



亞洲煤業  
ASIA COAL

**Asia Coal Limited**

亞洲煤業有限公司

Stock Code: 835



*Interim Report*

**2018**

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

For the six months ended 30th September 2018

	NOTES	<b>Six months ended 30th September</b>	
		<b>2018</b>	2017
		<b>HK\$'000</b>	HK\$'000
		<b>(unaudited)</b>	(unaudited)
Revenue	4	<b>146,366</b>	4,634
Cost of sales		<b>(141,555)</b>	(4,431)
Gross profit		<b>4,811</b>	203
Other income		<b>8</b>	4
Other gains and losses		<b>(356)</b>	2,604
Selling and distribution expenses		<b>(741)</b>	(10)
Administrative expenses		<b>(11,072)</b>	(15,927)
Finance costs	5	<b>(7,585)</b>	(5,544)
Loss before tax		<b>(14,935)</b>	(18,670)
Income tax expense	6	<b>–</b>	–
Loss for the period attributable to owners of the Company	7	<b>(14,935)</b>	(18,670)
<b>Other comprehensive income (expense):</b>			
<i>Item that will not be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation to presentation currency		<b>181</b>	(3,634)
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<b>230</b>	989
Other comprehensive income (expense) for the period		<b>411</b>	(2,645)
Total comprehensive expense for the period attributable to owners of the Company		<b>(14,524)</b>	(21,315)
<b>LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>	8		
Basic and diluted (HK cents)		<b>(0.16)</b>	(0.19)

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th September 2018

	NOTES	At 30th September 2018 HK\$'000 (unaudited)	At 31st March 2018 HK\$'000 (audited)
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		444	825
Exploration and evaluation assets	10	–	–
		<b>444</b>	825
<b>Current assets</b>			
Trade and other receivables	11	53,367	2,934
Contract assets		22,766	–
Bank balances and cash		32,947	5,741
		<b>109,080</b>	8,675
<b>Current liabilities</b>			
Trade and other payables and accrued charges	12	6,063	6,653
Contract liabilities		369	–
Amounts due to related parties	13	88,412	9,951
Other borrowings	14	132,409	44,868
Obligations under a finance lease		51	126
Unlisted bonds	15	–	29,467
		<b>227,304</b>	91,065
<b>Net current liabilities</b>		<b>(118,224)</b>	(82,390)
<b>Total assets less current liabilities</b>		<b>(117,780)</b>	(81,565)
<b>Non-current liabilities</b>			
Other borrowings	14	–	21,691
		–	21,691
<b>Net liabilities</b>		<b>(117,780)</b>	(103,256)
<b>CAPITAL AND RESERVES</b>			
Share capital	16	96,078	96,078
Reserves		(213,858)	(199,334)
<b>Total equity</b>		<b>(117,780)</b>	(103,256)

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th September 2018

	Attributable to owners of the Company						
	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	Total HK\$'000
At 1st April 2017 (audited)	96,078	548,246	2,740	57,979	6,087	(769,630)	(58,500)
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)
<b>At 1st April 2018 (audited)</b>	<b>96,078</b>	<b>548,246</b>	<b>1,383</b>	<b>57,979</b>	<b>(1,774)</b>	<b>(805,168)</b>	<b>(103,256)</b>
Loss for the period	-	-	-	-	-	(14,935)	(14,935)
Exchange differences arising on translation	-	-	-	-	411	-	411
Total comprehensive (expense) income for the period	-	-	-	-	411	(14,935)	(14,524)
Subtotal	96,078	548,246	1,383	57,979	(1,363)	(820,103)	(117,780)
Lapsed of share options	-	-	(412)	-	-	412	-
At 30th September 2018 (unaudited)	96,078	548,246	971	57,979	(1,363)	(819,691)	(117,780)

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30th September 2018

	<b>Six months ended</b>	
	<b>30th September</b>	
	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Net cash used in operating activities	<b>(78,326)</b>	(21,097)
Net cash used in investing activities	<b>(53)</b>	–
Net cash from financing activities		
New other borrowings obtained from independent third parties, net of transaction cost	<b>107,550</b>	21,000
Advance from related parties	<b>78,460</b>	–
Repayment of unlisted bonds	<b>(30,000)</b>	–
Repayment of other borrowings obtained from an independent third party	<b>(45,000)</b>	–
Other financing cash flows	<b>(5,277)</b>	(2,980)
	<b>105,733</b>	18,020
Net increase (decrease) in cash and cash equivalents	<b>27,354</b>	(3,077)
Cash and cash equivalents at 1st April	<b>5,741</b>	9,987
Effect of foreign exchange rate changes	<b>(148)</b>	142
Cash and cash equivalents at 30th September	<b>32,947</b>	7,052
Represented by:		
Bank balances and cash	<b>32,947</b>	7,052

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th September 2018

## 1. GENERAL

Asia Coal Limited (the “Company”) is incorporated in Bermuda as an exempted company with limited liability under The Companies Act 1981 of Bermuda and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The immediate holding company and ultimate holding company of the Company is Sharp Victory Holdings Limited (“Sharp Victory”), a company incorporated in the British Virgin Islands which is controlled by Mr. Zhu Xinjiang (“Mr. Zhu”).

On 22nd September 2017, the Company received a letter from the Stock Exchange informing the Company that the Company has failed to maintain a sufficient level of operations or assets under Rule 13.24 of the Rules Governing the Listing of Securities of the Stock Exchange (the “Listing Rules”) to warrant the continued listing of its shares. The Stock Exchange has therefore decided to place the Company in the first delisting stage under Practice Note 17 of the Listing Rules, for a period of six months which expired on 21st March 2018.

On 23rd March 2018, the Company further received a letter from the Stock Exchange informing the Company that it was placed in the second delisting stage on 23rd March 2018 under Practice Note 17 of the Listing Rules, for a period of six months which expired on 22nd September 2018.

On 10th September 2018, the Company submitted a resumption proposal to the Stock Exchange, setting out, among others, the Company’s business plan on expansion of the customer base of existing coal trading business, as well as the proposed plan to participate in the supply chain of the coal trading business.

On 5th October 2018, the Company received a letter from the Stock Exchange informing the Company that the listing department of the Stock Exchange considered the resumption proposal submitted by the Company on 10th September 2018 is not viable and it has decided to place the Company in the third delisting stage on 18th October 2018 under Practice Note 17 of the Listing Rules, for a period of six months which will expire on 17th April 2019.

Trading of the Company’s shares on the Stock Exchange has been suspended since 3rd October 2017.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th September 2018

## 2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The condensed consolidated financial statements of the Company and its subsidiaries (together, the "Group") have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Listing Rules and with the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

On 16th November 2018, the Group received two demand letters from the lenders ("Lenders") of the loans advanced to the Group, with outstanding amount of HK\$59 million and RMB17 million respectively, demanding repayment of the outstanding loans and interest accrued thereon by no later than 30th November 2018. The Group is seeking legal advice as to the appropriate course of actions and will use its best endeavours to discuss with the Lenders on extension and arrangement to settle the loans.

In preparing the condensed consolidated financial statements, the board (the "Board") of directors (the "Directors") of the Company have given careful consideration to the future liquidity of the Group in light of the fact that the Group's current liabilities exceeded its current assets by HK\$118,224,000 as at 30th September 2018, the Group's total liabilities exceeded its total assets by approximately HK\$117,780,000 as of that date, and that the Group incurred a loss of approximately HK\$14,935,000 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) The management will continue to reduce all non-essential costs of development of mine basin until the Group has sufficient funds to finance the operation.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th September 2018

## 2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

- (ii) Subsequent to the end of the reporting period, Sharp Victory and Mr. Zhu have agreed not to demand repayment of the amount due to them by the Group of approximately HK\$88 million as at 30th September 2018 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 financial support by Sharp Victory, 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.

Should the Group be unable to continue as a going concern, adjustments would have to be made to restate the values of assets to their recoverable amounts, to provide for any further liabilities which might arise and to classify non-current assets and liabilities as current assets and liabilities respectively. The effects of these potential adjustments have not been reflected in these condensed consolidated financial statements.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th September 2018

## 3. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30th September 2018 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31st March 2018.

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

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK (IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th September 2018

## 3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### 3.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations.

The Group recognises revenue from trading of coal.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1st April 2018. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1st April 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 *Revenue* and the related interpretations.

#### 3.1.1 Key changes in accounting policies resulting from application of HKFRS 15

HKFRS 15 introduces a 5-step approach when recognising revenue:

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th September 2018

## 3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### 3.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers (Continued)

#### 3.1.1 Key changes in accounting policies resulting from application of HKFRS 15 (Continued)

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
- the Group’s performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct goods or services.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th September 2018

## 3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### 3.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers (Continued)

#### 3.1.1 Key changes in accounting policies resulting from application of HKFRS 15 (Continued)

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

#### 3.1.2 Summary of effects arising from initial application of HKFRS 15

The application of HKFRS 15 has had no material impact on the Group's accumulated losses and the condensed consolidated statement of financial position as at 1st April 2018.

The following tables summarise the impacts of applying HKFRS 15 on the Group's condensed consolidated statement of financial position as at 30th September 2018 for each of the line items affected. Line items that were not affected by the changes have not been included.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th September 2018

## 3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### 3.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers (Continued)

#### 3.1.2 Summary of effects arising from initial application of HKFRS 15 (Continued)

Impacts on the condensed consolidated statement of financial position as at 30th September 2018:

	Under HKAS 18 HK\$'000	Reclassification HK\$'000	Under HKFRS 15 HK\$'000
<b>Current assets</b>			
Trade and other receivables	76,133	(22,766)	53,367
Contract assets	-	22,766	22,766
<b>Current liabilities</b>			
Other payables and accruals	6,432	(369)	6,063
Contract liabilities	-	369	369

### 3.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments

In the current period, the Group has applied HKFRS 9 *Financial Instruments* and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses ("ECL") for financial assets and (3) general hedge accounting.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th September 2018

## 3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### 3.2 Impacts and changes in accounting policies of application on HKFRS 9 *Financial Instruments* (Continued)

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1st April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1st April 2018. Any difference between carrying amounts as at 31st March 2018 and the carrying amounts as at 1st April 2018 are recognised in the opening accumulated losses and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial Instruments: Recognition and Measurement*.

#### 3.2.1 Key changes in accounting policies resulting from application of *HKFRS 9*

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under HKAS 39.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th September 2018

## 3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### 3.2 Impacts and changes in accounting policies of application on HKFRS 9 *Financial Instruments* (Continued)

#### 3.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (Continued)

Classification and measurement of financial assets (Continued)

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th September 2018

## 3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### 3.2 Impacts and changes in accounting policies of application on HKFRS 9 *Financial Instruments* (Continued)

#### 3.2.1 Key changes in accounting policies resulting from application of *HKFRS 9* (Continued)

Classification and measurement of financial assets (Continued)

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL"), except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

In addition, the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables, contract assets and bank balances and cash). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th September 2018

## 3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### 3.2 Impacts and changes in accounting policies of application on HKFRS 9 *Financial Instruments* (Continued)

#### 3.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (Continued)

##### Impairment under ECL model (Continued)

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are made based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables and contract assets. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th September 2018

## 3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### 3.2 Impacts and changes in accounting policies of application on HKFRS 9 *Financial Instruments* (Continued)

#### 3.2.1 Key changes in accounting policies resulting from application of *HKFRS 9* (Continued)

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th September 2018

## 3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### 3.2 Impacts and changes in accounting policies of application on HKFRS 9 *Financial Instruments* (Continued)

#### 3.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (Continued)

Significant increase in credit risk (Continued)

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 180 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group considers that default has occurred when the instrument is more than 180 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th September 2018

## 3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### 3.2 Impacts and changes in accounting policies of application on HKFRS 9 *Financial Instruments* (Continued)

#### 3.2.1 Key changes in accounting policies resulting from application of *HKFRS 9* (Continued)

Measurement and recognition of ECL (Continued)

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables, where the corresponding adjustment is recognised through a loss allowance account.

As at 1st April 2018, the Directors reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The results of the assessment and the impact thereof are detailed below.

#### 3.2.2 Summary of effects arising from initial application of *HKFRS 9*

Impairment under ECL model

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th September 2018

## 3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### 3.2 Impacts and changes in accounting policies of application on HKFRS 9 *Financial Instruments* (Continued)

#### 3.2.2 Summary of effects arising from initial application of HKFRS 9 (Continued)

##### Impairment under ECL model (Continued)

In the current period, the Group has applied HKFRS 9 simplified approach to measure ECL using lifetime ECL for trade receivables and contract assets.

Loss allowance for other financial assets at amortised cost mainly comprise of other receivables, bank balances and cash, and are measured on 12m ECL basis and there had been no significant increase in credit risk since initial recognition.

As at 1st April 2018, no additional credit loss allowance has been recognised against accumulated losses as the estimated allowance under the ECL model was not significantly different to that under HKAS 39.

Except as described above, the application of other amendments to HKFRSs and an interpretation 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.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th September 2018

## 4. SEGMENT INFORMATION

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

- 1) Coal mining
- 2) Trading of coal purchased from third parties (“Coal trading”)

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 30th September		Six months ended 30th September		Six months ended 30th September	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Revenue						
External sales	-	-	146,366	4,634	146,366	4,634
Segment profit/(loss)	(348)	(572)	1,598	(439)	1,250	(1,011)
Unallocated income						
- Interest income					7	4
- Other gains and losses					(80)	2,830
Unallocated expenses						
- Central administration costs					(8,527)	(14,949)
- Finance costs					(7,585)	(5,544)
Loss before tax					(14,935)	(18,670)

Segment loss represents the loss before tax incurred by each segment without allocation of interest income, other gains and losses, 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 2018

## 5. FINANCE COSTS

	Six months ended 30th September	
	2018	2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest on		
– obligations under a finance lease	2	5
– other borrowings	6,747	3,283
– unlisted bonds	836	2,256
	<b>7,585</b>	5,544

## 6. TAXATION

Under the Law of the People's Republic of China ("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 2018

### 7. LOSS FOR THE PERIOD

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

	<b>Six months ended 30th September</b>	
	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Directors' remuneration	<b>1,122</b>	2,877
Depreciation of property, plant and equipment	<b>429</b>	950
Operating lease rentals in respect of rented premises	<b>2,062</b>	1,997
Net exchange loss (gain)	<b>356</b>	(2,604)

### 8. 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>2018</b>	2017
	<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>(14,935)</b>	(18,670)

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th September 2018

## 8. LOSS PER SHARE (CONTINUED)

	Six months ended 30th September	
	2018	2017
	(unaudited)	(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 2018 and 2017, 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.

## 9. DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the period (2017: nil).

## 10. EXPLORATION AND EVALUATION ASSETS

As disclosed in the Company's annual report for the year ended 31st March 2018, 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 at this stage is appropriate in the current period, because of the following:

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th September 2018

## 10. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

- 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 of mining right licenses may be recognised as income immediately.

## 11. TRADE AND OTHER RECEIVABLES

	<b>At 30th September 2018 HK\$'000 (unaudited)</b>	At 31st March 2018 HK\$'000 (audited)
Trade receivables	<b>46,241</b>	2,001
Less: allowance for doubtful debts	-	(2,001)
	<b>46,241</b>	-
Other receivables, deposits and prepayments	<b>7,126</b>	2,934
	<b>53,367</b>	2,934

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th September 2018

### 11. TRADE AND OTHER RECEIVABLES (CONTINUED)

The credit terms are ranging from 15 to 90 days from the date of invoices. The following is an analysis of trade receivable by age, presented based on the invoice date at the end of the reporting period:

	<b>At 30th September 2018 HK\$'000 (unaudited)</b>	At 31st March 2018 HK\$'000 (audited)
Trade receivables:		
Within 90 days	<b>46,241</b>	–

### 12. 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:

	<b>At 30th September 2018 HK\$'000 (unaudited)</b>	At 31st March 2018 HK\$'000 (audited)
Trade payables:		
Within 90 days	<b>572</b>	–
91 to 180 days	–	–
181 to 365 days	–	–
Over 365 days	<b>1,042</b>	1,133
	<b>1,614</b>	1,133
Accrued charges	<b>3,885</b>	3,379
Other payables	<b>564</b>	2,141
	<b>6,063</b>	6,653

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th September 2018

### 13. AMOUNTS DUE TO RELATED PARTIES

It represents amounts due to Sharp Victory and Mr. Zhu. The amount are unsecured, interest-free and repayable on demand.

### 14. OTHER BORROWINGS

	Notes	<b>At 30th September 2018 HK\$'000 (unaudited)</b>	At 31st March 2018 HK\$'000 (audited)
Borrowings from a non-bank financial institution	(i)	<b>96</b>	660
Loans from independent third parties	(ii)	<b>132,313</b>	65,899
		<b>132,409</b>	66,559
Secured		<b>96</b>	660
Unsecured		<b>132,313</b>	65,899
		<b>132,409</b>	66,559
The other borrowings are repayable:	(iii)		
Within One year		<b>132,409</b>	44,868
Within a period of more than one year but not exceeding two years		–	21,691
		<b>132,409</b>	66,559
Less: Amounts due within one year shown under current liabilities		<b>(132,409)</b>	(44,868)
Amount due after one year shown under non-current liabilities		–	21,691

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th September 2018

## 14. OTHER BORROWINGS (CONTINUED)

Notes:

- (i) At 30th September 2018 and 31st March 2018, 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 2018, loan amounting to HK\$1,843,000 (31st March 2018: HK\$1,914,000) is unsecured, repayable on demand and carries interest at a fixed rate of 8% per annum.

At 30th September 2018, loans amounting to HK\$77,521,000 (31st March 2018: HK\$63,985,000) in aggregate are unsecured, carrying interest at the fixed rate of 5% per annum (31st March 2018: 7% per annum), repayable semi-annually until August 2020 (31st March 2018: repayable semi-annually until October 2018 and August 2019). The effective interest rate is at 4.95% per annum (31st March 2018: 17.65% per annum). Subsequent to the end of the reporting period, the Group has partially repaid principal amount of HK\$22,648,000.

At 30th September 2018, loan amounting to RMB46,500,000 in aggregate are unsecured, carrying interest at the fixed rate of 5% per annum, repayable semi-annually until August 2020. The effective interest rate is at 4.95% per annum. Subsequent to the end of the reporting period, the Group has partially repaid principal amount of RMB29,525,000.

On 16th November 2018, the Group received two demand letters from the Lenders, demanding repayment of the outstanding loans and interest accrued thereon by no later than 30th November 2018. The Group is seeking legal advice as to the appropriate course of actions and will use its best endeavours to discuss with the Lenders on extension and arrangement to settle the loans.

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

## 15. 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 matured in May and June 2018, respectively. During the period ended 30th September 2018, the Group has fully repaid the unlisted bonds.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th September 2018

## 16. SHARE CAPITAL

	Number of shares	Nominal value HK\$'000
Ordinary shares of HK\$0.01 each:		
Authorised:		
At 1st April 2018 and 30th September 2018	300,000,000,000	3,000,000
Issued and fully paid:		
At 1st April 2018 and 30th September 2018	9,607,753,752	96,078

## 17. SHARE-BASED PAYMENT TRANSACTIONS

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

### (a) 2007 Scheme

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

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

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th September 2018

## 17. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

### (b) 2016 Scheme

Another share option scheme (the “2016 Scheme”) was adopted by the Company pursuant to a resolution passed on 28th September 2016. Under the 2016 Scheme, the Directors may invite any Director (including non-executive Director and independent non-executive Director), employee of the Company or any of its subsidiaries or associated companies or any suppliers of goods or services to the Group to take up options to subscribe for share of HK\$0.01 each in the capital of the Company.

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

The following table discloses movements in the Company’s share options during the six months ended 30th September 2018:

	Option scheme type	Date of grant	Vesting period	Exercisable period	Exercise price per share HK\$	At 1st April 2018	Exercised during the period	Lapsed during the period	At 30th September 2018
Directors	2007	29th July 2010	N/A	29th July 2010 to 28th July 2020	0.20	20,000,000	-	(20,000,000)	-
Employees	2007	3rd March 2009	N/A	3rd March 2009 to 2nd March 2019	0.27	2,000,000	-	-	2,000,000
						22,000,000	-	(20,000,000)	2,000,000
Exercisable at end of the period									2,000,000
Weighted average exercise price						HK\$ 0.21	HK\$ -	HK\$ 0.20	HK\$ 0.27

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th September 2018

## 18. PLEDGE OF ASSETS

At the end of reporting period, certain motor vehicles of the Group with a carrying amount of HK\$118,000 (31st March 2018: HK\$255,000) were pledged to secure the borrowings from a non-bank financial institution.

As at 31st March 2018, 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\$189,000.

## 19. CAPITAL COMMITMENT

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

## 20. RELATED PARTY DISCLOSURES

- (i) During the period ended 30th September 2018, 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>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Salaries and other short-term benefits	<b>1,107</b>	2,847
Contributions to retirement benefit schemes	<b>15</b>	30
	<b>1,122</b>	2,877

- (iii) During the period ended 30th September 2018, emoluments amounting to HK\$223,000 (2017: HK\$320,000) was waived by the former executive Directors.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

During the six months ended 30th September 2018 (the “Period”), the Group continued to engage in coal mining and coal trading business.

During the Period, the Group has expanded its coal trading business and has secured new sales orders from various customers, including some large conglomerates and state-owned enterprises.

### FINANCIAL REVIEW

#### Results Analysis

The Group’s unaudited consolidated revenue for the Period amounted to HK\$146,366,000, representing a 3059% increase as compared to the corresponding period last year. The gross profit increased from HK\$203,000 of the corresponding period last year to approximately HK\$4,811,000. The gross profit margin decreased slightly from 4% of the corresponding period last year to 3% for the Period.

Loss attributable to owners of the Company for the Period decreased to approximately HK\$14,935,000 from HK\$18,670,000 as recorded in the corresponding period last year, representing a 20% decrease. Such decrease was mainly due to the increase in gross profit of HK\$5 million and decrease in staff costs of HK\$4 million, the effect of which was partly offset by the additional finance costs of approximately HK\$2 million and decrease in exchange gain of HK\$3 million.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW (CONTINUED)

### Segmental Analysis

#### *Coal Mining*

As disclosed in the Company's annual report for the year ended 31st March 2018, 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 on 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*

During the Period, the Group has secured sales orders from large conglomerates and state-owned enterprises in relation to sale of coal to such entities, and international sales orders from various customers.

Revenue contributed by the coal trading segment for the Period amounted to HK\$146,366,000, representing a 3059% increase as compared to the corresponding period last year. The gross profit generated by this segment increased from HK\$203,000 of the corresponding period last year to approximately HK\$4,811,000. The gross profit margin of this segment decreased slightly from 4% of the corresponding period last year to 3% for the Period.

### Capital Structure, Liquidity and Financial Position

As at and for the period ended 30th September 2018, the total number of issued shares of the Company remained unchanged at 9,607,753,752.

As at 30th September 2018, the Group held cash and bank balances amounting to approximately HK\$32,947,000 (31st March 2018: HK\$5,741,000) while the total borrowings of the Group were approximately HK\$220,872,000 (31st March 2018: HK\$106,103,000). As at 30th September 2018, the borrowings included amount due to related parties, other borrowings from a non-bank financial institution and independent third parties and obligations under a finance lease.

The gearing ratio, defined as the ratio of total borrowings less cash and bank balances to equity attributable to owners of the Company, was (160)% (31st March 2018: (97)%).

On 21st April 2016, the Company entered into a placing agreement for the placing of the two-year unlisted bonds at an interest rate of 7% per annum, up to an aggregate principal amount of HK\$30 million. During the Period, the Company has repaid the unlisted bonds in full.

# 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 (the "Loan I") with an independent third party for a loan facility at an interest rate of 7% per annum, up to an aggregate principal amount of HK\$45 million for a term of two years. As at 31st March 2018, the Company has utilised the whole amount of the loan facility for the Group's general working capital and business development. During the Period, the Company has repaid the loan in full.

During the year ended 31st March 2018, the Company entered into another loan agreement (the "Loan II") 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. During the Period, the Company has entered into a deed of amendment to (i) increase the principal facility amount from HK\$70 million to HK\$115 million; (ii) reduce the interest rate to 5% per annum; and (iii) extend the date for repayment to 31st August 2020. As at 30th September 2018, the Company has utilised an aggregate principal amount of HK\$81.2 million of the loan facility for the Group's general working capital and business development and repayment of Loan I. Subsequent to the end of the Period, the Group has partially repaid principal amount of HK\$22,648,000.

During the Period, a wholly-owned subsidiary of the Company entered into a loan agreement (the "PRC Loan") and supplemental agreement with an independent third party for a loan facility at an interest rate of 5% per annum, up to an aggregate principal amount of RMB50 million for a term of two years. As at 30th September 2018, the Group has utilised an aggregate principal amount of RMB46.5 million of the loan facility for the Group's development of the coal trading business. Subsequent to the end of the Period, the Group has partially repaid principal amount of RMB29,525,000.

During the Period, the Company has obtained advances from its controlling shareholders amounting to approximately HK\$79 million, which is unsecured, interest-free and repayable on demand, for the Company's repayment of unlisted bonds and the Group's working capital and business development.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW (CONTINUED)

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

On 16th November 2018, the Group received two demand letters from the lenders of the Loan II and the PRC Loan respectively, demanding repayment of the outstanding loans and interest accrued thereon by no later than 30th November 2018. The Group is seeking legal advice as to the appropriate course of actions and will use its best endeavours to discuss with the lenders on extension and arrangement to settle the loans.

In view of the liquidity position of the Group, the Group had obtained confirmations from its controlling shareholders that they will not demand the repayment of the amount due to them by the Group of approximately HK\$88 million as at 30th September 2018 in the next twelve-month period 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, after taking into account of the financial support of Sharp Victory, 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 2018, property, plant and equipment with carrying values of approximately HK\$118,000 were pledged to secure the Group's borrowings from a non-bank financial institution and obligations under a finance lease.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW (CONTINUED)

### Contingent Liabilities

As at 30th September 2018, the Group had no significant contingent liabilities.

## LISTING STATUS AND SUSPENSION OF TRADING

Reference is made to the announcements of the Company dated 24th September 2017, 29th September 2017, 8th February 2018, 8th March 2018, 27th March 2018, 27th April 2018, 31st May 2018, 4th July 2018, 1st August 2018, 6th August 2018, 10th September 2018, 9th October 2018 and 6th November 2018. The trading in shares of the Company on the Stock Exchange has been suspended since 3rd October 2017. On 5th October 2018, the Company received a letter from the Stock Exchange informing that the Company was placed into the third delisting stage on 18th October 2018 under Practice Note 17 to the Listing Rules, for a period of six months which will expire on 17th April 2019.

## PROSPECTS AND OUTLOOK

During the Period, the Group has secured sales orders from large conglomerates and state-owned enterprises in relation to sale of coal to such entities, and international sales orders from various customers. The Group will continue to take steps to grow and expand its coal trading business.

The Group will also continue to evaluate potential coal mining and other trading business opportunities, as well as to explore opportunities for acquisition of assets and/or business with sufficient operations and/or asset value to warrant the continued listing of the shares of the Company on the Stock Exchange.



## MANAGEMENT DISCUSSION AND ANALYSIS

### HUMAN RESOURCES

As at 30th September 2018, the Group had a total of 31 employees. The Group believes its 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, with reference to the financial position of the Group. 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 Period amounted to approximately HK\$4,940,000.

### 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.

## OTHER INFORMATION

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

As at 30th September 2018, 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

<b>Name of Director</b>	<b>Capacity</b>	<b>Number of shares held</b>	<b>Approximate percentage of the total issued shares of the Company</b>
Zhu Xinjiang	Interest of controlled corporation ( <i>Note</i> )	6,006,850,314	62.52%

*Note:* These 6,006,850,314 shares were held by Sharp Victory Holdings Limited, which was wholly-owned by Mr. Zhu Xinjiang. Accordingly, Mr. Zhu Xinjiang was deemed to be interested in these 6,006,850,314 shares of the Company by virtue of the SFO.

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 2018, 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 2018, 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:

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

<b>Name of shareholder</b>	<b>Capacity</b>	<b>Number of shares held</b>	<b>Approximate percentage of the total issued shares of the Company</b>
Sharp Victory Holdings Limited <i>(Note)</i>	Beneficial owner	6,006,850,314	62.52%

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

Save 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 2018.

### 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 2018.

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

## OTHER INFORMATION

### 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 30/09/2018
					Balance at 01/04/2018	Granted during the Period	Exercised during the Period	Cancelled during the Period	Lapsed during the Period	
<b>Former Directors</b>										
Sun David Lee (Resigned on 3rd May 2018)	2007	29/07/2010	29/07/2010 to 28/07/2020	0.20	9,000,000	-	-	-	(9,000,000)	-
Yeung Ting Lap, Derek Emory (Resigned on 4th May 2018)	2007	29/07/2010	29/07/2010 to 28/07/2020	0.20	7,000,000	-	-	-	(7,000,000)	-
Ho Man Kin, Tony (Resigned on 13th August 2018)	2007	29/07/2010	29/07/2010 to 28/07/2020	0.20	2,000,000	-	-	-	(2,000,000)	-
Li Kar Fai, Peter (Resigned on 14th August 2018)	2007	29/07/2010	29/07/2010 to 28/07/2020	0.20	2,000,000	-	-	-	(2,000,000)	-
Sub-total:					20,000,000	-	-	-	(20,000,000)	-
<b>Employees</b>										
	2007	03/03/2009	03/03/2009 to 02/03/2019	0.27	2,000,000	-	-	-	-	2,000,000
Sub-total:					2,000,000	-	-	-	-	2,000,000
Total:					22,000,000	-	-	-	(20,000,000)	2,000,000

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 followings:

### **Deviation from Code Provision A.2.1 of the CG Code**

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.

### CORPORATE GOVERNANCE (CONTINUED)

#### Deviation from Code Provision A.2.1 of the CG Code (Continued)

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.

#### Non-compliance with Rules 3.10(1), 3.10A, 3.10(2), 3.21 and 3.25 of the Listing Rules and Deviation from Code Provision A.5.1 of the CG Code

Following the resignation of Mr. Edward John Hill III on 13th August 2018, Mr. Ho Man Kin, Tony on 13th August 2018 and Mr. Li Kar Fai, Peter on 14th August 2018, the Company did not have any independent non-executive Directors, hence failing to meet the requirements of having:

- (a) at least three independent non-executive directors on the Board under Rule 3.10(1) of the Listing Rules;
- (b) independent non-executive directors who represent at least one-third of the Board under Rule 3.10A of the Listing Rules;
- (c) at least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise (the "Qualification") under Rule 3.10(2) of the Listing Rules;
- (d) the audit committee comprising only non-executive directors with a minimum of three members and chaired by an independent non-executive director, and at least one of the members is an independent non-executive director who possesses the Qualification under Rule 3.21 of the Listing Rules;

## OTHER INFORMATION

### CORPORATE GOVERNANCE (CONTINUED)

#### **Non-compliance with Rules 3.10(1), 3.10A, 3.10(2), 3.21 and 3.25 of the Listing Rules and Deviation from Code Provision A.5.1 of the CG Code** (Continued)

- (e) the remuneration committee comprising a majority of independent non-executive directors and chaired by an independent non-executive director under Rule 3.25 of the Listing Rules; and
- (f) the nomination committee comprising a majority of independent non-executive directors under code provision A.5.1 of the CG Code.

However, following the appointment of Mr. Chai Chung Wai, Mr. Leung Ka Kui, Johnny and Dr. Wong Yun Kuen on 12th September 2018, the Company has fully complied with the requirements under Rules 3.10(1), 3.10A, 3.10(2), 3.21 and 3.25 of the Listing Rules and code provision A.5.1 of the CG Code.

### 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 2018 have been reviewed by the Audit Committee of the Company.

## OTHER INFORMATION

### 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 2018 are set out below:

Mr. Zhu Xinjiang, the Chairman and an Executive Director of the Company, was appointed as a member of the Remuneration Committee of the Company with effect from 12th September 2018.

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

Hong Kong, 22nd November 2018

## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Executive Directors

ZHU Xinjiang (*Chairman*)  
CHEUNG Siu Fai  
LEUNG Xiaokang

#### Independent Non-executive Directors

CHAI Chung Wai  
LEUNG Ka Kui, Johnny  
WONG Yun Kuen

### AUDIT COMMITTEE

CHAI Chung Wai (*Chairman*)  
LEUNG Ka Kui, Johnny  
WONG Yun Kuen

### REMUNERATION COMMITTEE

LEUNG Ka Kui, Johnny (*Chairman*)  
CHAI Chung Wai  
WONG Yun Kuen  
ZHU Xinjiang

### NOMINATION COMMITTEE

ZHU Xinjiang (*Chairman*)  
CHAI Chung Wai  
LEUNG Ka Kui, Johnny  
WONG Yun Kuen

### COMPANY SECRETARY

CHAN Kwong Leung, Eric

### AUDITOR

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

### REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

### BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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

### PRINCIPAL BANKER

The Hongkong and Shanghai Banking Corporation Limited

### LEGAL ADVISER AS TO HONG KONG LAWS

Lau, Horton & Wise LLP  
In association with CMS Hasche Sigle,  
Hong Kong LLP  
17/F, Sun House  
90 Connaught Road, Central  
Hong Kong

### WEBSITE ADDRESS

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

### SHARE LISTING

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