



鴻寶資源有限公司
AGRITRADE RESOURCES LIMITED

(Incorporated in Bermuda with limited liability)
(Stock Code: 1131.HK)

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RESULTS

The board of directors (the “**Board**”) of Agritrade Resources Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 September 2011 with comparative figures for the corresponding period as follows:

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2011

	Notes	Six months ended	
		30.9.2011 HK\$'000 (Unaudited)	30.9.2010 HK\$'000 (Unaudited)
Revenue	3	237,402	117,642
Cost of sales and services		(160,495)	(88,831)
Gross profit		76,907	28,811
Other income		1,078	572
Other gains and losses	4	(20,546)	5,042
Gain from bargain purchase		–	75,574
Distribution and selling expenses		(808)	(2,198)
Administrative expenses		(27,211)	(34,194)
Finance costs	5	(14,921)	(8,616)
Profit before taxation	6	14,499	64,991
Taxation	7	(11,346)	1,641
Profit for the period		3,153	66,632

Condensed Consolidated Statement of Comprehensive Income (Continued)

For the six months ended 30 September 2011

		Six months ended	
	Notes	30.9.2011 HK\$'000 (Unaudited)	30.9.2010 HK\$'000 (Unaudited)
<hr/>			
Other comprehensive income/(loss) for the period:			
Exchange differences arising on translation of foreign operations		(30,316)	74,045
Total comprehensive income/(loss) for the period		(27,163)	140,677
Profit for the period attributable to:			
Owners of the Company		1,239	65,184
Non-controlling interests		1,914	1,448
		3,153	66,632
Total comprehensive income/(loss) attributable to:			
Owners of the Company		(22,208)	108,850
Non-controlling interests		(4,955)	31,827
		(27,163)	140,677
Earnings per share attributable to owners of the Company	8	HK cents	HK cents
Basic		0.2	12.7
Diluted		N/A	8.2

Condensed Consolidated Statement of Financial Position

At 30 September 2011

	Notes	30.9.2011 HK\$'000 (Unaudited)	31.3.2011 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	9	141,182	178,515
Intangible assets	10	2,560,912	2,619,231
Prepaid lease payments		–	1,999
Prepayment for land use rights		927	567
		<u>2,703,021</u>	<u>2,800,312</u>
Current assets			
Inventories		60,568	70,759
Trade and other receivables	11	52,238	19,622
Bills receivable		2,830	530
Amount due from related parties		36,974	13,561
Financial assets at fair value through profit or loss		17	1,162
Bank balances and cash		21,793	57,316
		<u>174,420</u>	<u>162,950</u>
Non-current asset held for sale			
		<u>82,502</u>	<u>6,713</u>
		<u>256,922</u>	<u>169,663</u>
Current liabilities			
Trade and other payables and accruals	12	30,305	40,659
Provision for close down, restoration and environmental costs		1,473	1,440
Bills payable		1,707	12,924
Amount due to related parties		24,811	18,200
Tax payable		25,728	5,694
Obligation under finance leases		24,300	18,225
		<u>108,324</u>	<u>97,142</u>
Net current assets			
		<u>148,598</u>	<u>72,521</u>
Total assets less current liabilities			
		<u>2,851,619</u>	<u>2,872,833</u>
Non-current liabilities			
Convertible bonds	13	149,159	140,326
Promissory notes	14	113,223	110,211
Deferred tax		633,390	647,605
Obligation under finance leases		37,202	28,883
		<u>932,974</u>	<u>927,025</u>
Net assets			
		<u>1,918,645</u>	<u>1,945,808</u>
Capital and reserves			
Share capital		58,371	58,371
Reserves		1,010,927	1,033,135
Equity attributable to:			
Owners of the Company		1,069,298	1,091,506
Non-controlling interest		849,347	854,302
Total equity			
		<u>1,918,645</u>	<u>1,945,808</u>

Condensed Consolidated Statement of Changes in Equity (Unaudited)

For the six months ended 30 September 2011

	Attributable to owners of the Company										
	Share capital	Share premium	Contributed surplus	Convertible preference	Convertible bonds	Translation reserve	Share option reserve	(Accumulated losses)/	Total	Non-controlling interests	Total equity
				shares	equity			retained profits			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2010	38,763	131,366	122,652	-	-	14,973	3,641	(13,179)	298,216	-	298,216
Profit for the period	-	-	-	-	-	-	-	65,184	65,184	1,448	66,632
Other comprehensive income for the period:											
Exchange differences arising on translation of foreign operations	-	-	-	-	-	43,666	-	-	43,666	30,379	74,045
Total comprehensive income for the period	-	-	-	-	-	43,666	-	65,184	108,850	31,827	140,677
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	804,400	804,400
Issue of convertible bonds	-	-	-	-	317,737	-	-	-	317,737	-	317,737
Issue of shares upon partial conversion of convertible bonds	17,400	190,709	-	-	(123,245)	-	-	-	84,864	-	84,864
Issue of convertible preference shares	-	-	-	248,579	-	-	-	-	248,579	-	248,579
Share based payment	-	-	-	-	-	-	5,894	-	5,894	-	5,894
Issue of shares on exercise of share options	2,208	17,595	-	-	-	-	(3,641)	-	16,162	-	16,162
At 30 September 2010	58,371	339,670	122,652	248,579	194,492	58,639	5,894	52,005	1,080,302	836,227	1,916,529
At 1 April 2011	58,371	335,108	122,652	248,579	194,492	95,264	6,094	30,946	1,091,506	854,302	1,945,808
Profit for the period	-	-	-	-	-	-	-	1,239	1,239	1,914	3,153
Other comprehensive income for the period:											
Exchange differences arising on translation of foreign operations	-	-	-	-	-	(23,447)	-	-	(23,447)	(6,869)	(30,316)
Total comprehensive income for the period	-	-	-	-	-	(23,447)	-	1,239	(22,208)	(4,955)	(27,163)
At 30 September 2011	58,371	335,108	122,652	248,579	194,492	71,817	6,094	32,185	1,069,298	849,347	1,918,645

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2011

	Six months ended	
	30.9.2011 HK\$'000 (Unaudited)	30.9.2010 HK\$'000 (Unaudited)
Net cash (used in)/generated from operating activities	5,497	27,529
Net cash (used in)/generated from investing activities	2,443	(149,816)
Net cash (used in)/generated from financing activities:		
Other financing cash flows	<u>(16,113)</u>	<u>21,472</u>
Net decrease in cash and cash equivalents	(8,173)	(100,815)
Cash and cash equivalents at beginning of the period	57,316	132,224
Effect on foreign exchange rate changes	<u>2,106</u>	<u>3,795</u>
Cash and cash equivalents at end of the period, representing bank balances and cash	<u>51,249</u>	<u>35,204</u>
Analysis of cash and cash equivalents		
Bank balances and cash	21,793	35,204
Cash and cash equivalents included in a sub-group held for sale	<u>29,456</u>	–
	<u>51,249</u>	<u>35,204</u>

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2011

1. Basis of Preparation

The unaudited condensed consolidated financial statements (the “**Interim 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 (the “**Stock Exchange**”) (the “**Listing Rules**”) and Hong Kong Accounting Standard (“**HKAS**”) 34 ‘Interim Financial Reporting’ issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). The accounting policies used in the Interim Financial Statements are consistent with those followed in the preparation of the annual financial statements of the Group for the year ended 31 March 2011, except as stated in note 2 below. The Interim Financial Statements should be read, where relevant, in conjunction with the 2011 annual financial statements of the Group.

2. Principal Accounting Policies

The Interim Financial Statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value.

Adoption of new and revised standards

In the current interim period, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations (“**new and revised HKFRSs**”) issued by the HKICPA, which are effective for the Group’s financial year beginning on 1 April 2011:–

HKFRS 1 Amendment	Amendment to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
HKAS 24 (Revised)	Related Party Disclosures
HKAS 32 Amendment	Amendment to HKAS 32 Financial Instruments: Presentation – Classification of Rights Issues
HK(IFRIC)-Interpretation 14 Amendments	Amendments to HK(IFRIC)-Interpretation 14 Prepayments of a Minimum Funding Requirement

2. Principal Accounting Policies (Continued)

Adoption of new and revised standards (Continued)

HK(IFRIC)-Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments
Improvements to HKFRSs 2010	Amendments to a number of HKFRSs issued in May 2010

Other than as further explained below regarding the impact of HKAS 24 (Revised) and amendments to HKFRS 3, HKAS 1 and HKAS 27 included in Improvements to HKFRSs 2010, the adoption of the new HKFRSs has had no significant financial effect on this financial information.

The principal effects of adopting these new HKFRSs are as follows:

HKAS 24 (Revised) clarifies and simplifies the definition of related parties. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government.

Improvements to HKFRSs 2010 issued in May 2010 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments results in changes in accounting policies, none of these amendments has had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

- (a) *HKFRS 3 Business Combinations*: Clarifies that the amendments to HKFRS 7, HKAS 32 and HKAS 39 that eliminate the exemption for contingent consideration do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of HKFRS 3 (as revised in 2008).

In addition, the amendments limit the measurement choice of non-controlling interests at fair value or at the proportionate share of the acquiree's identifiable net assets to components of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another HKFRS.

2. Principal Accounting Policies (Continued)

(a) (Continued)

The amendments also added explicit guidance to clarify the accounting treatment for non-replaced and voluntarily replaced share-based payment awards.

(b) HKAS 1 *Presentation of Financial Statements*: Clarifies that an analysis of other comprehensive income for each component of equity can be presented either in the statement of changes in equity or in the notes to the financial statements.

(c) HKAS 27 *Consolidated and Separate Financial Statements*: Clarifies that the consequential amendments from HKAS 27 (as revised in 2008) made to HKAS 21, HKAS 28 and HKAS 31 shall be applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if HKAS 27 is applied earlier.

The Group has not early applied the new and revised standards, amendments or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. Revenue and Segment Information

The Group's revenue represents the aggregate of net amounts received and receivable for goods sold and services provided, less returns and allowances to outside customers during the period.

The Group's operating segments are structured and managed separately according to the nature of their operations and the products and services they provided. Each of the Group's operating segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other operating segments. Summary details of the operating segments are as follows:

- (i) Mining segment comprised the mining, exploration and sale of coal.
- (ii) Shipping segment comprised the time chartering of vessels.

3. Revenue and Segment Information (Continued)

- (iii) Textile segment comprised the manufacture and sale of knitted fabrics and dyed yarns, with the provision of dyeing, bleaching, setting and finishing services.

HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision makers (“**CODM**”), representing the executive directors of the Group, for the purpose of allocating resources to segments and assessing their performance. The CODM of the Group regularly review revenue and profit of the Group as a whole for the purposes of performance assessment and resource allocation.

(a) *Reportable segments***For six months ended 30 September 2011 (Unaudited)**

	Textile HK\$'000	Mining HK\$'000	Shipping HK\$'000	Total HK\$'000
Reportable segment revenue	61,222	167,665	8,515	237,402
Reportable segment (loss)/profit	(4,472)	55,321	(16,220)	34,629
Unallocated corporate expenses				(5,209)
Finance costs				(14,921)
Profit before taxation				<u>14,499</u>
Depreciation and amortisation	3,920	44,493	1,741	50,154
Reportable segment assets as at 30 September 2011	146,796	2,761,321	50,481	2,958,598

3. Revenue and Segment Information (Continued)

(a) Reportable segments (Continued)

For six months ended 30 September 2010 (Unaudited)

	Textile HK\$'000	Mining HK\$'000	Shipping HK\$'000	Total HK\$'000
Reportable segment revenue	95,421	14,579	7,642	117,642
Reportable segment profit	3,533	40	4,895	8,468
Gain from bargain purchase				75,574
Unallocated corporate expenses				(10,435)
Finance costs				(8,616)
Profit before taxation				64,991
Depreciation and amortisation	5,247	6,697	1,587	13,531
Reportable segment assets as at 30 September 2010	209,969	2,580,236	85,262	2,875,467

(b) Geographical information

The Group's revenue from external customers and its non-current assets other than financial instruments, deferred tax assets and post-employment benefit assets ("**specified non-current assets**") are divided into the following geographical areas:

	Revenue from external customers		Specified non-current assets	
	Six months ended 30.9.2011 HK\$'000 (Unaudited)	Six months ended 30.9.2010 HK\$'000 (Unaudited)	Six months ended 30.9.2011 HK\$'000 (Unaudited)	Six months ended 30.9.2010 HK\$'000 (Unaudited)
The People's Republic of China ("PRC")*	61,222	95,421	21,426	70,180
Singapore	8,515	7,642	-	67,838
Indonesia	167,655	14,579	2,681,595	2,568,701

* including Hong Kong and Macau

4. Other Gains and Losses

	Six months ended	
	30.9.2011 HK\$'000 (Unaudited)	30.9.2010 HK\$'000 (Unaudited)
Gain on disposal of property, plant and equipment	893	3,905
Impairment loss on intangible assets	(866)	–
Impairment loss on property, plant and equipment	(20,573)	–
Write back of impairment loss on trade receivables	–	361
Gain on fair value changes on financial instruments at fair value through profit or loss	–	776
	<u>(20,546)</u>	<u>5,042</u>

5. Finance Costs

	Six months ended	
	30.9.2011 HK\$'000 (Unaudited)	30.9.2010 HK\$'000 (Unaudited)
Interest on borrowings wholly repayable within five years	3,076	451
Imputed interest on promissory notes	3,012	2,862
Imputed interest on convertible bonds	8,833	5,303
	<u>14,921</u>	<u>8,616</u>

6. Profit Before Taxation

	Six months ended	
	30.9.2011 HK\$'000 (Unaudited)	30.9.2010 HK\$'000 (Unaudited)
Profit for the period has been arrived at after charging:		
Depreciation of property, plant and equipment	13,665	6,485
Release of prepaid lease payments	–	29
Amortisation on intangible assets	36,536	7,018
and after crediting:		
Interest income from banks	387	51
Dividend income from investment held for trading	–	93
	<u><u> </u></u>	<u><u> </u></u>

7. Taxation

	Six months ended	
	30.9.2011 HK\$'000 (Unaudited)	30.9.2010 HK\$'000 (Unaudited)
Current tax – Hong Kong	–	–
– Overseas	(20,597)	–
Deferred tax credit	9,251	1,641
	<u><u>(11,346)</u></u>	<u><u>1,641</u></u>

No provision for Hong Kong profits tax has been made as the Group had no estimated assessable profit for both periods.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Deferred tax credit represents the tax effect on time difference arising from accelerated amortisation on mining rights.

8. Earnings Per Share

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

	Six months ended	
	30.9.2011 HK\$'000 (Unaudited)	30.9.2010 HK\$'000 (Unaudited)
Profit for the period, attributable to owners of the Company	1,239	65,184
Imputed interest on Convertible Bonds	8,833	4,785
Earnings for the purpose of diluted earning per share	10,072	69,969
Number of shares	2011 '000	2010 '000
Weighted average number of ordinary shares for the purposes of basic earnings per share	583,705	513,064
Effect of dilutive potential ordinary shares		
Share options	–	1,257
Convertible bonds	–	179,150
Convertible preference shares	–	156,065
Weighted average number of ordinary shares for the purposes of diluted earnings per share	583,705	849,536

The computation of diluted earnings per shares for period ended 30 September 2011 does not assume the exercise of the Company's share options, convertible bonds and convertible preference shares as it would be anti-dilutive.

9. Movements in Property, Plant and Equipment

During the six months ended 30 September 2011, the Group acquired items of property, plant and equipment with a total cost of HK\$31,638,000 (30 September 2010: HK\$858,000), excluding property, plant and equipment items acquired through business combination. The Group disposed items of property, plant and equipment with a total cost of HK\$7,314,000 for cash proceeds of HK\$8,207,000, resulting in a profit on disposal of approximately HK\$893,000.

10. Intangible Assets

	Mining right HK\$'000	Customer base HK\$'000	Total HK\$'000
Cost			
At 1 April 2011	2,639,589	2,722	2,642,311
Additions	–	–	–
Exchange adjustments	(20,917)	–	(20,917)
At 30 September 2011	<u>2,618,672</u>	<u>2,722</u>	<u>2,621,394</u>
Accumulated amortisation and impairment			
At 1 April 2011	21,595	1,485	23,080
Amortisation for the period	36,165	371	36,536
Impairment loss (Note 4)	–	866	866
At 30 September 2011	<u>57,760</u>	<u>2,722</u>	<u>60,482</u>
Net carrying value			
At 30 September 2011	<u><u>2,560,912</u></u>	<u><u>–</u></u>	<u><u>2,560,912</u></u>

11. Trade and Other Receivables

Included in trade and other receivables of the Group are deposit for purchase of property, plant and machineries of approximately HK\$16,079,000 (31 March 2011: HK\$2,411,400) and trade receivables of approximately HK\$14,848,000 (31 March 2011: HK\$8,497,000).

The credit terms given to the trade customers of the Group vary from cash on delivery to 120 days and are generally based on the financial strength of individual customers. In order to effectively manage the credit risks associated with the trade receivables, credit evaluation of customers are performed periodically. The following is an aged analysis of trade receivables net of allowance for doubtful debts at the end of financial reporting periods:

	30.9.2011 HK\$'000 (Unaudited)	31.3.2011 HK\$'000 (Audited)
0 – 60 days	7,984	7,203
61 – 90 days	4,454	649
91 – 120 days	453	15
Over 120 days	1,957	630
	<u>14,848</u>	<u>8,497</u>

12. Trade and Other Payables

Included in trade and other payables of the Group are trade payables of approximately HK\$1,159,000 (31 March 2011: HK\$8,214,000). The following is an aged analysis of trade payables at the end of financial reporting periods:

	30.9.2011 HK\$'000 (Unaudited)	31.3.2011 HK\$'000 (Audited)
0 – 60 days	558	5,935
61 – 90 days	–	853
Over 90 days	601	1,426
	<u>1,159</u>	<u>8,214</u>

13. Convertible Bonds

The movements on the liability component of the Convertible Bonds are as follows:

	30.9.2011 HK\$'000 (Unaudited)	31.3.2011 HK\$'000 (Audited)
Fair value at beginning of the period/Inception, net of issue costs	140,326	207,003
Imputed interest expense (Note 5)	8,833	13,625
Conversion of shares of the company	–	(80,302)
	<u>149,159</u>	<u>140,326</u>

14. Promissory Notes

	30.9.2011 HK\$'000 (Unaudited)	31.3.2011 HK\$'000 (Audited)
Fair value at beginning of the period/Inception	112,711	107,823
Imputed interest expense (Note 5)	3,012	4,888
	115,723	112,711
Less: interest payable	(2,500)	(2,500)
Non-current portion	<u>113,223</u>	<u>110,211</u>

15. Related Party Transactions

During the period ended 30 September 2011, the Group had entered into the following significant related party transactions in its ordinary course of business and on terms mutually agreed between the relevant parties:

	Note	2011 HK\$'000	2010 HK\$'000
Charter income received from a related company*	(i)	5,008	7,642
Management fee paid to a related company*	(i)	437	300
Sales to a related company		142,621	–

* The related party transactions also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

- (i) Details of these transactions had been disclosed in the circular dated 26 March 2010.
- (ii) The balances with minority shareholders of subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

16. Significant Events After the Reporting Period

(a) On 26 August 2011, the Group entered into a sale and purchase agreement with a purchaser in connection to the disposal of two vessels for a consideration of S\$2,480,000 (or approximately HK\$14,830,400 equivalent). According to the sale and purchase agreement, the ownership of the vessels is transferred upon full consideration is settled by the purchaser. Subsequent to the end of the reporting period, in October 2011, full settlement of S\$2,480,000 was received and the vessels were disposed of by the Group on the same date.

(b) On 15 September 2011, the Group entered into a sale and purchase agreement with a purchaser in connection to the disposal of three vessels in a consideration of S\$3,137,000 (or approximately HK\$18,822,000 equivalent). According to the sale and purchase agreement, the ownership of the vessels is transferred upon full consideration is settled by the purchaser. Subsequent to the end of the reporting period, in October 2011, full settlement of S\$3,137,000 was received and the vessels were disposed of by the Group on the same date.

The vessels in note (a) and (b) being disposed of subsequent to the end of the reporting period with the carrying amount and fair value less cost to sell of HK\$33,446,000 is classified under non-current asset held for sale and stated at lower of carrying amount and fair value less costs to sell as at 30 September 2011.

(c) On 26 August 2011, the Group entered into a sale and purchase agreement with a purchaser in connection to the disposal of its entire interest in a subsidiary, Real Connection Limited ("RCL"), for a consideration of HK\$53,000,000. According to the sale and purchase agreement, the ownership of RCL is transferred upon full consideration is settled by the purchaser. Subsequent to the end of the reporting period, in October 2011, full settlement of HK\$53,000,000 was received and RCL was disposed of by the Group on the same date.

The assets of RCL being disposed of subsequent to the end of the reporting period with the carrying amount and fair value less cost to sell of HK\$49,056,000 is classified under non-current asset held for sale and stated at lower of carrying amount and fair value less costs to sell as at 30 September 2011.

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the current period (2010: NIL).

BUSINESS REVIEW

Mining business

The mining business segment is principally engaged in the processing, trading and marketing of low sulphur, sub-bituminous thermal coal produced by PT Senamas Energindo Mineral (“**SEM**”). During the six months ended 30 September 2011, the segment contributed approximately HK\$167.6 million in turnover and HK\$55.3 million in profit.

The coal market in Indonesia has witnessed a stable growth in the first half of 2011. In December 2010, the Indonesian Government forecasted that Indonesia coal production will increase by 19% in 2011, while Coal Age reported that 340 million tons of coal will be produced in Indonesia in 2011, an increase of 23% from that in 2010; 80% of the production will be exported, mainly to China, Japan and Korea.

To capture this dramatic market growth, SEM has been actively enhancing its production and ancillary facilities to maximize the production capacity which included the expansion of truck fleet to step up transportation capability, strengthening of mining equipment and increase the number of stockpiles. The main hauling road connecting the SEM mine to the jetty has been improved with gravel surface, making the road more weatherproof to allow smooth transportation. During the six months ended 30 September 2011, the production capacity of the SEM mine reached nearly 1.2 million tons per annum, doubled from when the Company acquired the SEM mine back in June 2010. With the second production pit put into operation in the third quarter of 2011, it is expected that the production capacity of SEM will continue to ramp up steadily.

Benefited by the strong demand of coal in Indonesia and SEM's effort in increasing its production efficiency, the Company recorded HK\$167.6 million of turnover from coal trade, generated from approximately 507,000 tons of coal products sold during the period. The turnover of the segment of same period in 2010 was HK\$14.6 million.

Regarding our joint development with PT Total Sinergy International (“**TSI**”) on GEO-COAL™ technology, the first mine site coal upgrading plant is under construction and expected to be completed by March 2012. The application of GEO-COAL™ technology enable the Company to upgrade our low calorific value (“**CV**”) SEM coal to a high CV clean burning coal, through reducing moisture significantly and retaining its environmental properties. Besides enhancing the energy value, the GEO-COAL™ technology further lowers the transportation costs due to the reduced moisture content of the upgraded coal and, most importantly, increases the selling price and profit margin of the upgraded coal with a minimal impact on production cost.

Shipping business

During the period under review, the shipping business segment recorded a turnover of HK\$8,515,000, while that for the same period last year was HK\$7,642,000. This segment generated a loss of HK\$16,220,000, comparing with a profit of HK\$4,895,000 in the same period last year. The significant increase in loss is mainly due to the net impairment loss on property, plant and equipment amounting to HK\$20.5 million arising from the disposal of vessels after the reporting period (the “**Vessels Disposal**”). The Directors considered that the Vessels Disposal provides a good opportunity for the Company to generate cash which is intended to be used for general working capital and for funding any future acquisition when suitable opportunity arises.

Textile business

Due to increase in labour and raw material costs, profit margin of the textile business segment has been decreased in the period. During the period under review, the textile business of the Company recorded a turnover of HK\$61,222,000, comparing with HK\$95,421,000 in the same period last year. The segment generated a loss of HK\$4,472,000, while in the same period last year a profit of HK\$3,533,000 was recorded.

In August 2011 the Company entered into an agreement to dispose of a subsidiary whose major scope of business is provision of dyeing, setting and finishing service for an aggregate consideration of HK\$53,000,000 (the “**Disposal**”). The Directors considered that the Disposal will allow the Company to focus on its other core businesses, including but not limited to coal mining related business.

PROSPECTS

Despite the financial turmoil in Europe, it is expected that the demand of thermal coal in Asia will remain robust. In particular, GDP growth in Indonesia is expected to be over 6% in 2011, and as much as 82 million tons of coal produced are required by Indonesian Government for domestic consumption in 2012, a 4% increase from 2011. On the other hand, China has been the largest coal importer in the world since 2009. These two enormous markets are believed to be the sources of growing demand for coal products from the Company and coal suppliers in the region.

As a coal supplier, the Company witnessing the robust development of Indonesia and China, we will continuously focus our coal business, primarily in Indonesia and other Asian regions. To capture the market opportunities we will continue to dedicate our efforts to expand the production capacity of the SEM mine and improve the various facilities to facilitate efficiency enhancement of the mining and logistics process. We will also strengthen our sales network to expand our customer base, with particular focus on promoting export sales in the region. Backed by the GEO-COAL™ technology, the Group will also place emphasis on the quality enhancement of our coal to improve better profit margin. To consolidate the growth momentum of the Group, the management continuously reviews the market condition and exploring quality resources assets from the market, and will take appropriate actions when opportunities arise.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES

The Group had no material acquisitions and disposals of subsidiaries and associates for the six months ended 30 September 2011.

FINANCIAL REVIEW

For the six months ended 30 September 2011, the Group recorded a turnover of approximately HK\$237 million (2010: HK\$118 million), representing an increase of 100.8% as compared to the same period last year. The increase in revenue was mainly contributed by the mining business in this year. The mining business contributed approximately HK\$167 million (2010: 14.5 million) of the turnover during the year, while the textile business recorded a turnover of approximately HK\$61.2 million, representing a decrease of 35.8% as compared with the previous period of approximately HK\$95.4 million.

Capital structure

There was no material change in the Group's capital structure as compared to the most recent published annual report.

Liquidity and financial resources

As at 30 September 2011, the Group's shareholders' equity amounted to HK\$1,918,645,000, while total bank indebtedness amounted to approximately HK\$61,502,000 and cash on hand amounted to approximately HK\$21,793,000. The Group's bank indebtedness to equity ratio is only 0.032. Current ratio is 2.4. The Board believes that the Group's sound and healthy financial position will enable it to finance its operation and explore other business development opportunities.

As at 30 September 2011, the Group has financial assets of approximately HK\$17,000 (2010: HK\$1,162,000).

Exposure to Fluctuations in Exchange Rates and Related Hedges

The Groups' assets, liabilities and business transactions are principally denominated in Hong Kong dollars, Singapore dollars, Indonesia Rupiah, Chinese Renminbi and US dollars and therefore the Group is exposed to various foreign exchange risks. The Group manages its foreign exchange risks by performing regular review and monitoring its foreign exchange exposure. The Group will consider using forward currency contracts as a tool to manage and reduce such risks.

Pledge of Assets, Contingent Liabilities and Commitments

There was no material change in the Group's pledge of assets, contingent liabilities and commitments as compared to the most recently published annual report.

STAFF AND REMUNERATION POLICIES

As at 30 September 2011, the Group had approximately 767 employees. The Group mainly determines staff remuneration in accordance with market terms and individual qualifications.

The emoluments of the directors of the Company are reviewed and recommended by the remuneration committee, and decided by the Board of directors, as authorised by the shareholders at the annual general meeting, having regard to the Group's operating results, individual performance and comparable market statistics.

The Company maintains a share option scheme, pursuant to which, share options are granted to selected eligible participants, with a view to provide incentive to the option holders to participate and contribute the growth of the Group.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES AND UNDERLYING SHARES

At 30 September 2011, the interests of the directors, the chief executives and their associates in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or 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"), were as follows:

Long position

Name of director	Convertible preference shares		Ordinary shares		Interest in underlying shares	Aggregated Interest	Percentage of the issued share capital of the Company
	Personal interest	Personal interest	Corporate interest	Personal interest			
Mr. Ng Xinwei	-	-	-	2,750,000 (Note 1)	2,750,000	0.47%	
Ms Lim Beng Kim, Lulu ("Ms. Lulu Lim")	16,000,000	-	-	31,466,667 (Note 2)	47,466,667	8.13%	
Mr. Shiu Shu Ming	-	-	-	2,750,000 (Note 3)	2,750,000	0.47%	
Mrs. Chen Chou Mei Mei ("Mrs. Chen")	-	6,210,000	1,500,000 (Note 4)	-	7,710,000	1.32%	
Mr. Chong Lee Chang ("Mr. Chong")	-	-	3,760,000 (Note 5)	-	3,760,000	0.64%	
Mr. Li Man Ching	-	3,830,000	-	-	3,830,000	0.66%	
Ms. Li Mei Lin	-	3,100,000	-	-	3,100,000	0.53%	

Note:

- (1) This represents the number of share option granted to Mr. Ng Xinwei.
- (2) This represents HK\$44.95 million convertible bonds, which can be converted to 29,966,667 ordinary shares held by Ms. Lulu Lim and 1,500,000 share option granted to Ms. Lulu Lim.
- (3) This represents the number of share option granted to Mr. Shiu Shu Ming.
- (4) This represents 1,500,000 shares of the Company held by Mrs. Chen through controlled corporations of Avec Inc. It is wholly owned by Mrs. Chen.
- (5) This represents 3,760,000 shares of the Company held by Mr. Chong through controlled corporations of Shieldman Limited. It is wholly owned by Mr. Chong.

Save as disclosed above, as at 30 September 2011, none of the directors, the chief executives and their associates had any personal, family, corporate or other interests or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had been entered in the register kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

The following table disclosed movements in the Company's share option scheme during the period:

Category	Date of grant	Exercisable period	Exercise price per share	Number of share options			
				At 1 Apr 2011	Granted	Exercised	At 30 Sep 2011
1. Directors							
Mr. Ng Xinwei	30 Aug 2010	30 Aug 2010 to 29 Aug 2020	1.12	2,750,000	-	-	2,750,000
Ms. Lulu Lim	30 Aug 2010	30 Aug 2010 to 29 Aug 2020	1.12	1,500,000	-	-	1,500,000
Mr. Shiu Shu Ming	30 Aug 2010	30 Aug 2010 to 29 Aug 2020	1.12	2,750,000	-	-	2,750,000
Ms. Elly Ong (Note 1)	30 Aug 2010	30 Aug 2010 to 29 Aug 2020	1.12	2,750,000	-	-	2,750,000
				<u>9,750,000</u>	<u>-</u>	<u>-</u>	<u>9,750,000</u>
2. Associates of shareholder							
Ms. Lim Chek Hwee (Note 2)	30 Aug 2010	30 Aug 2010 to 29 Aug 2020	1.12	3,000,000	-	-	3,000,000
3. Employees in aggregate							
	30 Aug 2010	30 Aug 2010 to 29 Aug 2020	1.12	1,500,000	-	-	1,500,000
4. Consultants in aggregate							
	30 Aug 2010	30 Aug 2010 to 29 Aug 2020	1.12	15,750,000	-	-	15,750,000
	18 Mar 2011	18 Mar 2011 to 17 Mar 2021	1.122	1,000,000	-	-	1,000,000
				<u>16,750,000</u>	<u>-</u>	<u>-</u>	<u>16,750,000</u>
				<u>31,000,000</u>	<u>-</u>	<u>-</u>	<u>31,000,000</u>

Note:

- (1) Ms. Elly Ong ceased to be Director with effect from 30 August 2011.
- (2) Ms. Lim Chek Hwee is the spouse of Mr. Ng Say Pek who has an 80% interest in Agritrade International Pte Ltd. ("AIPL"), a substantial shareholder of the Company.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2011 and so far as is known to the Board and according to the register of interests in shares and short positions of substantial shareholders maintained by the Company under Section 336 of the SFO, the following persons or corporations (other than the directors of the Company) has interest of 5% or more of the nominal value of the issued share capital that carry a right to vote in all circumstances at general meetings of the Company:

Name	Capacity	Number of shares/underlying shares held	Approximate percentage of shareholding
AIPL (Note 1)	Beneficial owner	367,733,333	63.00%
Mr. Ng Say Pek (Note 2)	Corporate interests	370,733,333	63.51%
WSJ International Sdn Bhd ("WSJ") (Note 3)	Beneficial owner	275,800,000	47.25%

Note:

- (1) This represents 128,000,000 convertible preference shares, 174,000,000 ordinary shares and HK\$98.6 million convertible bonds, which can be converted to 65,733,333 ordinary shares held by AIPL.
- (2) Mr. Ng Say Pek held 80% equity interest of AIPL. By virtue of SFO, Mr. Ng Say Pek is deemed to be interested in the shares held by AIPL. In addition, he is also deemed to be interested in 3,000,000 underlying shares for 3,000,000 share option granted to his spouse, Ms. Lim Chek Hwee.
- (3) This represents 96,000,000 convertible preference shares and HK\$269.7 million convertible bonds, which can be converted to 179,800,000 ordinary shares held by WSJ.

Save as disclosed above, no other party was recorded in the register of interests in shares and short positions of substantial shareholders kept pursuant to section 336 of SFO as having an interest in 5% or more of the nominal value of the issued share capital that carry a right to vote in all circumstances at general meetings of the Company.

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

During the six months ended 30 September 2011, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

The Company has complied throughout for the six month ended 30 September 2011 with the Code on Corporate Government Practices as set out in Appendix 14 of the Listing Rules.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") in Appendix 10 of the Listing Rules on the Stock Exchange as the code of conduct regarding securities transactions by directors. Having made specific enquiry of all directors, all directors confirmed they have complied with the required standard set out in the Model Code.

The Company has formed an audit committee whose terms of reference are formulated in accordance with the requirements of the Stock Exchange. Its current members comprise of three independent non-executive directors. The primary responsibilities of the audit committee include reviewing the reporting of financial and other information of shareholders, systems of internal controls, risk management and the effectiveness and objectivity of the audit process.

These unaudited condensed financial results have been reviewed by the audit committee of the Company and were approved by the Board on 29 November 2011.

By Order of the Board
Rashid Bin Maidin
Chief Executive Officer

Hong Kong, 29 November 2011