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Asia Coal Limited
亞洲煤業有限公司

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

**MEMORANDUM OF UNDERSTANDING IN RELATION TO
THE PROPOSED TRANSACTION**

MEMORANDUM OF UNDERSTANDING

The Board is pleased to announce that, on 27 September 2017, the Company entered into a non-legally binding MOU with the Vendor in respect of the Proposed Transaction.

Save for the terms on exclusivity, confidentiality, cost and expense, validity and governing law, the MOU does not constitute any legal binding commitment in respect of the Proposed Transaction until a Definitive Agreement is executed by all Parties.

The Board wishes to emphasize that as no Definitive Agreement in relation to the Proposed Transaction has been entered into as at the date of this announcement, the Proposed Transaction may or may not proceed. If the Proposed Transaction materializes, it may constitute an extreme very substantial acquisition or reverse takeover of the Company. The Company will comply with the relevant requirements of the Listing Rules should the Proposed Transaction materializes. Shareholders and potential investors of the Company are urged to exercise caution when dealing in the securities of the Company.

A further announcement in respect of the Proposed Transaction will be made by the Company if any Definitive Agreement has been entered into.

This announcement is made by the Company pursuant to Rule 13.09(2) of the Listing Rules and the provisions of inside information under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

MEMORANDUM OF UNDERSTANDING

The Board is pleased to announce that, on 27 September 2017, the Company entered into a non-legally binding MOU with the Vendor in respect of the Proposed Transaction.

Major terms of the MOU

Date: 27 September 2017

Parties:

Purchaser: The Company

Vendor: Guangdong Zhongtai Industrial Group Company Limited (廣東中泰實業集團有限公司), a company established under the laws of PRC with limited liability

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, the Vendor and its ultimate beneficial owners are Independent Third Parties.

Sales Shares

Pursuant to the MOU, the Company intends to acquire 100% of the shares of the Target Company from the Vendor and its associates.

Consideration

The consideration for the purchase of the Sale Shares will be newly issued shares of the Company, with the final number to be agreed between the Parties based on the valuation of the Sale Shares and the prevailing share price of the issued shares of the Company.

Definitive Agreement

The Parties agree to prepare the Definitive Agreement within 90 days after the date of the MOU (or such other extended date as the Parties may agree in writing). The Parties and the Vendor will procure the Target Company to negotiate and enter into the Definitive Agreement which will reflect the terms of the MOU. The completion of the Proposed Transaction is conditional upon fulfilling certain conditions precedent, including obtaining all necessary prior approvals as required and the satisfaction of the Company as to the due diligence review.

Exclusivity

During a 180-day period after the date of the MOU (or such other extended date as the Parties may agree in writing), the Vendor agrees that neither the Vendor nor the Target Company will, directly or indirectly, enter into any discussions or negotiations with any other person for the Proposed Transaction and agrees to discontinue any existing discussions or negotiations (if any) with any other person with respect to the Proposed Transaction.

No legally binding effect

Save for the terms on exclusivity, confidentiality, cost and expense, validity and governing law, the MOU does not constitute any legally binding commitment in respect of the Proposed Transaction until a Definitive Agreement is executed by all Parties.

INFORMATION OF THE VENDOR AND THE TARGET COMPANY

Information of the Vendor

The Vendor is a company established in the PRC with limited liability and is principally engaged in property development, property management, telecom operation and mobile internet and big data.

Information of the Target Company

The Target Company is a company established in the PRC with limited liability and is to be principally engaged in investment holding. Subject to the entering into of the MOU, the Vendor will undergo certain corporate reorganization such that (after completion of such reorganization) the Target Company will directly hold a controlling interest in four subsidiaries currently owned by the Vendor and its associates. Those subsidiaries are principally engaged in the property development business in the PRC.

REASONS AND BENEFITS OF THE PROPOSED TRANSACTION

The Company is principally engaged in coal mining and coal trading business. As disclosed in the announcement of the Company dated 24 September 2017, the Stock Exchange has notified the Company that the Stock Exchange has decided to suspend trading in the Company's shares with effect from 9:00 a.m. on 3 October 2017 and place the Company in the first delisting stage for the reasons, among others, that: (i) the Group has a low level of operations in its principal business; and (ii) the Company has not demonstrated that it would be able to substantially increase its business operations to generate sufficient revenue and profits for the Group, and support the viability and sustainability of the Group's business.

The Company is actively exploring opportunities to acquire assets and/or a business with sufficient operations and/or asset value to warrant the continued listing of the shares of the Company on the Stock Exchange. After careful assessment of the development prospect of the property development business, the Company believes that the Target Company has sufficient value and solid development potential. The Proposed Transaction would be consistent with the Group's vision to diversify the Group's business profile and revenue stream and accelerate its growth and developments in the near future. The Company believes that a successful completion of the Proposed Transaction may satisfy the Stock Exchange's requirements and warrant the continued listing of the shares of the Company on the Stock Exchange.

Accordingly, the Board considers that the Proposed Transaction, should it materialize, can enhance the value of the Shareholders and the creditors of the Company and are in the interests of the Company and the Shareholders as a whole.

GENERAL

The MOU does not constitute legally-binding commitment in respect of the Proposed Transaction. The Proposed Transaction is subject to the execution of the Definitive Agreement. In addition, completion of the Proposed Transaction is subject to the approval from the Stock Exchange.

The Board wishes to emphasize that as no Definitive Agreement in relation to the Proposed Transaction has been entered into as at the date of this announcement, the Proposed Transaction may or may not proceed. If the Proposed Transaction materializes, it may constitute an extreme very substantial acquisition or reverse takeover of the Company. The Company will comply with the relevant requirements of the Listing Rules should the Proposed Transaction materializes. Shareholders and potential investors of the Company are urged to exercise caution when dealing in the securities of the Company.

A further announcement in respect of the Proposed Transaction will be made by the Company if any Definitive Agreement has been entered into.

Definitions

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Board”	the board of Directors of the Company
“Company”	Asia Coal Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the main board of the Stock Exchange
“Definitive Agreement”	the formal sale and purchase agreement in relation to the Proposed Transaction
“Directors”	the Directors of the Company
“Group”	the Company together with its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	Independent third party(ies) who is/are not connected person(s) of the Company and any of its subsidiaries and is/are independent of the Company or its connected person(s) (as defined in the Listing Rules)

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MOU”	the Memorandum of Understanding in relation to the Proposed Transaction
“Parties”	the parties to the MOU
“PRC”	The People’s Republic of China
“Proposed Transaction”	the proposed acquisition of the Sales Shares
“Sale Shares”	100% of the issued shares of the Target Company
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	a company established under the laws of the PRC with limited liability
“Vendor”	Guangdong Zhongtai Industrial Group Company Limited (廣東中泰實業集團有限公司), a company established under the laws of the PRC with limited liability
“%”	Per cent

By order of the Board
Asia Coal Limited
ZHU Xinjiang
Chairman

Hong Kong, 27 September 2017

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