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 2013

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 2013, together with the unaudited comparative figures for the corresponding period in 2012 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended 30th September 2013

		Six months ended 30th September	
		2013	2012
		HK$'000	*HK$'000*
	Notes	**(unaudited)**	(unaudited)
Revenue	3	**5,318**	3,789
Cost of sales		**(1,866)**	(1,245)
Gross profit		**3,452**	2,544
Other income		**129**	74
Selling and distribution expenses		**(14,029)**	(8,546)
Administrative expenses		**(18,654)**	(4,904)
Finance costs	4	**(71)**	(10,691)
Loss for the period	6	**(29,173)**	(21,523)
Other comprehensive income (expense):			
Exchange differences arising on translation of foreign operations which may be subsequently reclassified to profit or loss		**417**	(27)
Total comprehensive expense for the period		**(28,756)**	(21,550)

	Notes	Six months ended 30th September **2013** ***HK$'000*** **(unaudited)**	2012 *HK$'000* (unaudited)
Loss for the period attributable to:			
Owners of the Company		**(29,172)**	(21,525)
Non-controlling interests		**(1)**	2
		(29,173)	(21,523)
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(28,757)**	(21,552)
Non-controlling interests		**1**	2
		(28,756)	(21,550)
LOSS PER SHARE	7		
Basic and diluted		**(0.33) HK cents**	(1.02) HK cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th September 2013

	Notes	At 30th September 2013 HK$'000 (unaudited)	At 31st March 2013 HK$'000 (audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**14,445**	2,747
Exploration and evaluation assets		**116,155**	119,410
		130,600	122,157
Current assets			
Inventories – finished goods		**2,927**	2,334
Trade and other receivables	9	**7,006**	9,176
Bank balances and cash		**16,304**	4,592
		26,237	16,102
Current liabilities			
Trade and other payables and accrued charges	10	**14,434**	17,368
Amounts due to related parties		**22,117**	27,489
Short term bank loan		**8,000**	–
		44,551	44,857
Net current liabilities		**(18,314)**	(28,755)
Total assets less current liabilities		**112,286**	93,402
Net assets		**112,286**	93,402
CAPITAL AND RESERVES			
Share capital		**90,211**	86,211
Reserves		**21,940**	7,056
Equity attributable to owners of the Company		**112,151**	93,267
Non-controlling interests		**135**	135
		112,286	93,402

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th September 2013

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 on The Stock Exchange of Hong Kong Limited 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 have given careful consideration to the future liquidity of the Company and its subsidiaries (collectively the "Group") in light of the fact that its current liabilities exceeded its current assets by HK$18,314,000 as at 30th September 2013 and the Group incurred a loss of approximately HK$29,173,000 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) A shareholder of the Company has agreed not to demand repayment of the amount due to him of approximately HK$22 million as at 30th September 2013 in the next twelve months from the date of approval of these condensed consolidated financial statements.

(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.

2. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, 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 2013.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis — the amendments do not change the existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

Except as described above, the application of the other new or revised 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. 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. The reports are analysed based on categories of business. Two operating segments were presented:

1) Health and beauty products and services
2) Coal mining

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

	Health and beauty products and services		**Coal mining**		**Total**	
	Six months ended 30th September		**Six months ended 30th September**		**Six months ended 30th September**	
	2013	2012	**2013**	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)
Revenue						
External sales	**5,318**	3,789	**–**	–	**5,318**	3,789
Segment loss	**(14,280)**	(8,348)	**(3,759)**	(157)	**(18,039)**	(8,505)
Unallocated income						
– Interest income					**1**	3
– Other income					**128**	39
Unallocated expenses						
– Central administration costs					**(11,192)**	(2,369)
– Finance costs					**(71)**	(10,691)
Loss for the period					**(29,173)**	(21,523)

Segment loss represents the loss incurred by 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.

4. FINANCE COSTS

	Six months ended 30th September	
	2013	2012
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interest on:		
– amount due to a related party	**38**	143
– short term bank loan	**33**	–
– bank overdrafts	**–**	41
– loan from to a third party	**–**	11
– obligations under finance leases	**–**	1
Effective interest expense on convertible bonds	**–**	10,495
	71	10,691

5. TAXATION

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

No provision for taxation has been made for the Group's subsidiaries operating outside Hong Kong as there was no assessable profit.

The Group has no other significant unprovided deferred tax for the period or at the reporting date.

6. LOSS FOR THE PERIOD

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

	Six months ended 30th September	
	2013	2012
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Directors' remuneration	**1,058**	702
Depreciation of property, plant and equipment	**2,032**	703
Loss on disposal of property, plant and equipment	**125**	46
Operating lease rentals in respect of rented premises	**5,822**	2,347
Write-down of inventories	**176**	–
Net exchange loss (gain)	**3,597**	(156)
Interest income	**(1)**	(3)

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	
	2013	2012
	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	**(29,172)**	(21,525)

	Six months ended 30th September	
	2013	2012
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**8,959,931,566**	2,105,283,438

The calculation of diluted loss per share for the six months ended 30th September 2013 has not assumed the exercise of the share options as the exercise price of these options was higher than the average market price for the corresponding periods.

The calculation of diluted loss per share for the six months ended 30th September 2012 has not assumed the exercise of the share options as the exercise price of these options was higher than the average market price for the corresponding periods, and the conversion of the Company's convertible bonds since its assumed conversion would result in a decrease in loss per share.

8. DIVIDENDS

The directors do not recommend the payment of an interim dividend for the period (2012: nil).

9. TRADE AND OTHER RECEIVABLES

The Group's turnover comprises mainly cash and credit card sales. The credit terms with bank/credit card companies are within 120 days from the date of billings.

The following is an analysis of trade receivable by age, presented based on the invoice date at the end of the reporting period:

	At 30th September 2013 *HK$'000* (unaudited)	At 31st March 2013 *HK$'000* (audited)
Trade receivables:		
0 to 90 days	**338**	422
91 to 120 days	**6**	126
	344	548
Other receivables, deposits and prepayments	**6,662**	8,628
	7,006	9,176

10. TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

The following is an analysis of trade payables by age, presented based on the invoice date at the end of the reporting period:

	At 30th September 2013 *HK$'000* (unaudited)	At 31st March 2013 *HK$'000* (audited)
Trade payables:		
0 to 90 days	**1,136**	1,340
91 to 180 days	**160**	92
181 to 365 days	**529**	92
	1,825	1,524
Deposits received from customers	**7,550**	5,348
Accrued charges	**3,134**	8,235
Other payables	**1,925**	2,261
	14,434	17,368

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the six months ended 30th September 2013 (the "Period"), the Group continued to engage in coal mining business and distribution of health and beauty products and services.

In the coal mining segment, the Group continued to hold the mining rights to the Saikhan Ovoo coal deposit in the Bulgan province of Mongolia. The JORC compliant resources report prepared by independent technical advisers shows estimated resources for the Saikhan Ovoo coal deposit in excess of 190 million tonnes. The coal resources estimated (on air dry basis) based on the analytical work on 165 coal samples taken from 27 boreholes with a total of 5,222 metres drilled are as follows:

JORC Class	Volumn, m^3	Tonnes
Measured	6,565,000	11,467,000
Indicated	64,852,000	112,831,000
Inferred	39,057,000	69,494,000
Total	110,474,000	193,792,000

Owing to the tight cashflow and the cost-saving measures of the Group, minimal exploration work has been carried out on the mine during the Period.

In the health and beauty segment, the Group continued to operate its retail branches to deliver quality beauty products and services to customers.

Financial Review

Results Analysis

The Group's unaudited consolidated turnover for the Period was approximately HK$5,318,000, representing a 40% increase from approximately HK$3,789,000 recorded in the corresponding period last year. The Group recorded a gross profit of approximately HK$3,452,000, representing a 36% increase from approximately HK$2,544,000 recorded in the corresponding period last year. The gross profit margin for the Period slightly decreased to 65% from 67% of the corresponding period last year. The turnover and gross profit for the Period were attributable to the health and beauty segment as detailed in the segmental analysis section below.

Loss attributable to owners of the Company for the Period increased to approximately HK$29,172,000 from HK$21,525,000 as recorded in the corresponding period last year. The increase in loss was mainly due to the increase in selling and distribution expenses by HK$5 million, as more marketing expenses and staff cost was incurred during the Period. Also, the administrative expenses increased by HK$14 million, which was mainly due to the exchange difference, increase in legal and professional fee, staff costs and rental expenses. The effect of which was partly offset by the decrease in the finance costs on the convertible bonds amounting to HK$11 million as the Company redeemed all the convertible bonds in March 2013.

Segmental Analysis

Coal Mining

Owing to the tight cashflow and the cost-saving measures of the Group, minimal exploration work has been carried out on the mine during the Period.

Health and Beauty Products and Services

Turnover contributed by the health and beauty segment for the Period amounted to HK$5,318,000, representing a 40% increase as compared to the corresponding period last year and the gross profit for the Period amounted to HK$3,452,000, representing a 36% increase as compared to the corresponding period last year. The improvements over the corresponding period last year are mainly due to the Group has allocated more resources in strengthening its brand image and more retail branches with beauty service have been operated during the Period. However, the gross profit margin of the segment slightly decreased from 67% of the corresponding period last year to 65% for the Period under review, which was mainly due to the product costs increased significantly during the Period.

Liquidity, Financial Position and Capital Structure

As at 30th September 2013, the Group held cash and bank balances amounting to approximately HK$16,304,000 (31st March 2013: HK$4,592,000) while the total borrowings were approximately HK$30,117,000 (31st March 2013: HK$26,289,000). As at 30th September 2013, the borrowings included short term interest-bearing bank loan and amounts due to related parties, which are unsecured, interest-free and repayable on demand. The gearing ratio, defined as the ratio of total borrowings less cash and bank balances to equity attributable to owners of the Company, was 12% (31st March 2013: 23%).

On 22nd April 2013, the Company entered into a placing agreement (the “Placing“) with a placing agent, pursuant to which the placing agent has conditionally agreed to place, on a best effort basis, to not less than six independent placees for up to 400,000,000 placing shares at the placing price of HK$0.12 per placing share.

The Placing was completed on 29th April 2013. An aggregate of 400,000,000 placing shares have been successfully placed to not less than six independent placees at the placing price of HK$0.12 per placing share. The net proceeds from the Placing amounted to HK$47.6 million which has been used for repaying the outstanding debts due to CEC Resources and Minerals Holdings Limited and Elmfield Limited and for general working capital of the Group.

In view of the liquidity position of the Group, the Group has been implementing a number of measures, including but not limited to, a shareholder of the Company has agreed not to demand repayment of the amount due to him of approximately HK$22 million as at 30th September 2013 in the next twelve months from the date of approval of these condensed consolidated financial statements and the management will continue to reduce all non-essential costs of development of mine basin until the Group has sufficient funding for the operation. Provided that the above measures are successful and can effectively improve the liquidity of the Group, the directors are satisfied that the Group has sufficient financial resources to fund its operational requirements.

Foreign Exchange Risk Management

The majority of the Group's assets and liabilities are either denominated in Hong Kong dollars or United States dollars and most of the Group's cash balances are deposited in Hong Kong dollars or United States dollars with banks in Hong Kong and the PRC. Certain portions of the Group's purchases and expenses were denominated in foreign currencies which exposed the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy as the foreign currency risk is considered not significant. However, the management will continue to closely monitor the Group's foreign exchange risk exposure and will consider hedging significant foreign exchange exposure when necessary.

Major Events

Consideration adjustment of GF Acquisition

As disclosed in the Company's annual report 2012/13, on 25th January 2008, the Group entered into an agreement (the "GF Agreement") to acquire Giant Field Group Limited ("GF") which, through its wholly-owned subsidiary, SMI LLC ("SMI"), holds the mineral mining and other rights to the Saikhan Ovoo coal deposit. As at 30th September 2013, the total consideration for the GF acquisition is subject to adjustment and will be determined based on the Proved Coal Ore Reserves and Probable Coal Ore Reserves held by SMI pursuant to the Saikhan Uul Licences by reference to the technical assessment (the "SMI Technical Assessment") prepared by technical advisers. The consideration for the GF acquisition can be up to a maximum of RMB760 million. Pursuant to the GF Agreement, the Company should deliver to the vendor the SMI Technical Assessment within 24 months following the completion of the GF acquisition, i.e. on or before 29th July 2010. The Company entered into extension letters with the vendor and the guarantor to extend the delivery date of the SMI Technical Assessment to 31st March 2012. As at the date of the approval of these condensed consolidated financial statements, the Company had not delivered the SMI Technical Assessment and the delivery date of the SMI Technical Assessment was not further extended, the Company had been in on-going negotiations with the vendor in relation to waiving the Company's obligation to deliver the SMI Technical Assessment and the consideration adjustment, however no agreement has yet been reached.

Mining Prohibition Law

On 16th July 2009, the Parliament of Mongolia enacted the Law of Mongolia on the Prohibition of Minerals Exploration and Mining in Headwater Areas, Protected Zones for Water Reserves and Forest Lands (the "MPL") which prohibits minerals exploration and mining in areas such as headwaters of rivers and lakes, forest areas and areas adjacent to rivers and lakes.

During the year ended 31st March 2013, legal counsel of the Mongolian subsidiary has confirmed two mining rights of the Group are within the area designated, on a preliminary basis, as land where mineral exploration and mining are prohibited under the MPL, However, there has been no revocation of these licenses as at the date of approval of these condensed consolidated financial statements. The management also considers that even if the licenses were revoked due to the MPL, the Mongolian government would pay a reasonable compensation to the Group. Hence, the management concluded that there is no impairment on the mining rights in this regard.

Charges on Assets

As at 30th September 2013, the Group had no charges on assets.

Contingent Liabilities

As at 30th September 2013, the Group had no significant contingent liabilities.

Prospects and Outlook

With a foothold built in the coal industry, the Group is developing itself as a professional and environmental-friendly energy company with a global presence. The Group is accelerating its development to tap the rising demand for coal worldwide.

Industry figures point to the high potential of the future development of the coal industry. According to the World Coal Association's analysis, the PRC's rich mineral resources and rapid economic growth have already seen the country become the world's largest producer and importer of coal in 2012. Moreover, the International Energy Agency expects coal will overtake oil to become the world's largest energy source by 2017.

The Group plans to participate directly in every aspects of the coal supply chain to maximize the utilization of coal resources and secure a stable source of income for the company. This will include coal mining, production, trading and selling, as well as the coal chemical sector. In the short term, the Group will mainly targeting on the development of coal trade and production business while preparing for future participation in the whole coal supply chain.

The Group is actively seeking quality coal and mineral mines, as well as relevant coal industry projects in the PRC and globally. Project selection is based on three major principles: namely projects under production, projects with stable and proven sales and liquidity, and projects with potential growth. All projects would be managed and operated by experienced technical professionals. Returns to the Group could be enhanced with the introduction of advanced technology and management skills to improve production efficiency.

Capitalizing on the strong base already established, the Group will speed up its development in the coming year to capture new opportunities in the coal industry and improve returns to shareholders.

Human Resources

As at 30th September 2013, the Group had a total of 69 employees. The Group believes its success and long-term growth depends 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 performance.

OTHER INFORMATION

Purchases, Sale or Redemption of the Company's Listed Securities

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

Corporate Governance Code

The Company has, throughout the six months ended 30th September 2013, met the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules. The current practices will be reviewed and updated regularly so that the latest development in corporate governance can be followed and observed.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. The Company, having made specific enquiry, confirms that all Directors have fully complied with the Model Code throughout the six months ended 30th September 2013.

Nomination Committee

The nomination committee of the Company (the "Nomination Committee") was established by the Company on 23rd March 2012 in compliance with the CG Code provision. The Nomination Committee comprising 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.

The primary duties of the Nomination Committee are to review its composition, identifying and selecting suitable Board members, assessing independence of the independent non-executive Directors, considering appointment or reappointment of the Directors and mark recommendations to the Board and succession planning for the Directors and ensure the proposed Director's knowledge, experience and contribution to the Group.

Remuneration Committee

The remuneration committee of the Company (the "Remuneration Committee") was established by the Company to establish policies, review and determine the remuneration of the Directors and the senior management. The Remuneration Committee comprises three independent non-executive Directors namely Mr. Ho Man Kin, Tony (chairman), Mr. Li Kar Fai, Peter and Mr. Edward John Hill III.

The remuneration policies for the Company as well as the Directors are market alignment and reward for performance. The Company reviews the remuneration package annually taking into consideration the market practice, competitive market position and individual performance.

Audit Committee

The audit committee of the Company (the "Audit Committee") comprises three independent non-executive Directors namely, Mr. Li Kar Fai, Peter (chairman), Mr. Ho Man Kin, Tony and Mr. Edward John Hill III. 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 auditors of the Company.

The primary duties of the Audit Committee are to review the accounting principles and practices adopted by the Group, as well as to discuss and review the internal control and financial reporting matters of the Company. The Audit Committee has reviewed the unaudited interim financial report for the six months ended 30th September 2013 with the management.

Disclosure of Information on Directors

Pursuant to Rule 13.51B(1) of the Listing Rules, changes in the information of the Directors since the date of Annual Report 2012/2013 of the Company are set out as follows:

Dr. Kung Chi Kang, Silver resigned as Chief Executive Officer and Executive Director on 15th October 2013. Mr. Sun David Lee and Mr. Yeung Ting Lap, Derek Emory were re-designated as Executive Directors from Non-executive Directors on 23rd October 2013. On 23rd October 2013, Mr. Yeung Ting Lap, Derek Emory has resigned as a Member of the Audit Committee and a Member of Remuneration Committee and Mr. Edward John Hill III has been appointed as a Member of the Audit Committee and a Member of the Remuneration Committee.

Publication of Interim Report

The Company's 2013 Interim Report containing all the information required by Appendix 16 to the Listing Rules will be published on the websites of Hong Kong Exchanges and Clearing Limited and the Company in due course.

By Order of the Board
Asia Coal Limited
Zhu Xinjiang
Chairman

Hong Kong, 28th November 2013

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