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亞洲煤業
ASIA COAL

Asia Coal Limited
亞洲煤業有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 835)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2017

The board (the "Board") of directors (the "Directors") of Asia Coal Limited (the "Company") announces the unaudited interim results of the Company and its subsidiaries (together, the "Group") for the six months ended 30th September 2017 together with comparative figures. The interim results have been reviewed by the Audit Committee of the Company.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30th September 2017

		Six months ended 30th September	
		2017	2016
	Notes	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Revenue	3	**4,634**	6,638
Cost of sales		**(4,431)**	(6,322)
Gross profit		**203**	316
Other income		**4**	3
Selling and distribution expenses		**(10)**	(27)
Administrative expenses		**(13,323)**	(25,968)
Finance costs	4	**(5,544)**	(1,568)
Loss before tax		**(18,670)**	(27,244)
Income tax expense	5	**–**	–

	Notes	Six months ended 30th September **2017** **HK$'000** **(unaudited)**	2016 HK$'000 (unaudited)
Loss for the period attributable to owners of the Company	6	**(18,670)**	(27,244)
Other comprehensive (expense) income:			
Item that will not be reclassified subsequently to profit or loss:			
Exchange differences arising on translation to presentation currency		**(3,634)**	1,110
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**989**	(214)
Other comprehensive (expense) income for the period		**(2,645)**	896
Total comprehensive expense for the period attributable to owners of the Company		**(21,315)**	(26,348)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	7		
Basic and diluted (HK cents)		**(0.19)**	(0.28)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th September 2017

	Notes	At 30th September 2017 HK$'000 (unaudited)	At 31st March 2017 HK$'000 (audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**1,773**	2,720
Exploration and evaluation assets		**–**	–
		1,773	2,720
Current assets			
Trade and other receivables	9	**5,829**	7,148
Bank balances and cash		**7,052**	9,987
		12,881	17,135
Current liabilities			
Trade and other payables and accrued charges	10	**5,337**	12,164
Amounts due to a related party		**9,153**	9,718
Other borrowings		**2,902**	2,691
Obligations under a finance lease		**149**	146
Unlisted bonds		**28,211**	–
		45,752	24,719
Net current liabilities		**(32,871)**	(7,584)
Total assets less current liabilities		**(31,098)**	(4,864)
Non-current liabilities			
Other borrowings		**48,666**	26,503
Obligations under a finance lease		**51**	126
Unlisted bonds		**–**	27,007
		48,717	53,636
Net liabilities		**(79,815)**	(58,500)
CAPITAL AND RESERVES			
Share capital		**96,078**	96,078
Reserves		**(175,893)**	(154,578)
Total equity		**(79,815)**	(58,500)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th September 2017

1. BASIS OF PREPARATION

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

In preparing the condensed consolidated financial statements, the Directors have given careful consideration to the future liquidity of the Group in light of the fact that its current liabilities exceeded its current assets by approximately HK$32,871,000 as at 30th September 2017, its total liabilities exceeded its total assets by approximately HK$79,815,000 as of that date and the Group incurred a loss of approximately HK$18,670,000 for the period then ended.

In order to improve the Group's financial position, to provide liquidity and cash flows and to sustain the Group as a going concern, the Group has been implementing a number of measures, including but not limited to:

(i) During the period ended 30th September 2017, a loan facility amounting to HK$70 million has been obtained.

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

(iii) Subsequent to the end of the reporting period, Sharp Victory Holdings Limited ("Sharp Victory") has agreed not to demand repayment of the amount due to it by the Group of approximately HK$9 million as at 30th September 2017 in the next twelve months from the date of approval of these condensed consolidated financial statements. Sharp Victory has also agreed to provide continuous financial support to the Group as necessary to enable the Group to meet its financial obligations, as and when they fall due for the foreseeable future.

The Directors are of the opinion that, taking into account the 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 condensed consolidated financial statements have been prepared on a going concern basis.

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st March 2017.

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

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised losses
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014-2016 Cycle

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

3. REVENUE AND SEGMENT INFORMATION

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

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")

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

	Coal mining Six months ended 30th September		**Coal trading Six months ended 30th September**		**Total Six months ended 30th September**	
	2017	2016	**2017**	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue						
External sales	**–**	–	**4,634**	6,638	**4,634**	6,638
Segment loss	**(572)**	(260)	**(439)**	(348)	**(1,011)**	(608)
Unallocated income						
– Interest income					**4**	3
Unallocated expenses						
– Central administration costs					**(12,119)**	(25,071)
– Finance costs					**(5,544)**	(1,568)
Loss before tax					**(18,670)**	(27,244)

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

4. FINANCE COSTS

	Six months ended 30th September	
	2017	**2016**
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interest on		
– obligations under a finance lease	**5**	8
– other borrowings	**3,283**	156
– unlisted bonds	**2,256**	1,404
	5,544	1,568

5. INCOME TAX EXPENSE

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

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

6. LOSS FOR THE PERIOD

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

	Six months ended 30th September	
	2017	**2016**
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Depreciation of property, plant and equipment	**950**	963
Operating lease rentals in respect of rented premises	**1,997**	1,982
Net exchange (gain) loss	**(2,604)**	656

7. LOSS PER SHARE

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

	Six months ended 30th September	
	2017	**2016**
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Loss for the period attributable to owners of the Company for the purposes of basic and diluted loss per share	**(18,670)**	(27,244)

	Six months ended 30th September	
	2017	**2016**
	(unaudited)	(unaudited)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**9,607,753,752**	9,607,753,752

In calculating the diluted loss per share for the six months ended 30th September 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.

8. DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the six months ended 30th September 2017 (2016: nil).

9. TRADE AND OTHER RECEIVABLES

The credit terms are ranging from 60 to 90 days (31st March 2017: 15 to 90 days) from the date of invoices. The following is an aged analysis of trade receivable, presented based on the invoice date at the end of the reporting period:

	At 30th September 2017	**At 31st March 2017**
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Trade receivables:		
Within 90 days	**2,043**	1,057
91 to 180 days	**1,281**	2,723
	3,324	3,780
Other receivables, deposits and prepayments	**2,505**	3,368
	5,829	7,148

10. 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 period:

	At 30th September 2017	**At 31st March 2017**
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Trade payables:		
Within 90 days	**744**	–
91 to 180 days	**–**	–
181 to 365 days	**–**	903
Over 365 days	**1,076**	1,033
	1,820	1,936
Accrued charges	**1,600**	9,048
Other payables	**1,917**	1,180
	5,337	12,164

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the six months ended 30th September 2017 (the "Period"), the Group continued to engage in coal mining and coal trading business.

Financial Review

Results Analysis

The Group's unaudited consolidated revenue for the Period amounted to HK$4,634,000, representing a 30% decrease as compared to the corresponding period last year. The gross profit decreased from HK$316,000 of the corresponding period last year to approximately HK$203,000. The gross profit margin decreased slightly from 5% of the corresponding period last year to 4% for the Period.

Loss attributable to owners of the Company for the Period decreased to approximately HK$18,670,000 from HK$27,244,000 as recorded in the corresponding period last year. Such decrease was mainly due to the decrease in legal and professional fee amounting to HK$8 million and exchange differences of HK$3 million, the effect of which was partly offset by the additional finance costs of approximately HK$4 million.

Segmental Analysis

Coal Mining

As disclosed in the Company's annual report for the year ended 31st March 2017, 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 consider no reversal of the impairment loss of the mining right licenses is appropriate in the current period, because of the followings:

– 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.

Coal Trading

Revenue contributed by the coal trading segment for the Period amounted to HK$4,634,000, representing a 30% decrease as compared to the corresponding period last year. The gross profit generated by this segment decreased from HK$316,000 of the corresponding period last year to approximately HK$203,000. The gross profit margin of this segment decreased slightly from 5% of the corresponding period last year to 4% for the Period. As the business environment was difficult with keen competition, the Group will closely review the market development and seek for the best opportunities for the Group.

Capital Structure, Liquidity and Financial Position

As at and for the period ended 30th September 2017, the total number of issued shares of the Company remained unchanged at 9,607,753,752.

As at 30th September 2017, the Group held cash and bank balances amounting to approximately HK$7,052,000 (31st March 2017: HK$9,987,000) while the total borrowings of the Group were approximately HK$89,132,000 (31st March 2017: HK$66,191,000). As at 30th September 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 (103)% (31st March 2017: (96)%).

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. 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 ended 31st March 2017, 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 30th September 2017, the Company has utilised the whole amount for the Group's general working capital and business development.

During the Period, 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$70 million for a term of two years. As at 30th September 2017, the Company has utilised an aggregate principal amount of HK$10 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 million due to it in the next twelve-month period from the date of approval of these condensed consolidated financial statements. 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.

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 30th September 2017, property, plant and equipment with carrying values of approximately HK$1,281,000 were pledged to secure the Group's borrowings from a non-bank financial institution and obligations under a finance lease.

Contingent Liabilities

As at 30th September 2017, the Group had no significant contingent liabilities.

Prospects and Outlook

On 27th September 2017, the Company entered into a non-legally binding memorandum of understanding with an independent third party to acquire a group of companies which are principally engaged in the property development business in the PRC. Up to the date of approval of these condensed consolidated financial statements, no formal sale and purchase agreement has been entered into. The formal sale and purchase agreement is subject to further negotiation and agreement by both parties.

The Group is actively exploring opportunities to acquire assets and/or businesses to diversify the Group's business profile and revenue stream and accelerate its growth and developments in the near future.

Human Resources

As at 30th September 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. Staff costs (including directors' remuneration) for the six months ended 30th September 2017 amounted to approximately HK$8,345,000.

Environmental Policies and Performance

The principal activities of the Group are coal mining and coal trading. Nevertheless, the Group has not commenced any development or production activity on the coal mines up to the date of approval of these condensed consolidated financial statements. Meanwhile, the coal trading operation is a business processed through third parties. Hence, the principal activities of the Group do not give rise to any material adverse influence to the environment. The Group will take appropriate measures and action as and when necessary to deal with or otherwise minimize any possible emission of hazardous materials which may arise from its business activities.

Compliance with Relevant Laws and Regulations

To the best knowledge of the Directors, the Group has complied with all the relevant laws and regulations that have a significant impact on the Group in relation to its business including health and safety, workplace conditions, employment and the environment.

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

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

CORPORATE GOVERNANCE

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

Code Provision A.1.3

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 Period, a regular Board meeting was 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 matter which was significant to the Group's business. As a result, the regular Board meeting was held with a shorter notice period than required with the consent of all 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.

Code Provision A.2.1

Code provision A.2.1 of the CG Code requires that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

The Company did not officially have a position of chief executive officer since 15th October 2013 and Mr. Zhu Xinjiang, 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.

Code Provision E.1.2

Code provision E.1.2 of the CG Code requires that the chairman of the board should attend the annual general meeting. Mr. Zhu Xinjiang, the Chairman of the Board, was unable to attend the annual general meeting of the Company held on 27th September 2017 due to his engagement of the Group's other pressing business.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

LISTING STATUS

Reference is made to the announcements of the Company dated 24th September 2017 and 29th September 2017. As at the date of approval of these condensed consolidated financial statements, the Group is actively exploring opportunities to acquire assets and/or businesses with sufficient operations and/or asset value to warrant the continued listing of the shares of the Company on the Stock Exchange.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.asiacoallimited.com. The interim report of the Company for the six months ended 30th September 2017 will be dispatched to the shareholders of the Company and will be published on the above websites in due course.

By Order of the Board
Asia Coal Limited
Zhu Xinjiang
Chairman

Hong Kong, 28th November 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; and Mr. Edward John HILL III, Mr. HO Man Kin, Tony and Mr. LI Kar Fai, Peter as independent non-executive directors.