



亞洲煤業  
ASIA COAL

**Asia Coal Limited**

亞洲煤業有限公司

Stock Code: 835



INTERIM REPORT

2017

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30th September 2017

	Notes	Six months ended 30th September 2017 HK\$'000 (unaudited)	2016 HK\$'000 (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	–	–
Loss for the period attributable to owners of the Company	6	(18,670)	(27,244)
<b>Other comprehensive (expense) income:</b>			
<i>Item that will not be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation to presentation currency		(3,634)	1,110
<i>Item that may be reclassified subsequently to profit or loss:</i>			
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)
<b>LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>	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)
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>1,773</b>	2,720
Exploration and evaluation assets	9	–	–
		<b>1,773</b>	2,720
<b>Current assets</b>			
Trade and other receivables	10	<b>5,829</b>	7,148
Bank balances and cash		<b>7,052</b>	9,987
		<b>12,881</b>	17,135
<b>Current liabilities</b>			
Trade and other payables and accrued charges	11	<b>5,337</b>	12,164
Amounts due to a related party	12	<b>9,153</b>	9,718
Other borrowings	13	<b>2,902</b>	2,691
Obligations under a finance lease		<b>149</b>	146
Unlisted bonds	14	<b>28,211</b>	–
		<b>45,752</b>	24,719
<b>Net current liabilities</b>		<b>(32,871)</b>	(7,584)
<b>Total assets less current liabilities</b>		<b>(31,098)</b>	(4,864)
<b>Non-current liabilities</b>			
Other borrowings	13	<b>48,666</b>	26,503
Obligations under a finance lease		<b>51</b>	126
Unlisted bonds	14	–	27,007
		<b>48,717</b>	53,636
<b>Net liabilities</b>		<b>(79,815)</b>	(58,500)
<b>CAPITAL AND RESERVES</b>			
Share capital	15	<b>96,078</b>	96,078
Reserves		<b>(175,893)</b>	(154,578)
<b>Total equity</b>		<b>(79,815)</b>	(58,500)

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th September 2017

	Attributable to owners of the Company						Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Share options reserve HK\$'000	Capital contribution reserve HK\$'000	Translation reserve HK\$'000	Accumulated losses HK\$'000	
At 1st April 2016 (audited)	96,078	548,246	3,025	57,979	3,996	(713,001)	(3,677)
Loss for the period	-	-	-	-	-	(27,244)	(27,244)
Exchange differences arising on translation	-	-	-	-	896	-	896
Total comprehensive (expense) income for the period	-	-	-	-	896	(27,244)	(26,348)
Subtotal	96,078	548,246	3,025	57,979	4,892	(740,245)	(30,025)
Lapse of share options	-	-	(285)	-	-	285	-
At 30th September 2016 (unaudited)	96,078	548,246	2,740	57,979	4,892	(739,960)	(30,025)
<b>At 1st April 2017 (audited)</b>	<b>96,078</b>	<b>548,246</b>	<b>2,740</b>	<b>57,979</b>	<b>6,087</b>	<b>(769,630)</b>	<b>(58,500)</b>
Loss for the period	-	-	-	-	-	(18,670)	(18,670)
Exchange differences arising on translation	-	-	-	-	(2,645)	-	(2,645)
Total comprehensive expense for the period	-	-	-	-	(2,645)	(18,670)	(21,315)
At 30th September 2017 (unaudited)	96,078	548,246	2,740	57,979	3,442	(788,300)	(79,815)

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30th September 2017

	Six months ended 30th September	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Net cash used in operating activities	<b>(21,097)</b>	(23,294)
Net cash used in investing activities	–	(31)
Net cash from financing activities		
New other borrowings obtained from an independent third party, net of transaction cost	<b>21,000</b>	–
Proceeds from issue of unlisted bonds	–	30,000
Other financing cash flows	<b>(2,980)</b>	(6,495)
	<b>18,020</b>	23,505
Net (decrease) increase in cash and cash equivalents	<b>(3,077)</b>	180
Cash and cash equivalents at 1st April	<b>9,987</b>	7,367
Effect of foreign exchange rate changes	<b>142</b>	(56)
Cash and cash equivalents at 30th September	<b>7,052</b>	7,491
Represented by:		
Bank balances and cash	<b>7,052</b>	7,491

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th September 2017

## 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")

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th September 2017

### 3. REVENUE AND SEGMENT INFORMATION (CONTINUED)

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

	Coal mining		Coal trading		Total	
	Six months ended		Six months ended		Six months ended	
	30th September		30th September		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.



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th September 2017

## 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
	<b>5,544</b>	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.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th September 2017

## 6. LOSS FOR THE PERIOD

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

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

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th September 2017

## 7. LOSS PER SHARE (CONTINUED)

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



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th September 2017

### 9. EXPLORATION AND EVALUATION ASSETS

As disclosed in the Company's annual report for the year ended 31st March 2017, full impairment loss for the mining right licenses has been recognised in accordance to HKAS 36 "Impairment of Assets" in previous financial years.

After seeking the legal advice and assessing the viability of developing potential projects with the mining right licenses in light of the current challenging market and business conditions in Mongolia, the Directors 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.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th September 2017

## 10. 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:

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th September 2017

### 11. 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:

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

### 12. AMOUNTS 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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th September 2017

## 13. OTHER BORROWINGS

	<i>Notes</i>	<b>At 30th September 2017 HK\$'000 (unaudited)</b>	At 31st March 2017 HK\$'000 (audited)
Borrowings from a non-bank financial institution	(i)	<b>1,204</b>	1,727
Loans from independent third parties	(ii)	<b>50,364</b>	27,467
		<b>51,568</b>	29,194
Secured		<b>1,204</b>	1,727
Unsecured		<b>50,364</b>	27,467
		<b>51,568</b>	29,194
The other borrowings are repayable:	(iii)		
Within one year		<b>2,902</b>	2,691
Within a period of more than one year but not exceeding two years		<b>48,666</b>	26,503
		<b>51,568</b>	29,194
Less: Amounts due within one year shown under current liabilities		<b>(2,902)</b>	(2,691)
Amounts due after one year shown under non-current liabilities		<b>48,666</b>	26,503

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th September 2017

## 13. OTHER BORROWINGS (CONTINUED)

Notes:

- (i) At 30th September 2017 and 31st March 2017, 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 is 7.47% per annum. The borrowings are denominated in Hong Kong dollars and secured by certain motor vehicles owned by the Group.
- (ii) At 30th September 2017, loan amounting to HK\$1,794,000 (31st March 2017: HK\$1,624,000) is unsecured, repayable on demand and carries interest at a fixed rate of 8% per annum.

At 30th September 2017, loan amounting to HK\$40,109,000 (31st March 2017: HK\$25,843,000) 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 16.82% (31st March 2017: 16.93%) per annum.

At 30th September 2017, loan amounting to HK\$8,461,000 (31st March 2017: nil) is unsecured, carries interest at a fixed rate of 7% per annum payable semi-annually and will expire in August 2019. The effective interest rate is at 15.50% per annum.

At 30th September 2017, the Group has unutilised loan facility of HK\$60,000,000 (31st March 2017: HK\$15,000,000).

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

## 14. UNLISTED BONDS

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.



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th September 2017

## 15. SHARE CAPITAL

	Number of shares	Nominal value HK\$'000
Ordinary shares of HK\$0.01 each:		
Authorised:		
At 1st April 2017 and 30th September 2017	300,000,000,000	3,000,000
Issued and fully paid:		
At 1st April 2017 and 30th September 2017	9,607,753,752	96,078

## 16. PLEDGE OF ASSETS

At the end of the reporting period, certain motor vehicles of the Group with a carrying amount of HK\$1,021,000 (31st March 2017: HK\$1,786,000) were pledged to secure the borrowings from a non-bank financial institution.

In addition, the Group's obligations under a finance lease are secured by the lessors' title to the leased asset, which has a carrying amount of HK\$260,000 as at 30th September 2017 (31st March 2017: HK\$331,000).

## 17. CAPITAL COMMITMENT

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th September 2017

## 18. RELATED PARTY DISCLOSURES

- (i) During the period ended 30th September 2017, Mr. Zhu provided a personal guarantee to the extent of HK\$708,000 to a bank to secure the obligations under a finance lease.
- (ii) The compensation to key management personnel in respect of the period is as follows:

	<b>Six months ended 30th September</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Salaries and other short-term benefits	<b>2,847</b>	3,990
Contributions to retirement benefit schemes	<b>30</b>	36
	<b>2,877</b>	4,026

- (iii) During the period ended 30th September 2017, emoluments amounting to HK\$320,000 (2016: nil) was waived by the executive directors.



## 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.

### FINANCIAL REVIEW (CONTINUED)

#### 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 Period, because of the followings:

- 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 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 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.



## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW (CONTINUED)

#### **Capital Structure, Liquidity and Financial Position** (Continued)

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.



## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW (CONTINUED)

#### **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 development 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 individuals' 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.



## MANAGEMENT DISCUSSION AND ANALYSIS

### ENVIRONMENTAL POLICIES AND PERFORMANCE

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

### COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

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



## OTHER INFORMATION

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

As at 30th September 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 for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules, were as follows:

#### Long positions in ordinary shares of the Company

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

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

*Notes:*

1. These 6,006,850,314 shares are held by Sharp Victory Holdings Limited which is wholly-owned by Mr. Zhu Xinjiang.
2. The personal interests of Mr. Sun David Lee represent an interest in the underlying shares in respect of 9,000,000 share options granted by the Company entitling Mr. Sun David Lee to subscribe for 9,000,000 shares of the Company.
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 the Company.
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 the Company.
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 the Company.

Save as disclosed above, none of the Directors nor chief executives and their associates of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as at 30th September 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.

## OTHER INFORMATION

### 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 30th September 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:

<b>Name of shareholder</b>	<b>Capacity</b>	<b>Long/Short position</b>	<b>Number of shares held</b>	<b>% of the total number of issued shares of the Company</b>
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, the Chairman and an Executive Director of the Company.

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 30th September 2017.

### SHARE OPTION SCHEMES

The Company adopted a share option scheme on 26th August 2003 (the “2003 Scheme”), a share option scheme on 28th September 2007 (the “2007 Scheme”) and a share option scheme on 28th September 2016 (the “2016 Scheme”). The 2003 Scheme was terminated when the 2007 Scheme came into effect on 28th September 2007 and the 2007 Scheme was terminated when the 2016 Scheme came into effect on 28th September 2016. Details of the 2003 Scheme, the 2007 Scheme and the 2016 Scheme are set out in the published annual report of the Company for the year ended 31st March 2017.

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

## SHARE OPTION SCHEMES (CONTINUED)

The movements in the share options granted under the 2007 Scheme during the Period are as follows:

Grantee	Option Scheme Type	Date of Grant	Exercisable Period	Exercise price per Share HK\$	Number of share options					Balance at 30/09/2017
					Balance at 01/04/2017	Granted during the Period	Exercised during the Period	Cancelled during the Period	Lapsed during the Period	
<b>Directors</b>										
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
<b>Sub-total:</b>					20,000,000	-	-	-	-	20,000,000
<b>Employees</b>										
	2007	03/03/2009	03/03/2009 to 02/03/2019	0.27	2,000,000	-	-	-	-	2,000,000
<b>Consultants</b>										
	2007	22/11/2007	22/11/2007 to 21/11/2017	0.27	18,060,000	-	-	-	-	18,060,000
<b>Sub-total:</b>					20,060,000	-	-	-	-	20,060,000
<b>Total:</b>					40,060,000	-	-	-	-	40,060,000

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



## OTHER INFORMATION

### 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 Period was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the Directors or their spouses or children under the age of 18 to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

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

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

### CORPORATE GOVERNANCE

The Company has, throughout the 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.

## CORPORATE GOVERNANCE (CONTINUED)

### 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.



## OTHER INFORMATION

### MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

### REVIEW OF INTERIM RESULTS

The Group's interim results for the six months ended 30th September 2017 have been reviewed by the Audit Committee of the Company.

### DISCLOSURE OF INFORMATION ON DIRECTORS

Pursuant to the disclosure requirements under Rule 13.51B(1) of the Listing Rules, the changes in information of the Directors since the date of the Company's annual report for the year ended 31st March 2017 are set out below:

On 23rd November 2016, Mr. Li Kar Fai, Peter was appointed as an executive director of Golden Faith Group Holdings Limited, a company listed on the Main Board of the Stock Exchange on 11th August 2017.

Each of the Executive Directors namely Mr. Zhu Xinjiang, Mr. Cheung Siu Fai, Mr. Sun David Lee and Mr. Yeung Ting Lap, Derek Emory has agreed to waive their salaries commencing from September 2017. The monthly salaries of the abovementioned Executive Directors were HK\$320,000.

## 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.

By Order of the Board  
**Asia Coal Limited**  
**Zhu Xinjiang**  
*Chairman*

Hong Kong, 28th November 2017



## 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

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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

### WEBSITE ADDRESS

[www.asiacoallimited.com](http://www.asiacoallimited.com)

### SHARE LISTING

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