, plant and equipment	**–**	319
NET CASH USED IN INVESTING ACTIVITIES	**(39)**	(502)

Consolidated Statement of Cash Flows

For the year ended 31st March 2017

	2017 HK$'000	2016 HK$'000
FINANCING ACTIVITIES		
Advance from (repayment to) related parties	**311**	(10,289)
Repayment of borrowings from a non-bank financial institution	**(990)**	(920)
New other borrowing obtained from an independent third party	**30,000**	–
Proceeds from issue of unlisted bonds	**30,000**	–
Transaction cost paid for the new other borrowing obtained	**(4,800)**	–
Transaction cost paid for the issue of unlisted bonds	**(4,800)**	–
Finance costs paid	**(1,463)**	(261)
Repayment of obligations under a finance lease	**(139)**	(134)
Transaction costs on issue of shares	**–**	(50)
Proceeds from issue of shares	**–**	20,001
NET CASH FROM FINANCING ACTIVITIES	**48,119**	8,347
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**2,729**	(29,120)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**7,367**	36,583
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(109)**	(96)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		
represented by bank balances and cash	**9,987**	7,367

Notes to the Consolidated Financial Statements

For the year ended 31st March 2017

1. GENERAL

Asia Coal Limited (the "Company") is incorporated in Bermuda as an exempted company with limited liability under The Companies Act 1981 of Bermuda and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). At 31st March 2017 and 2016, the immediate holding company and ultimate holding company of the Company is Sharp Victory Holdings Limited ("Sharp Victory"), a company incorporated in the British Virgin Islands which is controlled by Mr. Zhu Xinjiang ("Mr. Zhu"). The addresses of the registered office and principal place of business of the Company are disclosed in the Corporate Information Section.

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 31.

The functional currency of the Company is Renminbi ("RMB") and the presentation currency of the Company and its subsidiaries (collectively referred to as the "Group") is Hong Kong dollars ("HK$"). HK$ has been selected as the presentation currency because the shares of the Company are listed on the Stock Exchange.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that the Company's current liabilities exceeded its current assets by HK$7,584,000 as at 31st March 2017, the Company's total liabilities exceeded its total assets by HK$58,500,000 as of that date, the Group incurred a loss of HK$56,914,000 for the year then ended and the unlisted bonds will mature within the next twelve months from the date of approval of these consolidated financial statements.

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 35, up to the date of approval of these consolidated financial statements, new loan facility amounting to HK$70 million has been obtained.

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

(iii) Subsequent to the end of the reporting period, Sharp Victory has agreed not to demand repayment of the amount due to it by the Group of approximately HK$9.7 million as at 31st March 2017 in the next twelve months from the date of approval of these consolidated financial statements. Sharp Victory has also agreed to provide continuous financial support to the Group as necessary to enable the Group to meet its financial obligations, as and when they fall due for the foreseeable future.

The directors of the Company are of the opinion that, taking into account the above undrawn loan facility, reduction of non-essential costs and the financial support by Sharp Victory as described above, the Group will have sufficient working capital to meet its cashflow requirements in the next twelve months. Accordingly, these consolidated financial statements have been prepared on a going concern basis.

Notes to the Consolidated Financial Statements

For the year ended 31st March 2017

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

Amendments to HKFRSs that are mandatorily effective for the current year

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

Amendments to HKFRS 11	Accounting for Acquisitions of Interest 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 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 year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendements[1]
HKFRS 16	Leases[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instrument with HKFRS 4 Insurance Contract[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 7	Disclosure Initiative[4]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[4]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014 – 2016 Cycle[5]
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]

[1] Effective for annual periods beginning on or after 1st January 2018.
[2] Effective for annual periods beginning on or after 1st January 2019.
[3] Effective for annual periods beginning on or after a date to be determined.
[4] Effective for annual periods beginning on or after 1st January 2017.
[5] Effective for annual periods beginning on or after 1st January 2017 or 1st January 2018, as appropriate.

Notes to the Consolidated Financial Statements

For the year ended 31st March 2017

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

HKFRS 9 *Financial Instruments*

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at 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 value at the end of subsequent accounting periods.

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost. Other than that, the directors of the Company anticipate that the application of the HKFRS 9 will have no material impact on the results and the financial position of the Group.

HKFRS 15 *Revenue from contracts with Customer*

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "*Revenue*", HKAS 11 "*Construction Contracts*" and the related interpretations when it becomes effective. The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for goods and services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Notes to the Consolidated Financial Statements

For the year ended 31st March 2017

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

HKFRS 15 *Revenue from contracts with Customer (Continued)*

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of HKFRS 15 will have a significant impact on the timing and amounts of revenue recognised in respective reporting period.

HKFRS 16 *Leases*

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 "*Leases*" and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be both presented as financing cash flows.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

Notes to the Consolidated Financial Statements

For the year ended 31st March 2017

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

HKFRS 16 *Leases (Continued)*

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31st March 2017, the Group has non-cancellable operating lease commitments of HK$8,096,000 as disclosed in note 27. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors complete a detailed review.

Amendments to HKAS 7 *Disclosure Initiative*

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities including both changes arising from cash flows and non-cash changes. Specially, the amendments require the following changes in liabilities arising from financing activities to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

The amendments apply prospectively for annual periods beginning on or after 1st January, 2017 with earlier application permitted. The application of the amendments will result in additional disclosures on the Company's financing activities, specifically reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities will be provided on application.

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

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and by the Hong Kong Companies Ordinance.

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

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

Notes to the Consolidated Financial Statements

For the year ended 31st March 2017

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "*Share-based Payment*", leasing transactions that are within the scope of HKAS 17 "*Leases*", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "*Inventories*" or value in use in HKAS 36 "*Impairment of Assets*".

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

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

The significant accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Group. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Notes to the Consolidated Financial Statements

For the year ended 31st March 2017

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Revenue recognition

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

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

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

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31st March 2017

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

At the end of the reporting period, the Group reviews the carrying amount of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Exploration and evaluation assets

Exploration and evaluation assets are recognised at cost on initial recognition. Subsequent to initial recognition, exploration and evaluation assets are stated at cost less any accumulated impairment losses.

Exploration and evaluation assets include the cost of mining and exploration rights and the expenditure incurred in the search for mineral resources as well as the determination of the technical feasibility and commercial liability of extracting those resources. When the technical feasibility and commercial viability of extracting mineral resources become demonstrable, previously recognised exploration and evaluation assets are reclassified as either other intangible assets or property, plant and equipment, and the assets are assessed for impairment before reclassification.

Notes to the Consolidated Financial Statements

For the year ended 31st March 2017

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of exploration and evaluation assets

The carrying amount of the exploration and evaluation assets is reviewed annually and adjusted for impairment in accordance with HKAS 36 *Impairment of Assets* whenever one of the following events or changes in circumstances indicate that the carrying amount may not be recoverable (the list is not exhaustive):

- the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed.
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned.
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area.
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset exceeds its recoverable amount.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31st March 2017

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowings costs are recognised in profit or loss in the period in which they are incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'loss before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Notes to the Consolidated Financial Statements

For the year ended 31st March 2017

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

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

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

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

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

Retirement benefit costs

Payments to defined contribution retirement benefit plans, the Mandatory Provident Fund Scheme ("MPF Scheme") and state-managed retirement benefit schemes, are recognised as an expense when employees have rendered services entitling them to the contributions.

Notes to the Consolidated Financial Statements

For the year ended 31st March 2017

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries) after deducting any amount already paid.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment of loans and receivables below).

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

Notes to the Consolidated Financial Statements

For the year ended 31st March 2017

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of loans and receivables

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Loans and receivables are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the loans and receivables, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Objective evidence of impairment for trade receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

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

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

Notes to the Consolidated Financial Statements

For the year ended 31st March 2017

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities including trade and other payables, amount due to a related party, other borrowings and unlisted bond are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31st March 2017

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payment arrangements

Equity-settled share-based payment transactions

Share options granted to employees or consultants

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

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

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to accumulated losses.

Share options issued to consultants in exchange for services are measured at the fair values of the services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the counterparty renders the service. The fair values of the services received are recognised as expenses, with a corresponding increase in equity (share options reserve), when the counterparties render services, unless the services qualify for recognition as assets.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Notes to the Consolidated Financial Statements

For the year ended 31st March 2017

5. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year.

Estimated impairment of trade receivables

When there is objective evidence of impairment loss, the Company takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31st March 2017, the carrying amount of trade receivables is HK$3,780,000 (2016: HK$5,808,000). No allowance for doubtful debts has been recognised at the end of both reporting periods.

Exploration and evaluation assets

As disclosed in note 16 , full impairment loss on exploration and evaluation assets was recognised during the year ended 31st March 2014.

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

- there has been no change in the Mining Prohibition Law (the "MPL") which significantly restricts the Group from mining exploration activities;
- 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 being paid by the Authority in respect of expropriated areas of mining activities.

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

Notes to the Consolidated Financial Statements

For the year ended 31st March 2017

6. REVENUE

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

7. SEGMENT INFORMATION

The Group determines its operating segments based on the reports reviewed by the chief operating decision maker, the Chairman of the Group, for the purposes of resource allocation and performance assessment. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segment. The reports are analysed based on categories of business. Two operating segments were presented:

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

Segment revenue and results

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

	Coal mining		Coal trading		Total	
	2017	2016	**2017**	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue						
External sales	**–**	–	**11,219**	11,659	**11,219**	11,659
Segment loss	**(505)**	(1,285)	**(905)**	(875)	**(1,410)**	(2,160)
Unallocated income						
– Interest income					**6**	9
– Other income					**–**	30
Unallocated expenses						
– Central administration costs					**(50,312)**	(47,897)
– Finance costs					**(5,198)**	(390)
Loss before tax					**(56,914)**	(50,408)

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

Notes to the Consolidated Financial Statements

For the year ended 31st March 2017

7. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities

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

	2017	2016
	HK$'000	HK$'000
Segment assets		
Coal mining	**1**	1
Coal trading	**4,393**	6,696
Total segment assets	**4,394**	6,697
Unallocated assets	**15,461**	15,377
Consolidated assets	**19,855**	22,074
Segment liabilities		
Coal mining	**1,818**	2,104
Coal trading	**1,942**	3,850
Total segment liabilities	**3,760**	5,954
Unallocated liabilities	**74,595**	19,797
Consolidated liabilities	**78,355**	25,751

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

- all assets are allocated to operating segments other than bank balances and cash and head office assets; and
- all liabilities are allocated to operating segments other than head office liabilities.

Notes to the Consolidated Financial Statements

For the year ended 31st March 2017

7. SEGMENT INFORMATION *(Continued)*

Other segment information

	Coal mining		Coal trading		Unallocated		Total	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Amounts included in the measure of segment profit or loss or segment assets:								
Capital expenditure	**–**	–	**10**	–	**29**	821	**39**	821
Depreciation	**–**	–	**14**	14	**1,899**	2,846	**1,913**	2,860
Loss on disposal of property, plant and equipment	**–**	–	**–**	–	**–**	35	**–**	35

Geographical information

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

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

	Revenue from external customers		Non-current assets	
	2017	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**–**	–	**2,675**	4,546
PRC	**11,219**	11,659	**45**	52
	11,219	11,659	**2,720**	4,598

Information about major customer

Revenue for both years represents sales to the same sole customer.

Notes to the Consolidated Financial Statements

For the year ended 31st March 2017

8. OTHER INCOME

	2017 **HK$'000**	2016 HK$'000
Interest income	**6**	9
Others	**–**	30
	6	39

9. FINANCE COSTS

	2017 **HK$'000**	2016 HK$'000
Interest on		
– obligations under a finance lease	**16**	21
– other borrowings	**1,578**	369
– unlisted bonds	**3,604**	–
	5,198	390

10. INCOME TAX CREDIT

	2017 **HK$'000**	2016 HK$'000
The PRC Enterprise Income Tax ("EIT")		
– Current tax	**–**	–
– Overprovision in prior year	**–**	(70)
	–	(70)

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

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

Notes to the Consolidated Financial Statements

For the year ended 31st March 2017

10. INCOME TAX CREDIT *(Continued)*

The tax credit for the year can be reconciled to the loss before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2017 HK$'000	2016 HK$'000
Loss before tax	**(56,914)**	(50,408)
Tax at applicable tax rate of 25% (2016: 25%)	**(14,229)**	(12,602)
Tax effect of expenses not deductible for tax purpose	**7,223**	5,420
Tax effect of tax losses not recognised	**2,145**	3,162
Effect of different tax rate of group entities operating in other jurisdictions	**4,861**	4,025
Overprovision in respect of prior year	**–**	(70)
Utilisation of tax losses previously not recognised	**–**	(5)
Income tax credit for the year	**–**	(70)

Details of unrecognised deferred tax are set out in note 21.

11. LOSS FOR THE YEAR

	2017 HK$'000	2016 HK$'000
Loss for the year has been arrived at after charging (crediting):		
Staff costs (including directors' remuneration):		
Salaries and other benefits	**17,735**	15,017
Retirement benefit scheme contributions	**514**	394
Total employee benefits expenses	**18,249**	15,411
Auditors' remuneration	**1,103**	1,107
Depreciation of property, plant and equipment	**1,913**	2,860
Loss on disposal of property, plant and equipment	**–**	35
Gain on deregistration of a subsidiary	**–**	(32)
Cost of inventories recognised as an expense	**10,702**	11,036
Operating lease rentals in respect of rented premises	**4,034**	4,047
Net exchange loss	**1,628**	883

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For the year ended 31st March 2017

12. DIVIDENDS

No dividend was paid or proposed for both years, nor has any dividend been proposed since the end of both reporting periods.

13. DIRECTORS' AND EMPLOYEES' REMUNERATION

(a) Directors' emoluments

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

2017

	Fees HK$'000	Salaries and other benefits HK$'000	Contribution to retirement benefit scheme HK$'000	Total HK$'000
Executive directors				
Zhu Xinjiang *(Chairman)*	–	3,840	18	3,858
Cheung Siu Fai	–	1,200	18	1,218
Sun David Lee	–	1,200	18	1,218
Yeung Ting Lap, Derek Emory	–	1,200	18	1,218
Independent non-executive directors				
Ho Man Kin, Tony	180	–	–	180
Li Kar Fai, Peter	180	–	–	180
Edward John HILL III	180	–	–	180
	540	7,440	72	8,052

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

(a) Directors' emoluments *(Continued)*

2016

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

Notes:

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

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

(b) Employees' emoluments

The five highest paid employees of the Group during the year included three directors (2016: four directors), details of whose remuneration are set out in (a) above. The fourth, fifth and sixth highest paid employees are earning the same amount of remuneration during the year ended 31st March 2017.

Details of the remuneration for the year of the remaining two (2016: one) highest paid employee(s) who are not director(s) of the Company are as follows:

	2017 HK$'000	2016 HK$'000
Salaries and other benefits	**3,300**	1,500
Retirement benefit scheme contributions	**34**	11
	3,334	1,511

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For the year ended 31st March 2017

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

(b) Employees' emoluments *(Continued)*

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

	2017 No. of employees	2016 No. of employees
HK$1,500,001 to HK$2,000,000	**2**	1

During the years ended 31st March 2017 and 2016, no remuneration were paid by the Group to the five highest paid individuals, or any of the directors of the Company, as an inducement to join or upon joining the Group or as a compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any remuneration during the years ended 31st March 2017 and 2016.

(c) Remuneration of key management

The key management of the Group is the directors of the Company, details of whose emoluments are set out in (a) above.

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

14. 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:

	2017 HK$'000	2016 HK$'000
Loss for the year attributable to owners of the Company for the purposes of basic and diluted loss per share	**(56,914)**	(50,338)

	2017	2016
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**9,607,753,752**	9,593,882,031

In calculating the diluted loss per share for the years ended 31st March 2017 and 2016, the potential issue of shares arising from the Company's share option would decrease the loss per share and was therefore not taken into account.

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15. PROPERTY, PLANT AND EQUIPMENT

	Furniture, fixtures and office equipment HK$'000	Leasehold improvements HK$'000	Computer equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST					
At 1st April 2015	338	2,282	790	9,235	12,645
Exchange realignment	(2)	–	(8)	(9)	(19)
Additions	–	88	–	733	821
Disposals	–	–	–	(590)	(590)
At 31st March 2016	336	2,370	782	9,369	12,857
Exchange realignment	(9)	–	(30)	(44)	(83)
Additions	–	–	39	–	39
At 31st March 2017	327	2,370	791	9,325	12,813
DEPRECIATION					
At 1st April 2015	144	1,445	655	3,407	5,651
Exchange realignment	(1)	–	(6)	(9)	(16)
Provided for the year	57	925	73	1,805	2,860
Eliminated on disposals	–	–	–	(236)	(236)
At 31st March 2016	200	2,370	722	4,967	8,259
Exchange realignment	(8)	–	(28)	(43)	(79)
Provided for the year	57	–	36	1,820	1,913
At 31st March 2017	249	2,370	730	6,744	10,093
CARRYING VALUES					
At 31st March 2017	78	–	61	2,581	2,720
At 31st March 2016	136	–	60	4,402	4,598

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For the year ended 31st March 2017

15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Furniture, fixtures and office equipment	10% – 33.3%
Leasehold improvements	Over the shorter of the term of the relevant lease, or 3 years
Computer equipment	33.3%
Motor vehicles	20% – 33.3%

The carrying values of the Group's motor vehicles included an amount of HK$331,000 (2016: HK$473,000) in respect of assets held under finance leases.

The Group has pledged motor vehicles with a carrying value of HK$1,786,000 (2016: HK$3,318,000) to secure the borrowings from a non-bank financial institution.

16. EXPLORATION AND EVALUATION ASSETS

	2017 & 2016
	HK$'000
At cost	382,446
Less: impairment loss	(382,446)
	–

The exploration and evaluation assets represent all costs directly associated with exploration and evaluation and are initially capitalised. Exploration and evaluation assets are those expenditures for an area where technical feasibility and commercial viability has not been determined. Exploration and evaluation assets include acquisition of rights to explore, topographical and geological surveys, exploratory drilling, sampling and trenching and activities in relation to commercial and technical feasibility studies.

The exploration and evaluation assets of the Group represented the considerations paid for acquisitions of mineral mining licenses and exploration licenses in respect of the Saikhan Ovoo coal deposits in the Bulgan province of Mongolia in previous years and the costs incurred for subsequent exploration and evaluation works.

On 25th January 2008, the Company as the purchaser, CEC Resources Limited ("CEC Resources") as the vendor, and China Enterprise Capital Limited as the guarantor entered into a sale and purchase agreement pursuant to which the Company conditionally agreed to acquire from CEC Resources the entire issued share capital of Giant Field Group Limited ("GF"). Both CEC Resources and China Enterprise Capital Limited were independent third parties of the Company.

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16. EXPLORATION AND EVALUATION ASSETS *(Continued)*

In accordance with the abovementioned sale and purchase agreement, SMI LLC ("SMI"), incorporated in Mongolia, became an indirectly wholly-owned subsidiary of the Company after the GF acquisition. The principal assets of SMI are two mineral mining rights of 30 years in respect of the Saikhan Ovoo coal deposit in the Bulgan province of Mongolia. The mining right licenses are MV-011985 and MV-002366 with 1,229.15 and 39.36 hectares respectively, and located in the same area.

The Group's mining rights may be restricted as a result of the enactment of the MPL in 2009, details of which are set out in the published consolidated financial statements of the Group for the year ended 31st March 2013. According to the MPL, the affected license holders, including SMI, are to be compensated but details of the compensation are not currently available.

During the year ended 31st March 2014, a revocation letter (the "Letter") was received from the Authority informing SMI that the mining right license MV-011985 had been revoked. The mining right license MV-011985 was revoked initially on 22nd September 2008 because the relevant annual license fee was paid on 17th September 2008, that was a few days after the due date of 5th September 2008. However, the mining right license MV-011985 was subsequently restored by an order of the then director of the Authority on 13th November 2008. The Letter states that the restoration order has been invalidated and that the initial decision to revoke the license has been restored. A formal appeal letter against the Letter was submitted to the Authority (the "Appeal") on 6th March 2014 and the Group has also taken legal action against the revocation decision (the "Legal Action") in Mongolian Court on 19th March 2014. The full impairment loss for the mining right license MV-011985 has been recognised in accordance with HKAS 36 "*Impairment of Assets*" during the year ended 31st March 2014.

SMI received a letter dated 6th April 2015 from the Authority informing SMI that the mining right license MV-011985 has been restored by an order of the Authority dated 3rd April 2015.

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

Notes to the Consolidated Financial Statements

For the year ended 31st March 2017

16. EXPLORATION AND EVALUATION ASSETS *(Continued)*

During the year ended 31st March 2017, the Group had incurred an amount of HK$398,000 (2016: HK$377,000) for the exploration and evaluation work on the Saikhan Ovoo coal mine, including license fee, labour and other costs directly attributable to exploration activities. The Group has not carried out any development nor production activity.

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

- there has been no change in the MPL which significantly restricts the Group from mining exploration activities;
- 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 being paid by the Authority in respect of expropriated areas of mining activities.

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

17. TRADE AND OTHER RECEIVABLES

	2017	2016
	HK$'000	HK$'000
Trade receivables	**3,780**	5,808
Deposits and prepayments	**3,368**	4,301
	7,148	10,109

As at 31st March 2017 and 2016, the whole amount of trade receivables was due from the sole customer of the Group. The Group allows its trade customers a credit period ranging from 15 to 90 days (2016: 15 to 60 days) from the date of invoices.

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17. TRADE AND OTHER RECEIVABLES *(Continued)*

The following is an aged analysis of trade receivables presented based on the invoice date at the end of the reporting date:

	2017 **HK$'000**	2016 HK$'000
Within 90 days	**1,057**	3,114
91 – 180 days	**2,723**	2,694
	3,780	5,808

Included in the Group's trade receivable balance is an aggregate carrying amount of HK$2,723,000 (2016: HK$2,694,000) which are past due at the end of the reporting period for which the Group has not recognised an impairment loss. The Group does not hold any collateral over these balances. The average age of these receivables is 110 days (2016: 130 days).

Aging of trade receivables which are past due but not impaired:

	2017 **HK$'000**	2016 HK$'000
Overdue by:		
Within 90 days	**2,723**	1,939
91 -180 days	**–**	755
	2,723	2,694

The Group closely monitors the granting of credit and periodically reviews the recoverability of each trade receivable. As at 31st March 2017 and 2016, management assessed and considered the Group's outstanding trade receivables were in good credit quality as there are no history of default from the sole customer.

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18. BANK BALANCES AND CASH

Bank balances

Bank balances carry interest at market rates ranging from 0.001% to 0.35% (2016: 0.001% to 0.35%) per annum.

The amount of the Group's bank balances and cash denominated in currencies other than the functional currencies of the relevant group companies are set out below:

	2017 **HK$'000**	2016 HK$'000
HK$	**3,945**	4,592
RMB	**13**	32
US dollars ("USD")	**787**	–
	4,745	4,624

19. TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

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

	2017 **HK$'000**	2016 HK$'000
Trade payables:		
Within 90 days	**–**	2,633
91 to 180 days	**–**	1,095
181 to 365 days	**903**	98
Over 365 days	**1,033**	–
	1,936	3,826
Accrued charges	**9,048**	7,568
Other payables	**1,180**	9
	12,164	11,403

The average credit period on purchases of coals is 15 to 60 days (2016: 15 to 30 days).

20. AMOUNT DUE TO A RELATED PARTY

The amount represents advances from Sharp Victory, the immediate and ultimate holding company of the Company. The amount is non-trade in nature, unsecured, interest-free and repayable on demand.

Notes to the Consolidated Financial Statements

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21. DEFERRED TAX

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax asset and liability have been offset. The following are the deferred tax liability and asset recognised and movements thereon during the current and prior years:

	Accelerated tax depreciation HK$'000	**Tax losses** HK$'000	**Total** HK$'000
At 1st April 2015	361	(361)	–
(Credit) charge to profit or loss	(263)	263	–
At 31st March 2016	98	(98)	–
(Credit) charge to profit or loss	(98)	98	–
At 31st March 2017	–	–	–

At the end of the reporting period, the Group has unused tax losses of approximately HK$101,000,000 (2016: HK$149,000,000) available for offset against future profits, of which HK$58,000,000 is disposed due to the de-registration of a subsidiary during the year. A deferred tax asset has been recognised in respect of HK$593,000 of such losses as at 31st March 2016 (2017: Nil). No deferred tax asset has been recognised in respect of the remaining tax losses of HK$101,000,000 (2016: HK$148,000,000) due to the unpredictability of future profit streams.

At 31st March 2017, included in unrecognised tax losses are losses of HK$8,639,000 (2016: HK$5,622,000) that will expire in 2017 to 2022 (2016: 2016 to 2021). Other losses may be carried forward indefinitely.

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22. OTHER BORROWINGS

	Notes	2017 HK$'000	2016 HK$'000
Borrowings from a non-bank financial institution	(i)	**1,727**	2,717
Loans from independent third parties	(ii)	**27,467**	1,813
		29,194	4,530
Secured		**1,727**	2,717
Unsecured		**27,467**	1,813
		29,194	4,530
The other borrowings are repayable:	(iii)		
Within one year		**2,691**	2,803
Within a period of more than one year but not exceeding two years		**26,503**	1,067
Within a period of more than two years but not exceeding five years		**–**	660
		29,194	4,530
Less: Amounts due within one year shown under current liabilities		**(2,691)**	(2,803)
Amounts due after one year shown under non-current liabilities		**26,503**	1,727

Notes:

(i) At 31st March 2017 and 2016, the amount represented fixed-rate borrowings from a non-bank financial institution, which are repayable over 4 years by monthly instalment without a repayable-on-demand clause. The effective interest rate for both years was 7.47% per annum. The borrowings are denominated in HK$ and secured by certain motor vehicles owned by the Group.

(ii) At 31st March 2017, loan amounting to HK$1,624,000 (2016: HK$1,813,000) is unsecured, repayable on demand and carries interest at a fixed rate of 8% per annum.

At 31st March 2017, loan amounting to HK$25,843,000 (2016: nil) is unsecured, carries interest at a fixed rate of 7% per annum payable semi-annually and will expire in October 2018. The effective interest rate is at 16.93% per annum.

At 31st March 2017, the Group has unutilised loan facility of HK$15,000,000 (2016: nil).

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

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23. OBLIGATIONS UNDER A FINANCE LEASE

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

	Minimum lease payments		Present value of minimum lease payments	
	2017	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable under finance lease:				
Within one year	**155**	155	**146**	139
Within a period of more than one year but not exceeding two years	**128**	155	**126**	146
Within a period of more than two years but not exceeding five years	**–**	128	**N/A**	126
Less: future finance charges	**(11)**	(27)	**N/A**	N/A
Present value of lease obligations	**272**	411	**272**	411
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(146)**	(139)
Amount due for settlement after 12 months			**126**	272

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

Finance lease obligations are denominated in HK$.

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24. UNLISTED BONDS

The movements of the unlisted bonds for the year are as follows:

	2017 HK$'000
Initial fair values on the dates of issuance	**25,200**
Interest expenses *(note 9)*	**3,604**
Interest paid during the year	**(1,279)**
Interest payable credited to other payables	**(518)**
Carrying amount as at 31 March	**27,007**

On 21st April 2016, the Company entered into a placing agreement for the placement of unlisted bonds up to an aggregate principal amount of HK$30,000,000. The unlisted bonds carrying interest at a fixed rate of 7% per annum (interest payable semi-annually in arrears) were drawn down between May and June 2016 and will mature in May and June 2018, respectively.

The effective interest rate of the unlisted bonds is 16.20% per annum.

25. SHARE CAPITAL

	Authorised		Issued and fully paid	
	Number of shares	Nominal value HK$'000	Number of shares	Nominal value HK$'000
Ordinary shares of HK$0.01 each				
At 1st April 2015	300,000,000,000	3,000,000	9,453,903,752	94,539
Issuance of shares *(note)*	–	–	153,850,000	1,539
At 31st March 2016 and 2017	300,000,000,000	3,000,000	9,607,753,752	96,078

Note: On 25th March 2015, the Company entered into two subscription agreements to issue and allot a total number of 230,770,000 shares and 153,850,000 shares of the Company at the price of HK$0.13 per share respectively. The two subscription agreements are not inter-conditional upon each other. The total number of 384,620,000 shares represented approximately 4.00% of the issued share capital of the Company as enlarged by the allotment and issue of the shares. The gross proceeds from the first subscription and second subscription was approximately HK$30 million and HK$20 million respectively. The net proceeds from the subscriptions amounting to approximately HK$49.9 million was used as general working capital of the Group and for its business development. The first subscription was completed on 31st March 2015 and the second subscription was completed on 4th May 2015. The new shares rank pari passu with all other shares in all respects.

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26. SHARE-BASED PAYMENT TRANSACTIONS

Share options of the Company

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

(a) 2003 Scheme

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

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

The 2003 Scheme was terminated on 28th September 2007 upon the adoption of the 2007 Scheme (see (b) below) on the same day.

(b) 2007 Scheme

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

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

The 2007 Scheme was terminated on 28th September 2016 upon the adoption of the 2016 Scheme (see (c) below) on the same day.

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

Share options of the Company *(Continued)*

(c) 2016 Scheme

Another 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 of the Company may invite any director (including non-executive director and independent non-executive director), employee of the Company or any of its subsidiaries or associated companies or any suppliers of goods or services to the Group to take up options to subscribe for share of HK$0.01 each 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 years ended 31st March 2017 and 2016:

	Option scheme type	Date of grant	Vesting period	Exercisable period	Exercise price per share HK$	At 1st April 2015 and 31st March 2016	Lapsed during the year	At 31 March 2017
Directors	2007	29th July 2010	N/A	29th July 2010 to 28th July 2020	0.20	20,000,000	–	20,000,000
Employees	2007	3rd March 2009	N/A	3rd March 2009 to 2nd March 2019	0.27	2,000,000	–	2,000,000
Consultants	2003	21st August 2006	N/A	21st August 2006 to 21st August 2016	0.21	5,442,320	(5,442,320)	–
	2007	22nd November 2007	N/A	22nd November 2007 to 21st November 2017	0.27	18,060,000	–	18,060,000
						45,502,320	(5,442,320)	40,060,000
Exercisable at end of the year								40,060,000
Weighted average exercise price (HK$)						0.232	0.21	0.235

During the years ended 31st March 2017 and 2016, no options were granted or agreed to be granted or exercised under the 2003 Scheme, 2007 Scheme or 2016 Scheme.

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27. OPERATING LEASES

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises, which fall due as follows:

	2017 **HK$'000**	2016 HK$'000
Within one year	**3,990**	3,915
In the second to fifth year inclusive	**4,106**	7,467
	8,096	11,382

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

28. RETIREMENT BENEFIT SCHEMES

Hong Kong

The Group participates in MPF Scheme established under the Mandatory Provident Fund Ordinance in December 2000. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme.

Mongolia and PRC

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

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29. RELATED PARTY DISCLOSURES

(i) Details of the Group's outstanding balance with a related party are set out in the consolidated statement of financial position and in note 20.

(ii) Compensation of key management personnel which is the directors of the Company during the year is set out in note 13.

(iii) During the years ended 31st March 2017 and 2016, Mr. Zhu provided a personal guarantee to the extent of HK$708,000 to a bank to secure the obligations under finance lease as disclosed on note 23.

30. PLEDGE OF ASSETS

At the end of reporting period, certain motor vehicles of the Group with a carrying amount of HK$1,786,000 (2016: HK$3,318,000) were pledged to secure the borrowings from a non-bank financial institution.

In addition, the Group's obligations under a finance lease (see note 23) are secured by the lessors' title to the leased asset, which has a carrying amount of HK$331,000 as at 31st March 2017 (2016: HK$473,000).

31. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The following table lists the subsidiaries of the Group as at 31st March 2017 which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

Name of subsidiaries	Place of incorporation/ establishment and operations	Issued and fully paid share capital/ registered capital	Proportion of issued share capital held by the Company				Principal activities
			Directly		Indirectly		
			2017	2016	**2017**	2016	
NB Management Services Limited	Hong Kong	HK$1	**100%**	100%	**–**	–	Provision of management services
SMI LLC	Mongolia	MNT12,000,000	**–**	–	**100%**	100%	Coal mining
廣東亞煤能源貿易有限公司	PRC	RMB10,000,000	**–**	–	**100%**	100%	Coal trading

At the end of the reporting period, the Company has 4, 4 and 1 subsidiaries (2016: 5, 4 and 1) located and operated in Hong Kong, the British Virgin Islands and the PRC, respectively, that are not material to the Group. Principal activities of these subsidiaries are provision of management services to the Group or investment holding.

None of the subsidiaries had issued any debt securities during the year or at the end of the year.

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32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

The following is the statement of financial position of the Company as at 31st March 2017:

	2017 HK$'000	2016 HK$'000
ASSETS AND LIABILITIES		
Non-current asset		
Investments in subsidiaries	**–**	–
Current assets		
Other receivables	**1,500**	2,444
Bank balances	**3,748**	4,400
	5,248	6,844
Current liabilities		
Other payables and accrued charges	**9,678**	6,923
Amount due to a related party	**8,589**	9,407
	18,267	16,330
Net current liabilities	**(13,019)**	(9,486)
Non-current liabilities		
Other borrowings	**25,843**	–
Unlisted bonds	**27,007**	–
	52,850	–
Net liabilities	**(65,869)**	(9,486)
CAPITAL AND RESERVES		
Share capital	**96,078**	96,078
Reserves *(note)*	**(161,947)**	(105,564)
Total equity	**(65,869)**	(9,486)

Notes to the Consolidated Financial Statements

For the year ended 31st March 2017

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

Note:

Reserves

	Share premium HK$'000	Share options reserve HK$'000	Capital contribution reserve HK$'000	Translation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1st April 2015	529,834	3,025	363	–	(608,898)	(75,676)
Loss for the year	–	–	–	–	(48,139)	(48,139)
Exchange differences arising on translation	–	–	–	(161)	–	(161)
Total comprehensive income (expense) for the year	–	–	–	(161)	(48,139)	(48,300)
Subtotal	529,834	3,025	363	(161)	(657,037)	(123,976)
Issue of shares	18,412	–	–	–	–	18,412
At 31st March 2016	548,246	3,025	363	(161)	(657,037)	(105,564)
Loss for the year	–	–	–	–	(58,258)	(58,258)
Exchange differences arising on translation	–	–	–	1,875	–	1,875
Total comprehensive income (expense) for the year	–	–	–	1,875	(58,258)	(56,383)
Subtotal	548,246	3,025	363	1,714	(715,295)	(161,947)
Lapse of share options	–	(285)	–	–	285	–
At 31st March 2017	548,246	2,740	363	1,714	(715,010)	(161,947)

33. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which includes amount due to a related party, other borrowings, obligations under a finance lease and unlisted bonds, net of cash and cash equivalents, and equity attributable to owners of the Company, comprising issued share capital, reserves and accumulated losses.

The directors of the Company review the capital structure regularly. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendation of the directors of the Company, the Group will balance its overall capital structure through the issue of new debt or the redemption of existing debt, as well as new share issues.

Notes to the Consolidated Financial Statements

For the year ended 31st March 2017

34. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2017 HK$'000	2016 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**13,767**	13,175
Financial liabilities		
Financial liabilities at amortised cost	**69,035**	17,772
Obligations under a finance lease	**272**	411
	69,307	18,183

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, bank balances and cash, trade and other payables, amounts due to a related party, other borrowings, obligations under a finance lease and unlisted bonds. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk and currency risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure that appropriate measures are implemented on a timely and effective manner.

Market risks

(i) Currency risk

The Group has monetary assets and liabilities denominated in USD, RMB and HKD, which are not the functional currency of the relevant group companies, which expose the Group to market risk arising from change in foreign exchange rates. The Group currently does not have a foreign currency hedging policy. However, management closely monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Notes to the Consolidated Financial Statements

For the year ended 31st March 2017

34. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risks *(Continued)*

(i) Currency risk (Continued)

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

	2017 HK$'000	2016 HK$'000
Assets		
HKD	**3,945**	4,592
RMB	**13**	32
USD	**794**	–
Liabilities		
HKD	**62,619**	9,415

Sensitivity analysis

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

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

The Group's sensitivity analysis is prepared by using a 10% (2016: 10%) increase and decrease in RMB against HKD. Having considered the fluctuation of foreign exchange rates in the current year, 10% (2016: 10%) is the sensitivity rate used by management for the assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 10% (2016: 10%) change in foreign currency rates. Where HKD strengthens 10% (2016: 10%) against RMB, the Group loss for the year would be increased by approximately HK$5,867,000(2016: HK$482,000). For 10% (2016: 10%) weakening of HKD against RMB, there would be an equal and opposite impact on the loss for the year.

Notes to the Consolidated Financial Statements

For the year ended 31st March 2017

34. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risks *(Continued)*

(i) Currency risk (Continued)

Sensitivity analysis (Continued)

In addition, the Group is exposed to foreign currency risk as a result of inter-group balances denominated in currencies other than the respective functional currency of the relevant group companies, as follows:

	2017 **HK$'000**	2016 HK$'000
Liabilities		
USD	**25,744**	25,058

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

The Group's sensitivity analysis is prepared by using a 10% (2016: 10%) increase and decrease in MNT against USD. Having considered the fluctuation of foreign exchange rates in the current year, 10% (2016: 10%) is the sensitivity rate used by management for the assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 10% (2016: 10%) change in foreign currency rates. Where USD strengthens 10% (2016: 10%) against MNT, the Group loss for the year would be increased by approximately HK$2,574,000 (2016: HK$2,506,000). For 10% (2016: 10%) weakening of USD against MNT, there would be an equal and opposite impact on the loss for the year.

(ii) Interest rate risk

The Group's bank balances (see note 18 for details) carry floating-rate interests and have exposure to cash flow interest rate risk due to the fluctuation of the prevailing market interest rates.

The Group is exposed to fair value interest rate risk in relation to borrowings from a non-bank financial institution and independent third parties, obligations under a finance lease and unlisted bonds (see notes 22, 23 and 24 for details).

The Group currently does not have a hedging policy on interest rate risk. However, management closely monitors interest rate exposure and will consider hedging significant interest rate change exposure should the need arise.

Sensitivity analysis

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

Notes to the Consolidated Financial Statements

For the year ended 31st March 2017

34. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk

As at 31st March 2017, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group's concentration of credit risk by geographical locations is in the PRC, which accounted for 100% of the total trade receivables as at 31st March 2017 and 2016. 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.

In order to minimise the credit risk, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has concentration of credit risk in relation to deposits with banks. However, the credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

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

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for the financial liabilities are based on the agreed repayment dates.

Notes to the Consolidated Financial Statements

For the year ended 31st March 2017

34. FINANCIAL INSTRUMENTS *(Continued)*

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

Liquidity risk *(Continued)*

The table includes both interest and principal cash flows.

	Weighted average interest rate %	On demand or less than a month HK$'000	More than 1 month but within 3 months HK$'000	More than 3 months but within 1 year HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
At 31st March 2017							
Trade and other payables	–	2,598	518	–	–	3,116	3,116
Amount due to a related party							
– non-interest bearing	–	9,718	–	–	–	9,718	9,718
Borrowings from a non-bank financial institution							
– fixed rate	7.47	97	193	870	677	1,837	1,727
Loan from independent third parties							
– fixed rate	16.40	1,797	–	1,059	31,985	34,841	27,467
Obligations under a finance lease	4.27	13	26	116	128	283	272
Unlisted bonds	16.20	–	524	1,059	30,821	32,404	27,007
		14,223	1,261	3,104	63,611	82,199	69,307

	Weighted average interest rate %	On demand or less than a month HK$'000	More than 1 month but within 3 months HK$'000	More than 3 months but within 1 year HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
At 31st March 2016							
Trade and other payables	–	1,202	2,633	–	–	3,835	3,835
Amount due to a related party							
– non-interest bearing	–	9,407	–	–	–	9,407	9,407
Borrowings from a non-bank financial institution							
– fixed rate	7.47	97	193	870	1,837	2,997	2,717
Loan from an independent third party							
– fixed rate	8.00	1,813	–	–	–	1,813	1,813
Obligations under a finance lease	4.27	13	26	116	283	438	411
		12,532	2,852	986	2,120	18,490	18,183

Notes to the Consolidated Financial Statements

For the year ended 31st March 2017

34. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value measurements of financial instruments

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

35. EVENTS AFTER THE END OF THE REPORTING PERIOD

On 23rd March 2017, the Company, as a borrower, entered into a loan agreement with an independent third party for a term loan facility amounting to HK$70,000,000 (the "Term Loan"). The Term Loan carries interest at a fixed rate of 7% per annum, payable semi-annually. Up to the date of approval of these consolidated financial statements, the Company has not utilised any of the Term Loan. The proceeds from the Term Loan will be used for general working capital, business development and refinancing of the Group .

Financial Summary

RESULTS

	For the year ended 31st March				
	2013	2014	2015	2016	**2017**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
REVENUE FROM CONTINUING AND DISCONTINUED OPERATIONS	8,728	12,499	40,353	11,659	**11,219**
LOSS BEFORE TAX	(52,742)	(144,097)	(24,972)	(50,408)	**(56,914)**
INCOME TAX (EXPENSE) CREDIT	–	–	(173)	70	**–**
LOSS FOR THE YEAR	(52,742)	(144,097)	(25,145)	(50,338)	**(56,914)**
Loss for the year attributable to:					
Owners of the Company	(52,779)	(144,094)	(25,144)	(50,338)	**(56,914)**
Non-controlling interests	37	(3)	(1)	–	**–**
	(52,742)	(144,097)	(25,145)	(50,338)	**(56,914)**

ASSETS AND LIABILITIES

	At 31st March				
	2013	2014	2015	2016	**2017**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
TOTAL ASSETS	138,259	36,691	57,113	22,074	**19,855**
TOTAL LIABILITIES	(44,857)	(38,664)	(31,238)	(25,751)	**(78,355)**
NET ASSETS (LIABILITIES)	93,402	(1,973)	25,875	(3,677)	**(58,500)**