鴻寶資源有限公司

AGRITRADE RESOURCES LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 1131.H.K.)

DELIVERING GROWTH

ANNUAL REPORT 2016

CONTENTS


SEA EQUATORIAL

Our Vision and Mission

Our Vision

To be the leading quality energy solutions provider in Asia and the preferred choice for our valued customers, business partners and employees.

Our Mission

As a growth organisation in the coal and shipping sector, we aim to:

- Value add to our customers by providing quality products and exceptional service
- Maximise efficiency and minimise cost of production
- Cultivate unique partnerships
- Develop and grow our people
- Maximise stakeholders value

Agritrade Resources at a Glance

Agritrade Resources Limited ("Agritrade Resources" or the "Company") is a leading integrated coal and shipping solutions provider, headquartered in Singapore. We provide value by bringing affordable energy to Asia.

Founded in 2010, Agritrade Resources is listed on the Hong Kong Stock Exchange. Agritrade International Pte Ltd ("Agritrade International"), a leading commodity trading house with strong distribution network in commodities such as coal, oil and palm oil within South East Asia, is Agritrade Resources' largest shareholder, with a 56.57% percent stake.

Coal

Agritrade Resources is the first to introduce large-scale, fully-mechanised longwall underground coal mining in Indonesia. We own and operate two strategically located coal mines and provide contract mining for one mine in Indonesia. Located in Central and South Kalimantan, the mines produce varying grades of bituminous and sub-bituminous, low-sulphur, low pollutant thermal coal to cater to our international and domestic clienteles. Our coal production is supported by our integrated supply chain from pit to port that enables us to transport the coal efficiently and reliably to our customers.

Agritrade Resources markets various coal products produced by the Group and distributes it through our marketing arm, Agritrade Resources Asia Pte Ltd. Other than selling coal produced from our own operations, Agritrade Resources also trades and brokers coal from other coal producers to supplement our production and hedge against price volatility.

Shipping

Our Shipping division, Sea Oriental Line Pte Ltd, is the preferred one-stop partner for maritime transportation and storage solutions. Beyond the fleet of Very Large Crude Carrier ("VLCC") vessels, the Group also owns a Panamax as well as tugboats and barges, to support and complement our clients' logistic chain. Our key differentiation lies in our ability to provide customised and value-added solutions around the clock.

Financial year ended (HKD million)	**31 March 2016**	31 March 2015	31 March 2014
Revenue of Mining Segment	**986.2**	1,211.0	935.7
Revenue of Shipping Segment	**166.3**	23.5	25.6
Total Revenue	**1,152.5**	**1,234.5**	**961.3**

Senamas Energindo Mineral

We own and operate PT Senamas Energindo Mineral ("SEM"), a 2,000-hectare coal mine in Central Kalimantan, Indonesia. According to the JORC compliance report, it has an estimated 117.9 million tonnes of reserves and 152.7 million tonnes of resources as at July 2012.

The Group strategically produced approximately 4.0 million tonnes of coal in FY2016.

Merge Mining

We own and operate a newly acquired underground coal mine located in South Kalimantan, Indonesia, totalling 3,663- hectare under Merge Mining Holding Limited ("Merge Mining"). Merge Mining is Indonesia's first large-scale, fully-mechanized underground coal mine in production, pioneering the extraction of previously irretrievable high value resources through careful implementation of underground mining. The concession area contains a total JORC compliant reserves of 92.0 million tonnes and resources of 166.1 million tonnes as at September 2015. The mine produces 6,426 kcal/kg coal and the targeted average annual production is around 2.0 million metric tonnes for the next two years.

Sea Horizon

Sea Horizon is a Japanese-built VLCC-grade oil tanker with a capacity of 300,000 deadweight tonnage ("DWT") that was built in 2001.With an overall length of 330 metres, the ocean-going vessel has heating and blending capabilities on board. The vessel has been classified by Bureau Veritas.

The Group has signed a long-term contract to lease the vessel to a global energy player from March 2016.

Sea Equatorial

Sea Equatorial is a VLCC-grade oil tanker, with a capacity of 300,000 DWT that was built in 1997. The vessel has an overall length of 330 metres and has been installed with heating and blending capabilities. The vessel is anchored at the Malaysia Linggi port and is used as a floating storage. Sea Equatorial has been classified by Lloyd's Register.

The vessel has been leased to a global energy player since February 2015.

Panamax

The Panamax vessel is a Japanese-built dry bulk carrier with a capacity of 73,000 DWT. Our Panamax vessel is an Indonesian flagged ship, held under an Indonesian Joint Venture, to take advantage of the cabotage rule. Due to the limited supply of Panamax in Indonesia, our Panamax enjoys a much higher charter rate. The vessel has been classified by Bureau Veritas.

Upon acquisition of the Panamax vessel in December 2015, the Group entered into a five year long term contract to transport coal to coal fired power stations.

Tugboats and Barges

The Group owns six sets of tugboats and barges, ranging from 300-330 Feet. Cumulatively, the tugboats and barges can transport an estimated monthly total cargo capacity of approximately 130,000-150,000 metric tonnes. The tugboats and barges have been classified by Bureau Veritas. The Group entered into a Contract of Affreightment charter agreement with a Qatar-based independent third party for a fixed period of three years from January 2016.

CHAIRMAN'S STATEMENT

In the coming year, our Group will build on our momentum of delivering resilient growth.

Dear Stakeholders,

I am pleased to present the annual report of Agritrade Resources Limited (with its subsidiaries collectively known as the "Group") for the financial year ended 31 March 2016 ("FY2016" or the "Year"). It has been a productive year, one in which the Group has strengthened the foundation of our dual engines of growth – coal and shipping.

The industry continued to face challenges in 2016 as coal markets struggled with out-of-balance supply and demand fundamentals. Against the backdrop of declining coal prices, large numbers of coal mines in Indonesia have closed down. Despite these headwinds, our financial results have shown that our chosen business model has positioned Agritrade Resources for resilience and even enabled the Group to attain new milestones. This, together with our financial results, have provided the affirmation that we are on the right track.

Building on this foundation, we will remain focused on our strategy of maintaining and capitalising on our competitive strengths as we work towards our Vision of becoming the *"the leading quality energy solutions provider in Asia and the preferred choice for our valued customers, business partners and employees."*

CHAIRMAN'S STATEMENT

Expanded Coal Offerings while Maintaining Low Cost of Production

Recognising the unfavourable coal outlook and trend, we have positioned Agritrade Resources, to be more competitive by moving into higher coal qualities that have better margins.

Through our acquisition of Merge Mining, we have the expertise to execute large-scale longwall mining. Merge Mining is currently Indonesia's only successful large-scale, fully-mechanized underground coal mine in production. Longwall mining technique enhances resource recovery and allows for sustained high rate of production. This advanced technology will lower our costs of production as compared to other coal players producing a similar grade of coal, while improving our thermal coal quality mix.

Our expanded range of products, strong financial discipline and integrated pit to port solutions, have enabled us to create a compelling, low-cost range of thermal coal profile that is capable of generating positive cashflows even during market downturns.

Increase Our Fleet of Niche Vessels to Provide a Steady Income Stream

Complementing our coal business division is our shipping division, which we made a strategic decision to expand into in 2015.

Attesting to the competitiveness of our niche energy storage solutions, is the Group's ability to secure long-term contract, on our Very Large Crude Carriers ("VLCCs") shortly after our acquisition. The key differentiation in our VLCC approach lies in our ability to provide customised and value-added solutions, around the clock. Our vessels have been installed with heating and blending capabilities on board, which allows us greater flexibility to store a wide range of oil products. Our trained professionals work with our clients to customise heating and blending preferences. This niche has enabled the Group to secure premium charter prices, which were generally 30 to 40 per cent higher than the market average last year.

Leveraging on our niche offering and strong relationship with global energy and resources partners, the Group has secured a stable and earnings accretive income stream that complements our vision towards becoming the leading quality energy solutions provider in Asia.

Delivering Resilient Growth

In the coming year, our Group will build on our strategy of delivering resilient growth. We will capitalise on our healthy balance sheet and put our cash flows to work by seeking strategic opportunities at reasonable valuations to expand our business both for the coal and shipping segment. Strong execution of our strategic plan is key. We have all the right pieces in place to make excellent headway and will continue to build long-term value for the company and our shareholders.

Ng Say Pek
Chairman

CEO'S STATEMENT

Dear Shareholders,

It has been a challenging year for the coal industry. The low crude oil prices, continuing regulatory pressures and an oversupplied coal market, have cooled the coal sector. Despite the difficult conditions, revenue of the Group decreased only 6.6% yoy to HK$1,152.5 million (2015: HK$1,234.5 million) for the financial year. Net profit attributable to shareholders increased 220.5% yoy to HK$470.8 million (2015: HK$146.9 million). The boost in net profit is mainly attributable to the gain on bargain purchase recognised for the completion of the Merge Mining acquisition.

Our dual engines of growth has positioned Agritrade Resources for success as we stayed true to our commitment of creating a resilient business. Our financial discipline throughout the boom years have placed us in good stead to take advantage of the opportunities present today. We chose to invest in assets that are earnings accretive and valued at a reasonable price. This strategy has enabled us to capitalise on quality assets that will form the basis of our tomorrow's growth, while strengthening the competitiveness of our products today through good cost management.

Strengthening the Foundation of our Coal Division

In a coal market landscape that is rapidly evolving, Agritrade Resources continues to streamline our operations and focus on what we do well – operating large-scale, low-cost, responsible coal operations and marketing the products.

CEO'S STATEMENT

During the financial year, our Group acquired a 51% stake in Merge Mining, the only successful large-scale mechanized longwall underground coal mine in Indonesia with a total JORC compliant reserves of 92.0 mt, for nominal consideration of US$153 million. This strategic acquisition has enabled us to be at the forefront of the coal industry in Indonesia. Together with the contract mining service that we have secured with Bunda Kandung, a 3,930-hectare coal mine in Central Kalimantan, Indonesia, the Group has expanded our coal offerings to include a spectrum of thermal coal qualities of bituminous and sub-bituminous, low-sulphur, low pollutant thermal coal. These developments have enabled us to offer coal quality of around 6,426 kcal/kg, 4,200 kcal/kg, 3,800 kcal/kg in its raw form, to cater the diverse needs of Indonesia as well as international power producers in South Korea, Taiwan and Japan. In addition, we have also increased our effective stake in the profitable SEM Mine to 64.6% in October 2015, while will reduce the proportion of minority interests in the mine and thereby increase the earnings per share for the Group.

Beyond introducing and investing in pioneering technology, Agritrade Resources successfully focused on managing the variables we can control. Although weakened coal markets and prices have affected our coal division, we have been dedicated to process improvement initiatives, including investing in infrastructure and extending the performance and lifespan of our existing fleet of machinery. Our strategically located mines and pit-to-port solutions have enabled us to transport the coal efficiently and reliably to our customers, allowing us to continue to drive costs down. By executing our carefully crafted plan, we remained profitable, generated solid cash flow and still managed to grow our new shipping segment.

Chartering our new Shipping Division

Our shipping sector has chartered our growth with the expansion of our vessels.

In 2015, we acquired Sea Equatorial, a VLCC-grade oil tanker with a capacity of 299,999 DWT "deadweight tonnage" that was built in 1997. Within days of acquisition, a 12 month contract was secured to lease the vessel out to a global energy player beginning February 2015, with an option to extend the lease for another 12 months. The option was exercised in February 2016. In March 2016, we acquired another vessel, Sea Horizon a Japanese-built VLCC-grade ocean going oil tanker with capacity of 298,412 DWT that was built in 2001. Similar to the last contract, within days of completing this VLCC acquisition transaction, we secured a two year agreement with an option to renew, with a global energy player. Combined, the floating storage service agreements contributed a revenue of HK$103.3 million (2015: HK$3.2 million) to the Group in FY2016.

Beyond the VLCCs, we have also expanded our fleet by investing in a Panamax vessel in December 2015. Our Panamax Vessel is an Indonesian flagged ship, held under an Indonesian Joint Venture, to take advantage of the cabotage rule. Due to the limited supply of Panamax in Indonesia, our Panamax enjoys a much higher charter rate. Upon acquisition of the Panamax vessel, the Group signed a five-year long-term contract to transport coal to coal-fired power stations.

CEO'S STATEMENT

In January 2016, we secured a three-year Contract of Affreightment charter agreement for the exclusive use of our six sets of tugboats and barges, with an estimated monthly total capacity of approximately 130,000-150,000 metric tonnes, for the shipment of construction aggregates. The combined vessel charter income in FY2016 recognised in relation to the Panamax Contract and tugboats and barges charter services is HK$62.9 million (2015: HK$20.3 million).

These well-timed transactions have strengthened our financial position and demonstrated our ability to identify and execute earnings accretive acquisitions with minimal downtime.

Fund Raising

During the year, the Group placed 65,000,000 shares raising net proceeds of HK$98.73 million and issued a convertible bond raising net proceeds of approximately HK$154.6 million, due 36 months from the issue date of 14 July 2015. The funds raised will be used for the development and expansion of our business and for the general working capital purposes.

Acknowledgements

We are confident in our ability to manage through the current coal market cycle and, more importantly, to create substantial value as coal markets rebound. I would like to thank all our customers, business partners and employees for their partnership and I look forward to many more years of meaningful relationships.

Ng Xinwei
Chief Executive Officer

BOARD OF DIRECTORS

Executive Chairman

Mr. Ng Say Pek, aged 63, Singaporean, was appointed as non-executive Director on 1 August 2013 and is the chairman of the board (the "Board") of directors (the "Director(s)") of the Company and re-designated to executive director with effect from 18 December 2015. Mr. Ng Say Pek is the father of Mr. Ng Xinwei, the executive Director. Mr. Ng graduated from the National University of Singapore (formerly known as Nanyang University) with a Bachelor's Degree in Accountancy. He is also a certified public accountant and a fellow member of The Institute of Certified Public Accountants of Singapore and Australia. Mr. Ng has more than 39 years experience in the trading of cocoa, palm oil, thermal coal and commodity. Mr. Ng also has intensive experience in palm oil estate management, coal mining and tugs and barges management.

Mr. Ng is the founder and current managing director of Agritrade International Pte Ltd ("AIPL"), the controlling shareholder of the Company and a global trading house based in Singapore that provides supply chain solutions in international markets for the last 36 years. Under the leadership of Mr. Ng, AIPL is recognised amongst the top Singapore 1,000 companies continuously for the past 10 years. Mr. Ng is also the director of a subsidiary of the Company.

BOARD OF DIRECTORS

Executive Directors

Mr. Ng Xinwei, aged 30, Singaporean, was appointed as executive Director on 24 August 2010 and is the chief executive officer of the Company. He is also the chairman of the executive committee (the "Executive Committee") of the Company. Mr. Ng Xinwei is the son of Mr. Ng Say Pek, the executive chairman of the Company and founder and managing director of AIPL, a controlling shareholder of the Company. He joined AIPL in 2004 to deepen his expertise in the trading operations of palm oil and coal, shipping logistics management and commodities-related investments and is currently the director of AIPL. He is a director of certain subsidiaries of the Company. Mr. Ng is in charge of managing all operational aspects of the Company's coal mining business and charting the Company's future strategy. He is also responsible for investor relations and corporate communications.

Mr. Ashok Kumar Sahoo, aged 38, Singaporean, was appointed as executive Director on 1 August 2013 and is the chief financial officer of the Company. He is also a member of the Executive Committee. He holds a Bachelor's Degree in Finance and Accounting from Uktal University of India and graduated his MBA in Finance from Pondicherry Central University of India. Mr. Sahoo has 16 years intensive experience in the field of corporate finance, accounting, auditing, cross boarder taxation, risk management, treasury management, and merger & acquisitions. He is a director of certain subsidiaries of the Company.

Mr. Sahoo was the regional finance director of the subsidiaries of Gati Asia Pacific Pte. Ltd, an Indian listed company based out of Singapore to look after corporate finance activities of the group spread over in South East Asia, Middle East, China, Japan and Africa. From 2009 to 2012, he was the finance director of a mining company operates coal mine in the East Kalimantan of Indonesia.

Mr. Sahoo is a qualified chartered accountant and a fellow member from The Institute of Chartered Accountants of India.

Ms. Lim Beng Kim, Lulu, aged 56, Singaporean, was appointed as executive Director on 4 June 2010. She is the general manager of AIPL and is a member of the Executive Committee. Ms. Lim has over 30 years of experience in accounting and financial management, and is actively involved in the accounting and financial aspects of the Company. Ms. Lim graduated with a Bachelor's Degree in Business Administration from the National University of Singapore.

Non-Executive Director

Mr. Shiu Shu Ming, aged 46, was appointed as executive Director on 4 November 2010 and was re-designated as non-executive Director on 1 April 2014. He is a member of the remuneration committee (the "Remuneration Committee") and nomination committee (the "Nomination Committee") of the Company, Mr. Shiu has more than 20 years of experience in corporate finance, mergers and acquisitions, initial public offerings and fund raising exercises. He has worked with private entities, China state owned enterprises and publicly listed companies in Hong Kong, the People's Republic of China (the "PRC"), Malaysia, Singapore and Indonesia.

Mr. Shiu is currently a responsible officer of Euto Capital Partners Limited. From May 2014 to April 2015, he was the responsible officer of Upbest Assets Management Limited and Upbest Securities Company Limited which are wholly owned subsidiaries of Upbest Group Limited, a company which listed on The Stock Exchange of Hong Kong Ltd (the "Stock Exchange"). From November 2010 to September 2013, he was the responsible officer of Grand Vinco Capital Limited, a wholly owned subsidiary of Vinco Financial Group Limited, a company listed on the GEM of the Stock Exchange. From 2008 to August 2010, he was also the head of corporate finance and the responsible officer of South China Financial Holdings Limited, a company listed on the Stock Exchange. From August 2014 to January 2015, Mr. Shiu was an independent non-executive director of Echo International Holdings Group Limited, a company listed on the GEM of the Stock Exchange.

Mr. Shiu holds a Bachelor's Degree in Accountancy from the City University of Hong Kong and is a member of the Association of Chartered Certified Accountants. He is also a licensed person registered under the Securities and Futures Ordinance of Hong Kong with capacity to carry out regulated activities on corporate finance advisory.

Independent Non-Executive Directors

Mr. Chong Lee Chang, aged 57, Malaysian, was appointed as independent non-executive Director on 25 June 2010 and is the chairman of the Nomination Committee and a member of the audit committee (the "Audit Committee") of the Company. Mr. Chong has more than 25 years' experience in legal practice in Malaysia and was a senior partner of a Kuala Lumpur-based law firm, Messrs. LC Chong & Co. His legal experience included advising various companies from Asia and the United Kingdom.

Mr. Chong currently holds directorship at EITA Resources Berhad, a company listed on the Malaysian Stock Exchange, as senior independent non-executive director. He was the executive director of Bingo Group Holdings Limited, a company listed on the Growth Enterprise Market of the Stock Exchange, until his retirement on 14 September 2015. From 2007 to July 2014, he was an independent non-executive director of CVM Minerals Limited, a company listed on the Stock Exchange. Mr. Chong is also the managing director of Guangxi Xin Wei Hotel Management Co., Ltd, a private foreign investment company in the PRC which owns the Naning Marriott Hotel.

Mr. Chong has also served as an executive director of Antah Holdings Berhad, a public company listed on the main board of Bursa Malaysia and also held directorship in Permanis Sdn. Bhd., the Malaysian franchise holder and bottler of Pepsi-Cola and Seven-up. He was the executive director of Seven Eleven Convenience stores in Malaysia from 2000 to 2002. From May 2005 to February 2009, Mr. Chong served as a non-executive director of Midwest Corporation Limited, a public company that was previously listed on the Australian Stock Exchange, and is engaged in mining, exploring and processing iron ore.

Mr. Chong graduated with a Bachelor of Arts (Honours) Degree in Law from the Manchester Metropolitan University in 1982. He was admitted to the Honourable Society of Lincoln's Inn, London, in 1982 and was enrolled as a barrister of law in 1983. In 1984, he was admitted as an advocate and solicitor of the High Court of Malaya and holds a legal practising certificate to practice law in Malaysia.

Mr. Siu Kin Wai, aged 47, was appointed as independent non-executive Director on 24 August 2010 and is chairman of the Audit Committee and member of the Remuneration Committee and the Nomination Committee. Mr. Siu has extensive experience in financial management and corporate advisory and assurance. He is an executive director of Beijing Properties (Holdings) Limited, a company listed on the Stock Exchange and a non-executive director of CAQ Holdings Limited, a company listed on the Australia Stock Exchange. Mr. Siu graduated from the City University of Hong Kong with a Bachelor's Degree in Accountancy and are fellow members of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants and is a member of the Institute of Chartered Accountants in England and Wales.

Mr. Terence Chang Xiang Wen, aged 29, Singaporean, was appointed as independent non-executive Director on 1 August 2013 and is the chairman of the Remuneration Committee and member of the Audit Committee. He holds a Bachelor's Degree in Commerce from the Business School of University of Western Australia. Mr. Chang has solid experience in the capital market, equity investment, investment brokerage operation and merger and acquisition in Singapore. Since 2011, Mr. Chang is the director of an investment brokerage firm based in Singapore which focuses in investment brokerage, and mergers & acquisitions of medium to large sized companies and assets in the Asian region.

MANAGEMENT TEAM

Peter Gunn

Chief Technical Officer

Mr. Gunn, aged 64, is the chief technical officer of the Company. He is instrumental in providing technical expertise in the areas of coal geology, coal preparation, coal marketing and coal mining. He assists the company in identifying assets to invest in.

Mr. Gunn is a seasoned coal professional specialising in the areas of coal geology and marketing. He has over 37 years of international experience in the coal industry. In addition to his extensive experience in Indonesia, Mr. Gunn has worked in New Zealand, Australia, Indonesia, USA, Canada, United Kingdom, Russia, Ukraine, Kazakhstan, Czech Republic, India, China and Vietnam. He has wide experience in improving coal quality and defining coking coal areas.

Mr. Gunn is a member of the Australasian Institute of Mining and Metallurgy and has the appropriate qualifications, experience and independence to satisfy the requirements of a competent person under the JORC Code.

Mr. Gunn holds a Bachelor's Degree in Geology from the University of Otago, a Post Graduate Diploma in Science from the University of Otago and a Post Graduate Diploma in Coal Geology from the University of Wollongong.

Suka Waluya

Head of Mining Operations

Mr. Waluya, aged 54, is the Head of Mining Operations of SEM. Mr. Waluya is responsible for overseeing the day-to-day mining operations and mine planning for SEM. He supervises a team of geologists and works closely with the local community as well as the relevant authorities to ensure smooth daily operations.

Mr. Waluya is a seasoned coal professional, specializing in the areas of coal geology and mining. He has over 10 years of experience in the Indonesian coal mining industry. In addition to his extensive experience at SEM, Mr. Waluya has previously worked at PT. Antasari Raya as Quarry Mining Manager, PT. Wirabuana Prajaraya as Site Manager of Coal Mining Project and Project Manager of Tin-sand Mining Project, and PT. Rimineco as Senior Mining Engineer of Geological and Mining Services.

Mr. Waluya holds a Bachelor's Degree in Mining from Universitas Pembangunan Nasional "Veteran" Yogyakarta (1990).

Mr. Qiu XiangMing

Managing Director of Sea Oriental Line Pte Ltd

Mr. Qiu XiangMing is the Managing Director of Sea Oriental Line Pte Ltd. He oversees the strategic expansion and ship chartering of Sea Oriental Line Pte Ltd. Over his 40 years of experience in the marine industry, Mr. Qiu served at various shipping divisions in reputable companies in China and Singapore from COSCO Beijing, China Oil Beijing, Titan Ocean Singapore, Ocean Tanker Singapore, Winson Oil Singapore to Southernpec Shipping Singapore.

Captain Li Xiaogang

Head of Marine Quality and Safety Department of Sea Oriental Line Pte Ltd

Captain Li Xiaogang is the Head of Marine Quality and Safety Department of Sea Oriental Line Pte Ltd and is the Company's Designated Person Ashore (DPA) and Company Security Officer (CSO). Captain Li is in-charge of management systems and internal and external marine audits from Health, Safety, Security, Environment and Quality assessments, major oil inspections to Tanker Management and Self-Assessment.

Captain Li has more than 30 years of experience in the marine industry, both afloat and ashore. He spent 18 years as a mariner on board various size Tankers from Panamax to VLCC, rising up the ranks from Cadet to Master. He moved ashore to take up various positions as the Marine Superintendent, Head of Quality and Safety department, DPA and CSO in Singapore Titan Ocean Pte Ltd and Senior HSSE/Marine Manager, DPA and CSO in Southernpec Singapore Shipping Pte Ltd.

Captain Li graduated from Dalian Marine School in 1986 and holds a Mariner Master license.

Captain Zheng Weiqin

Head of the Shipping Division of Sea Oriental Line Pte Ltd

Captain Zheng Weiqin is the Head of the Shipping Division of Sea Oriental Line Pte Ltd and is in-charge of fleet operations. Captain Zheng specializes in handling marine insurance claims, oil floating storage facilities, cargo quantity loss control and vessel safety operating processes. He oversees and manages the financial aspect of ship chartering.

Prior to joining Agritrade Resources, he was a Shipping Manager in Southernpec (S) Shipping Pte Ltd in charge of the operations of 10 vessels, including FSU, Chemical Tanker, Oil Tanker and Bunker Barge. He also served as the Captain at China Shipping (Group) Company, China Resources (Holding) Co. Ltd and Univan Ship Management Limited for more than 10 years.

Captain Zheng holds ISM, ISPS and MLC certifications.

Changes in Management Team

Mr. Steve Luo

Tendered his resignation as the Chief Operating Officer of the Company with effect from 6 July 2016.

OUR COAL PRODUCTS

JORC

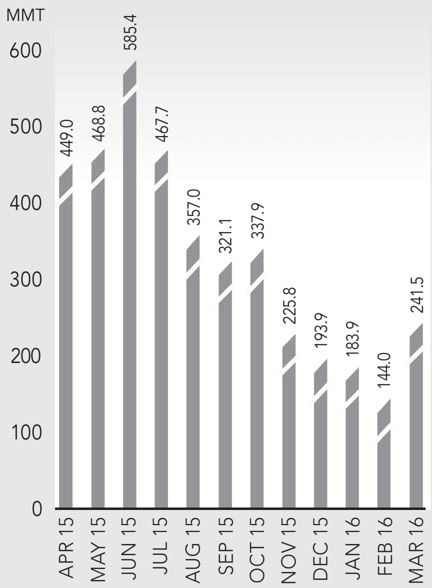
What Does Meeting JORC Standards Mean?

The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves "the JORC code" is a professional code of practise that sets minimum standards for Public Reporting of minerals Exploration Results, Mineral Resources and Ore Reserves.

MEETING JORC STANDARDS MEANS:

- Reserves and Resources are in the ground as reported
- Quality of the coal has been estimated to an acceptable standard
- Risks associated with developing a JORC compliant resource are reduced compared with a non-JORC compliant resource.

SEM MONTHLY PRODUCTION (APR 2015 - MAR 2016)



- Production has been increasing since operations started in 2010

Our SEM Coal Mine

Besides a readily available supply of coal and a large quantity of coal reserves, one of the key strengths of our SEM mine is its low strip ratios, which represent the weight of overburden that can be profitably removed to obtain a unit of coal. This translates into lower mining costs and higher potential profitability for the Group. The relative ease of increasing production capacity has also resulted in a significant increase in coal production capacity at our mine since operations commenced in 2010.

This advantage is complemented with the integrated pit to port supply chain in which Agritrade Resources was given exclusive right to operate and maintain the Pertamina Road, a 41 km hauling road from our SEM mine to Telang Baru port via hauling trucks. The exclusive 10+10 years tender, awarded by Pertamina, has enabled the group to optimise and improve the logistics certainty and production efficiency. The increased productivity allows us to pass the cost savings to our customers, further enhancing our competitive edge.

In this financial year, we have achieved approximately 4.0 million tonnes of coal production. We will continue to optimise our coal production in response to prevailing market demand.

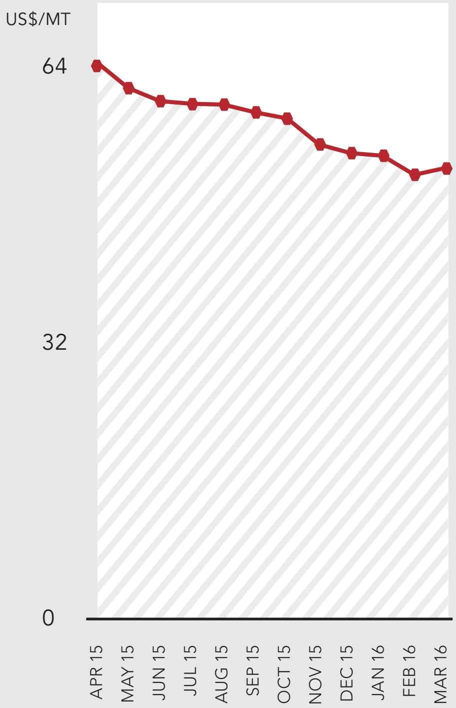
OUR COAL PRODUCTS

Our SEM Coal Product

- Low-sulphur, low-pollutant thermal, sub-bituminous coal
- SEM coal is sold to domestic traders and power generation plants in Indonesia as well as exported to major international markets such as China and India

SEM Coal Specifications	
Total Moisture (ARB)	40% Approx.
Inherent Moisture (ADB)	13% Approx.
Ash (ADB)	7% Approx.
Volatile Matter (ADB)	41%–43%
Fixed Carbon (ADB)	By Difference
Total Sulphur (ADB)	0.4% Approx.
Gross Calorific Value (ARB)	3,800 kcal/kg Approx.
Size (0-90mm)	85% Min.
Hardgrove Grindability Index (HGI)	45 Min.

INDONESIAN COAL PRICE REFERENCE (HBA)



OUR COAL PRODUCTS

Our Merge Mining Coal Mine

Merge Mining is Indonesia's first large-scale, fully-mechanized underground coal mine in production, pioneering the extraction of previously irretrievable high value resources through careful implementation of underground mining.

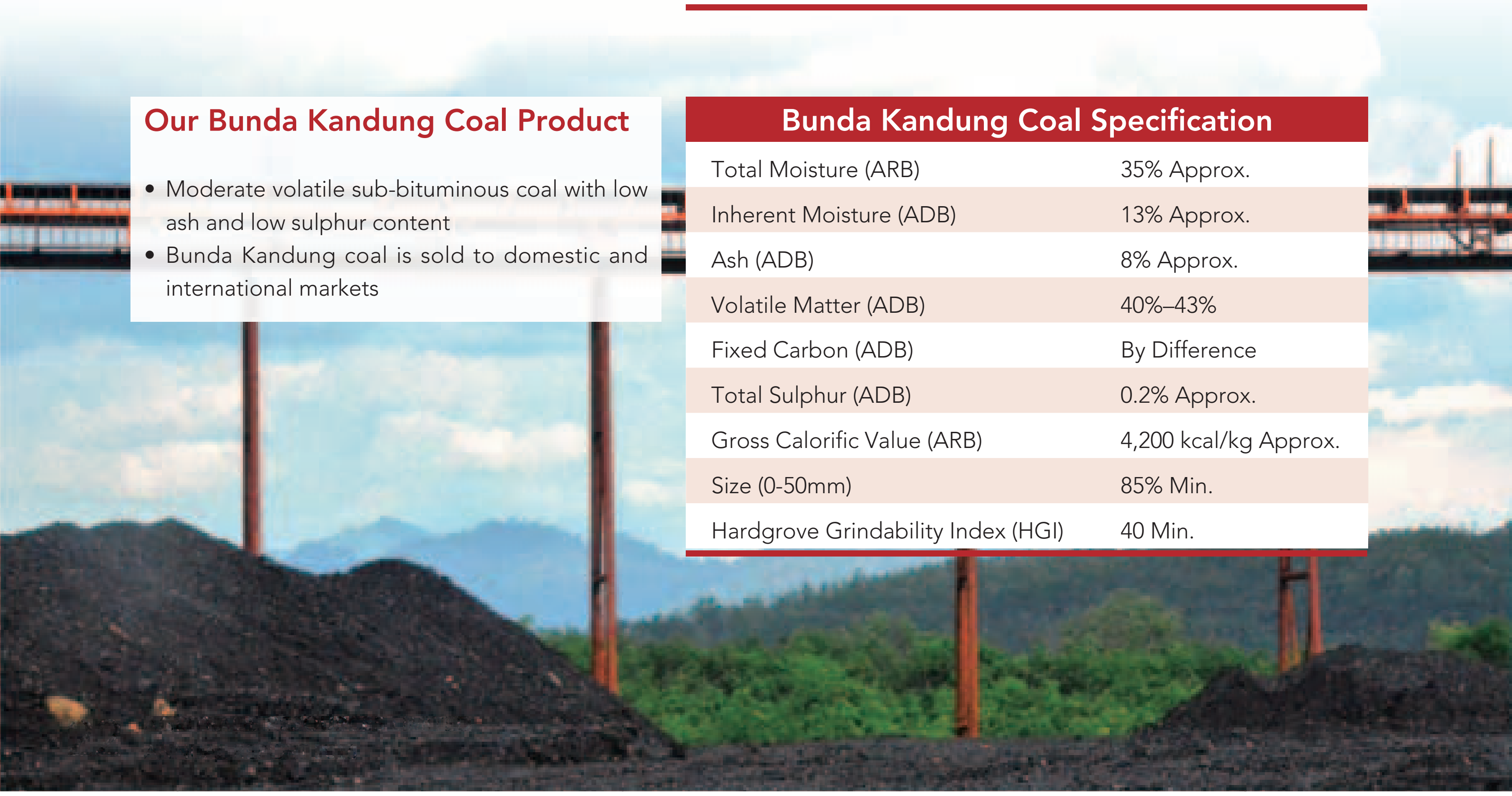
Longwall mining techniques recover the highest percentage of the in-ground coal and is also considered the most cost-effective method of underground coal mining. This mining method is competitive with most open-cut coal mining operations and allows the extraction of coal resources beyond the reach of conventional open-cut mines. Through this method of extraction, Merge Mining is able to economically extract high CV coal with lower inherent moisture and sulphur. The raw coal mined from the Merge Mining is at a much higher grade than typical Indonesian coal and well-sought after internationally, due to it its high gross calorific value and superior quality.

Merge Mining is strategically located approximately 60km from the Barito River and near the transhipment port of Taboneo. The ease of transportation to the port ensures that we are able to produce the coal at an affordable price, which allows us to pass the cost-savings on to our customers.

Our Merge Mining Coal Product

- High volatile bituminous coal with moderate-to-low ash and low-to-medium sulphur content
- Merge Mining coal is targeted to be sold to traders and power generation plants in Indonesia as well as exported to Japan, Taiwan and China

Merge Mining Coal Specifications	
Total Moisture (ARB)	10% Approx.
Inherent Moisture (ADB)	5% Approx.
Ash (ADB)	15% Approx.
Volatile Matter (ADB)	39%–41%
Fixed Carbon (ADB)	By Difference
Total Sulphur (ADB)	0.3% Approx.
Gross Calorific Value (ARB)	6,426 kcal/kg Approx.
Size (0-50mm)	85% Min.
Hardgrove Grindability Index (HGI)	33 Min.



Our Bunda Kandung Coal Product

- Moderate volatile sub-bituminous coal with low ash and low sulphur content
- Bunda Kandung coal is sold to domestic and international markets

Bunda Kandung Coal Specification	
Total Moisture (ARB)	35% Approx.
Inherent Moisture (ADB)	13% Approx.
Ash (ADB)	8% Approx.
Volatile Matter (ADB)	40%–43%
Fixed Carbon (ADB)	By Difference
Total Sulphur (ADB)	0.2% Approx.
Gross Calorific Value (ARB)	4,200 kcal/kg Approx.
Size (0-50mm)	85% Min.
Hardgrove Grindability Index (HGI)	40 Min.

OUR INTEGRATED SUPPLY CHAIN

Recognising that operation efficiency is a key differentiator to achieving high productivity, Agritrade Resources, through our subsidiary PT Megastar, provides mining services and develops infrastructure and logistics for the Group.

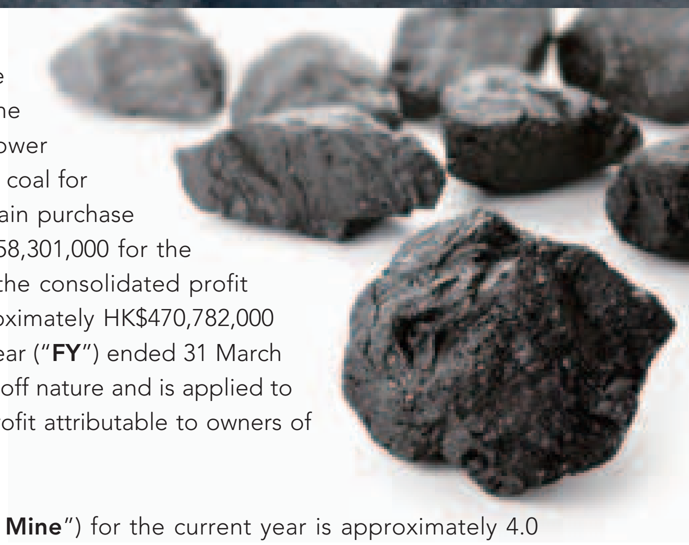
PT Megastar has been engaged to be an active contract for service miner for Bunda Kandung, a 3,930-hectare coal mine in Central Kalimantan, Indonesia. The mining site has a IUP OP certification, and engages in the trading and export of coal, procurement and rental of heavy equipment, and coal processing to produce quality sub-bituminous coal with a calorific value (on an as-received basis) of approximately 4,200 kcal/kg in its raw form.

PT Megastar consistently seeks to improve our supply chain management by investing in infrastructure and equipment. An ideal example of the integrated "pit-to-port" solution is our exclusive right to operate and maintain the Pertamina Road, a 41 km hauling road from our PT SEM mine to Telang Baru port via hauling trucks. The exclusive 10+10 years tender, awarded by Pertamina, has enabled the group to optimise and improve the logistics certainty and production efficiency. The increased productivity allows us to pass the cost savings to our customers, further enhancing our competitive edge.

Complementing our hauling road management is our modern fleet of equipment consisting of trucks, excavators, water tankers and heavy mining equipment that helps to improve our utilization and effectiveness.

MANAGEMENT DISCUSSION AND ANALYSIS

For FY 2016, the Group recorded a turnover of approximately HK$1,152 million (2015: HK$1,234 million), representing a decrease of approximately 6.6% as compared to FY 2015. Gross profit also dropped from HK$370 million to HK$356 million with gross profit margin of 30.9% (2015: 30.0%) maintained at a similar level as last year.



The decrease in both turnover and gross profit was mainly attributable to the weakening performance of the Group's mining operation. The current difficult conditions in the global coal market have led to lower average selling prices of our PT Senamas Energindo Mineral ("**SEM**") coal for the year. However, due to the recognition of a one-off gain on bargain purchase arising from the Merge Transactions (as defined hereafter) of HK$358,301,000 for the current financial year, the Group recorded a significant increase in the consolidated profit attributable to owners of the Company for the current year to approximately HK$470,782,000 (2015: HK$146,858,000) as compared to the corresponding financial year ("**FY**") ended 31 March 2015. The Board considers that such gain on bargain purchase is one-off nature and is applied to the current financial year only. It is expected that the consolidated profit attributable to owners of the Company for FY 2017 will significantly decrease accordingly.

The production capacity of our SEM mining concession (the "**SEM Mine**") for the current year is approximately 4.0 million tonnes (2015: approximately 4.1 million tonnes) while the production and commercial operation of our newly acquired Rantau Nangka underground coal mine (the "**Merge Mine**") have not commenced in FY 2016. For the current year, the Group's administrative expenses include the one-off share-based payment expenses of HK$8,836,000 (2015: HK$ Nil) in relation to the grant of share options during the year, the one-off acquisition costs incurred in relation to the Merge Transactions (as defined hereafter) of HK$34,863,000 (2015: HK$ Nil) and write off and impairment losses recognised in respect of other receivables of the Group of HK$47,573,000 (2015: HK$ Nil). As a result, the administrative expenses for the current year increased significantly to HK$228,476,000 (2015: HK$136,413,000). The Group's finance costs for the current year of HK$29,747,000 (2015: HK$30,991,000) were maintained at a similar level as last year.

FINANCIAL REVIEW

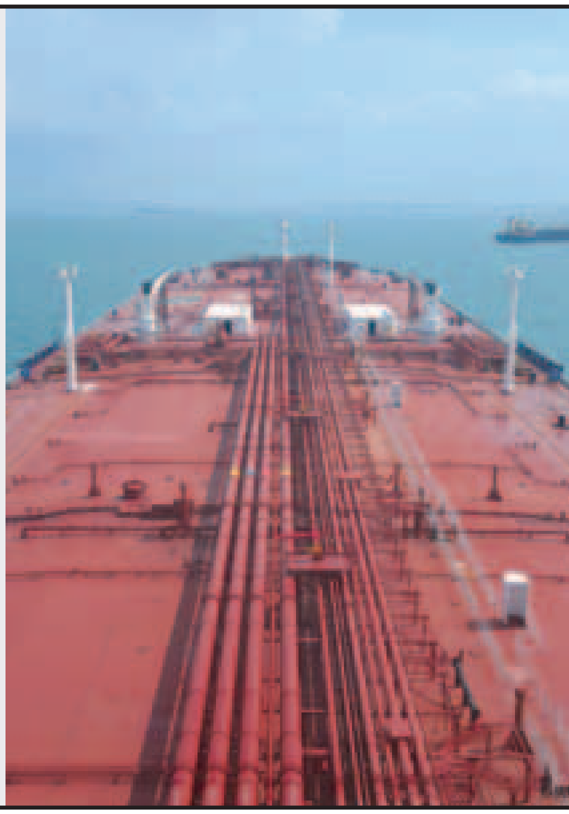
DIVIDEND

The Board recommended a payment of a final dividend of HK1.0 cent per share (2015: HK1.0 cent), amounting to a total final dividend of approximately HK$15,211,000 for the year ended 31 March 2016. Together with the interim dividend of HK$ Nil per share (2015: HK1.0 cent), it will amount to a total dividend of HK1.0 cent per share (2015: HK2.0 cents) for the year.

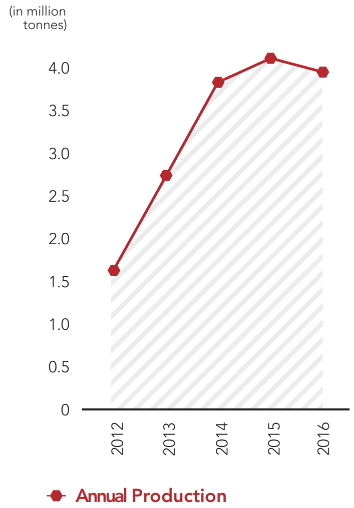
The proposed final dividend, which is subject to the approval by the shareholders at the forthcoming annual general meeting of the Company.

Capital Structure, Liquidity and Financial Resources

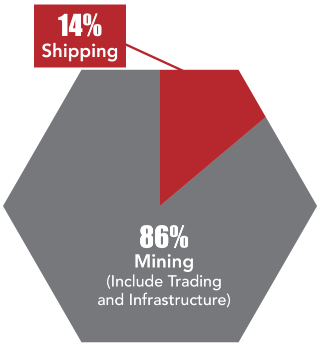
On 8 June 2015, the Company completed the placing of 65,000,000 new placing shares of the Company to not less than six placees who are independent third parties pursuant to a placing agreement dated 18 May 2015. Upon completion, 65,000,000 new shares of the Company were issued and allotted at a price of HK$1.55 per placing share with gross and net proceeds arising from the placing of HK$100.75 million and approximately HK$98.73 million respectively.



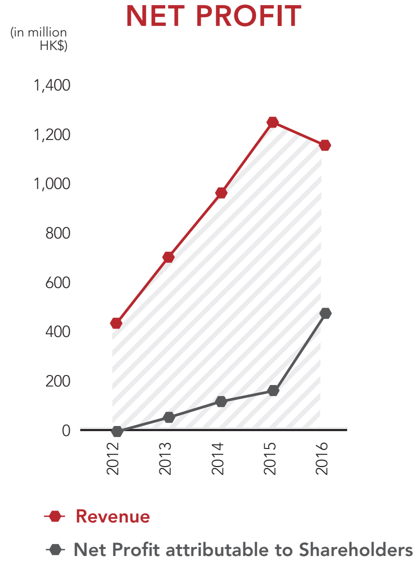
PRODUCTION

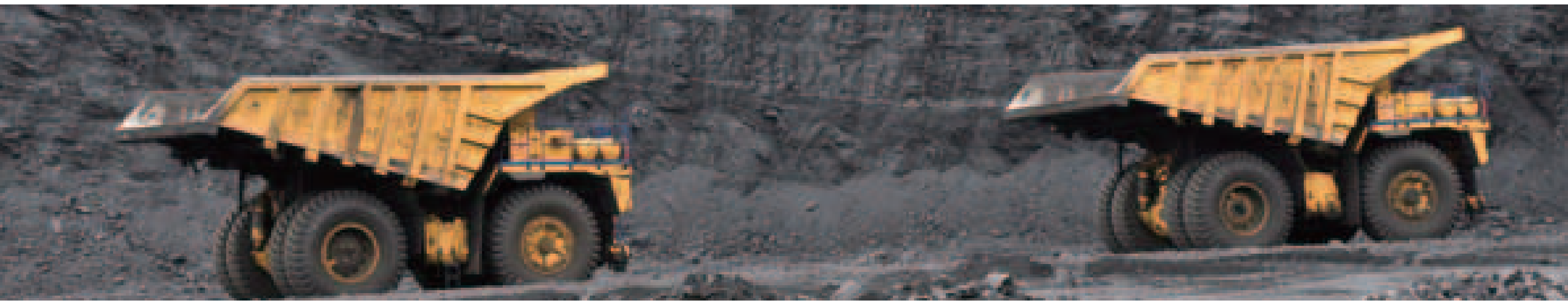


REVENUE BREAKDOWN



REVENUE & NET PROFIT





On 28 October 2015, the Group completed the acquisition of 8% equity interest in PT Rimau Indonesia for a nominal consideration of HK$180 million in accordance with a sale and purchase agreement entered into with Agritrade International Pte. Ltd. ("**AIPL**") dated 27 August 2015. Pursuant to the sale and purchase agreement, upon completion, 100,000,000 new shares of the Company were issued and allotted to AIPL at the nominal price of HK$1.80 per share as settlement of the consideration for the transaction.

On 14 July 2015, the Company issued the convertible bonds (the "**Convertible Bonds**") at the aggregate principal amount of US$20,000,000 for cash to an independent third party. The net proceeds from the issue is approximately HK$154.6 million. The Convertible Bonds have a maturity period of three years and bear interest at the rate of 5.5% per annum for the first year and 6% per annum thereafter. The Convertible Bonds can be converted into ordinary shares of the Company at an initial conversion price of HK$2.20 each at the holder's option starting from six months after the date of issue, where upon full conversion, the Convertible Bonds would be convertible into 70,454,545 conversion shares of the Company. If the Convertible Bonds have not been fully converted, the Company shall have the obligation to redeem all of the outstanding Convertible Bonds at its principal amount together with the accrued interest. There was no conversion occurred during the current year. As at 31 March 2016, the carrying amount of the Convertible Bonds in issue was recognised as liability component of HK$113,133,000 in the consolidated statement of financial position.

On 23 December 2015, the Company issued and allotted 63,265,306 Class A convertible preference shares (the "**CPS A**") with an aggregate notional value of US$20 million to Sino Island Limited ("**SIL**") as settlement of part of the consideration of US$50 million upon the first completion of the Merge Transactions (as defined hereafter). The CPS A issued is non-transferrable, non-redeemable and has no dividend entitlement and no voting rights at the general meetings of the

Company. Each CPS A is convertible into one conversion share in the Company at the option of the holder at any time during the two-year period starting from the date on which the sustainable production of three million tonnes of annualised production by the relevant subsidiaries of Merge Mining Holding Limited ("**MMHL**") has been achieved. Upon full conversion of the CPS A in issue, a total of 63,265,306 conversion shares of the Company will be allotted and issued. No conversion of CPS A occurred during the current year and as at 31 March 2016, the number of outstanding CPS A in issue was 63,265,306 with carrying amount of approximately HK$85,492,000, which was recognised as an equity component in the consolidated statement of financial position.

On 6 July 2015, the Company granted 10,000,000 share options to Mr. Wong Man Hung, Patrick, who is a former Director resigned on 1 May 2016, to subscribe for a total of 10,000,000 shares of the Company at an exercise price of HK$1.724 per share during the period from 6 July 2015 to 5 July 2025 pursuant to the share option scheme adopted by the Company on 12 October 2012. The consideration for the grant was HK$1.00. Upon the grant of share options, related share-based payment expenses of HK$8,836,000 were recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2016. As at the date hereof, none of such 10,000,000 share options was exercised or lapsed or cancelled.

During the year, a total of 1,328,215 share options of the Company were exercised by the option holders and therefore, 1,328,215 new shares of the Company were allotted and issued by the Company to the option holders for a consideration received by the Company of approximately HK$1,488,000.

As at 31 March 2016, the Group's equity attributable to owners of the Company amounted to HK$2,695,642,000, while total bank indebtedness amounted to approximately HK$649,048,000 and cash on hand amounted to approximately HK$295,925,000. The Group's bank indebtedness to equity ratio is 0.2. Current ratio is 1.21. 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.

Gearing Ratio

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by total capital. Total borrowings include current and non-current borrowings as shown in the consolidated statement of financial position, including secured bank borrowings, amounts due to related parties, obligation under finance leases and convertible bonds. Total capital is calculated as the aggregate of the equity attributable to owners of the Company as shown in the consolidated statement of financial position and the total borrowings. The gearing ratio of the Group as at 31 March 2016 is 24% (2015: 21%).

Exposure to Fluctuations in Exchange Rates and Related Hedge

The Group's assets, liabilities and business transactions are principally denominated in Hong Kong dollars, Singapore dollars, Indonesia Rupiah and the United States dollars and therefore the Group is exposed to various foreign exchange risks. The Group manages its foreign exchange risks by regularly reviewing and monitoring its foreign exchange exposure. During the year, the Group also entered into foreign currency hedging contract with financial institution as a tool to manage and reduce its exposure to foreign exchange risks by hedging its Indonesia Rupiah positions against United States dollars.

Pledge of Assets

As at 31 March 2016, the net carrying values of the Group's motor vehicles and plant and machinery held under finance leases amounted to HK$8,991,000 (2015: HK$11,342,000) and HK$151,436,000 (2015: HK$180,263,000), respectively. The Group's obligation under finance leases is secured by the lessor's charge over the leased assets.

As at 31 March 2016, the Group's mining-related plant and machinery and vessels with carrying value of HK$13,884,000 (2015: HK$16,354,000) and HK$609,205,000 (2015: HK$299,883,000), respectively, were pledged to secure bank borrowings of the Group.

OPERATIONS REVIEW

Mining Business

The mining business segment of the Group is principally engaged in the production, processing, transportation, sales, marketing and trading of the coal that is mainly produced from the two Indonesian coal mines owned by the Group, namely SEM and PT Merge group ("**Merge**"). During FY2016, the Group also expanded its business stream to include contract mining, which is expected to bring additional and diversified coal sales income to the Group's mining segment.

FY 2016 has been a challenging year for the Indonesian coal market with the decline in coal pricing and production. In June 2016, the Indonesian Coal Mining Association ("**ICMA**") reported that the coal production in Indonesia was 87 million tonnes from January to April 2016, representing a 10% drop as compared to the same period in 2015. The decline was attributable to the sharp fall in coal exports and the pile up of unsold coal stock from the previous year. As a result of the unfavourable market condition, the Group's mining segment recorded a decrease in both turnover to HK$986 million (2015: HK$1,211 million) and operational profit to HK$170 million (2015: HK$235 million) for the current year.

SEM mining and coal trading activities

Our own-branded SEM coal is a sub-bituminous, low-sulphur, low-pollutant thermal coal from our SEM Mine located in Central Kalimantan, Indonesia. Our SEM coal has a gross calorific value ("**CV**") of approximately 3,800 kcal/kg on as received basis and the target customers are Indonesian domestic traders and power generation plants and other customers in major international markets such as China and India.

OPERATIONS REVIEW

During FY 2016, the international coal price was still on a downward trend and positioned at a low level. In view of the unfavourable market conditions in the global coal market, the Group strategically produced 4.0 million tonnes of coal (2015: 4.1 million tonnes) in the current year, which is positioned at the similar level as FY 2015. Owing to the decrease in the average coal selling price for the current year, the Group's SEM mining and coal trading segment recorded a decrease in both the turnover to HK$986 million (2015: HK$1,211 million) and the operational profit to HK$174 million (2015: HK$235 million) for FY 2016, representing an approximate decrease of 18.6% and 26.0% respectively as compared to FY 2015.

The competitive advantages of SEM's operations include having advanced production infrastructure, excellent coal logistics networks and port service facilities as well as high-caliber professional teams. The Group has continuously invested in mining equipment at the SEM Mine, such as excavators and dump trucks to facilitate its mining operations including overburden removal, coal getting, hauling and loading processes. In addition, the Group enjoys exclusive rights to operate and manage the 60-kilometre Ex-Pertamina road between the SEM Mine and jetty facilities until 30 September 2022. As a result of the strengths above, the Group operates its SEM Mine at a higher production efficiency with better cost and operational control over the coal logistics. These are also the reasons for the stable and sustainable production capacity which was achieved by the Group in the past years. The Group expects continuous effort will be put in achieving objectives in cost reduction and operation efficiency enhancement in the future.

Merge mining operation

During the current financial year, the Group acquired a quality coal mine, namely the Merge Mine located in South Kalimantan Province, Indonesia through the acquisition of 51% interest in MMHL in December 2015. This acquisition is consistent with the Company's strategy and commitment to the Indonesian coal market. The Merge Mine has significant JORC compliant proved and probable coal reserves of 92.0 million tonnes and is expected to produce run-of-mine coal with low inherent moisture, low sulphur content and high CV of approximately 6,426 kcal/kg on air-dried basis, which is similar in quality to benchmark Newcastle coal of 6,300 kcal/kg.

The acquisition of the Merge Mine, the only large-scale mechanised longwall underground coal mine in Indonesia, has enabled the Group to tap into the underground coal mining opportunities present in Indonesia. The fully retreating mechanised longwall mining is a proven and accepted mining method and the average life-of-mine operating cost is expected to be lower. The longwall operations also allow the Group to economically extract high CV coal with low inherent moisture and sulphur from typical Indonesian coal.

The production and the commercial operation of the Merge Mine have commenced since the second quarter of 2016 with initial sale transactions of coal happened in June 2016. Therefore, the Merge Mine did not contribute any revenue to the Group for FY 2016. Since the quality of the coal products from the Merge Mine is higher than that of average Indonesian thermal coal, the Group intends to export the coal to power generators located in Asia such as Japan, South Korea, China and Taiwan, countries which may pay a premium for a constant supply of high CV thermal coal. It is expected that the Merge Mine would contribute to the turnover, profitability and positive cash flows of the Group from FY 2017 onwards.

OPERATIONS REVIEW

Contract mining operation

The Group commenced the contractual mining business since the first quarter of 2016. Under this new coal mining business model, the Group is required to make royalty payments to the Indonesian mine owner in return for the production and extraction of coals from such mine without any ownership. The Group also needs to utilise its own mining equipment and labour force throughout the process of coal production and extraction. For FY 2016, approximately 125,000 tonnes of coal were produced and shipped under this contract mining model, which contributed a turnover of approximately HK$25.8 million to the Group's mining business in FY 2016.

The average CV quality of the coal produced is approximately 4,200 kcal/kg on the as received basis, which is strategically positioned between our low CV SEM coal and our high CV Merge coal so that the Group can effectively capture customers from a wider variety of markets with different CV demand. The Group expects that the contract mining business will continue to grow and become one of the principal modes of the Group's mining business in future.

Mining expenditure, estimated coal resources and reserves

For the year ended 31 March 2016, the mining expenditure incurred for both the SEM Mine and the Merge Mine was approximately HK$485.9 million (2015: HK$726.2 million).

Coal resources and reserves for the SEM Mine

The Group had engaged DMT Geosciences Limited (formerly known as Associated Geosciences Limited) to conduct a JORC-compliant technical review (the "**SEM JORC Review**") on the coal resources and reserves of the SEM Mine as at 31 July 2012. According to the SEM JORC Review, the total open-cut coal reserves and resources of the SEM Mine have increased to 117.85 million tonnes and 152.70 million tonnes, respectively, compared to the respective comparable figures of 41.00 million tonnes and 78.30 million tonnes as reported in the Statement of Open Cut Coal Resources and Reserves as at 31 October 2010. The estimated coal resources and reserves of the SEM Mine based on the SEM JORC Review and moving forward to date as at 31 March 2016 are summarised in the following table:

		As at 31 July 2012	As at 31 March 2013	As at 31 March 2014	As at 31 March 2015	**As at 31 March 2016**
Coal Resources	Measured	86.61	84.87	81.01	76.93	**72.95**
(in million tonnes)	Indicated	51.26	51.26	51.26	51.26	**51.26**
	Inferred	14.83	14.83	14.83	14.83	**14.83**
	Total	152.70	150.96	147.10	143.02	**139.04**
Coal Reserves	Proved	83.38	81.64	77.78	73.70	**69.72**
(in million tonnes)	Probable	34.47	34.47	34.47	34.47	**34.47**
	Total	117.85	116.11	112.25	108.17	**104.19**

Coal reserves were estimated by applying modifying factors to the coal resources. These modifying factors included geological and mining parameters, such as recovery and dilution, exclusion criteria include the lease boundary and a minimum working section thickness, as well as additional economic factors. Details of other information in relation to the SEM JORC Review are set out in the announcement of the Company dated 13 November 2012.

Coal resources and reserves for the Merge Mine

The Group engaged SRK Consulting (China) Limited ("**SRK**") to prepare a JORC-compliant competent person's report (the "**Merge JORC Review**") on the Merge Mine in November 2015. The estimated coal resources and reserves of the Merge Mine based on the Merge JORC Review are summarised as follows:

Coal Resources (in million tonnes) as at 30 June 2015				Coal Reserves (in million tonnes) as at 30 September 2015		
Measured	Indicated	Inferred	Total	Proved	Probable	Total
55.3	88.4	120.8	264.5	0	92.0	92.0

The Company expects there has been no material change in the coal reserves and resources up to 31 March 2016 as the production and commercial operation of the Merge Mine have not yet commenced.

Mining losses at the roof and floor of the coal seams, some dilution by dirt bands in the coal seams, a general coal recovery rate (panel recovery), mining factors such as the loss of coal for pillars for the protection of surface structures and waterbodies, coal barriers in the mine, and the general modifying factors as required by the JORC Code were considered by SRK when converting coal resource to coal reserve. The reference point for the coal reserve estimate is run-of-mine coal as received at the surface before screening. Run-of-mine coal is considered to be marketable coal.

As some uncertainties particularly regarding the market for coal, the future development of the overall cost of coal, and some licenses and permits for later stages of the mine project still need to be obtained, SRK classified the reserve which would have been classified as proved reserve based on the confidence of exploration data to probable reserve.

Shipping Business

The shipping business segment of the Group comprises the shipping freight service from time chartering of leased vessels for and on behalf of customers, the provision of long-term vessel transportation and shipping freight services and the provision of long-term floating storage and relevant logistics services for crude oil and petrochemical products. Term shipping freight and floating storage services were mainly provided by the Group's own fleet, which includes two sets of very large crude carrier grade vessels (the "**VLCC(s)**"), one set of panamax-grade vessel (the "**Panamax Vessel**") and six sets of tug boats and barges (the "**Tug and Barge Vessels**").

For FY 2016, the revenue from external customers generated from the shipping business segment is HK$166.3 million (2015: HK$23.5 million) and the segment profit is HK$87.1 million (2015: HK$21.6 million). The significant increase in both the segment revenue to external customers and segment profit is mainly due to the significant VLCC floating storage service income that was recognised for the full year of FY 2016, which only commenced since the last quarter of FY 2015.

Time chartering of leased vessels and long-term vessel transportation and shipping freight services

The Group's time chartering and long-term vessel transportation and shipping freight services were mainly provided by its Panamax Vessel and Tug and Barge Vessels. In FY 2016, net service revenue from external customers of approximately HK$62.9 million (2015: HK$20.3 million) was recorded. The significant increase is mainly due to the higher level of chartering services and long-term time-chartering agreements (the "**Charter Agreements**") with higher freight rates that were entered into during the year for its Tug and Barge Vessels.

In December 2015, the Group acquired the Panamax Vessel for a consideration of US$3.45 million. Upon acquisition of the Panamax Vessel, the Group entered into a five-year long-term coal transportation contract (the "**Panamax Contract**") with coal-fired power stations. In FY 2016, chartering revenue recognised in relation to the Panamax Contract is approximately HK$2.3 million.

In January 2016, the Group entered into various Charter Agreements with a Qatar-based independent third party as the lessee, where the lessee was granted the exclusive use of the shipping capacity of the Tug and Barge Vessels owned by the Group for the shipment of construction aggregates with an estimated monthly total capacity of approximately 130,000-150,000 metric tonnes for a fixed three-year long term. For FY 2016, chartering revenue recognised in relation to the Charter Agreements is approximately HK$16.4 million.

The Company believes that the Charter Agreements and the Panamax Contract have contributed a stable and diversified income and cash flow that would support the long-term growth of the Group in the future.

Long-term VLCC floating storage and logistic services

The long-term floating storage and logistic services were provided by the two sets of VLCCs owned by the Group, which were acquired in February 2015 and March 2016 respectively. Following each of the acquisitions, the Group entered into long-term floating storage service agreements with an international petroleum trading company to lease out the two sets of VLCCs for storage of crude oil with an option to renew. During the year, the floating storage service agreements contributed approximately HK$103.4 million (2015: HK$3.2 million) of turnover and approximately HK$61.6 million (2015: HK$1.8 million) of profit to the Group. It is expected that income from the floating storage service agreements in FY 2017 will continue to increase significantly due to the contribution of the new VLCC acquired in March 2016. The Group expects that the floating storage service agreements will continue to contribute stable, sustainable and diversified income and cash flows on a long-term basis.

MAJOR EVENTS

Renewal of Coal Supply Agreement with AIPL

On 11 May 2015, the Group successfully renewed the coal supply agreement with AIPL which was originally entered into in 2012 with the approval obtained from the independent shareholders of the Company at a special general meeting. Pursuant to the renewed coal supply agreement, SEM agreed to supply and AIPL agreed to purchase up to 700,000 tonnes of coal annually for each of the years ending 31 March 2016, 31 March 2017 and 31 March 2018. The approved annual caps for each of the said financial years were all set at US$24.5 million, which were approved by independent shareholders of the Company in accordance to the requirements of the Rules (the "**Listing Rules**") Governing The Listing of Securities on the Stock Exchange.

The coal supply agreement will enable the Group to leverage on AIPL's extensive distribution network and reputation, to expand its international distribution channel. The coal supply agreement was entered into in the usual and ordinary course of the Group's business and the terms were negotiated based on normal commercial terms and the prices were determined following arm's length negotiation. The Directors believe that the terms of the coal supply agreement are fair and reasonable and in the interests of the Company and its shareholders as a whole.

Successful Placement of 65 Million New Shares of the Company

On 18 May 2015, the Company entered into the placement agreement with Qilu International Securities Limited. Pursuant to the placing agreement, the Company appointed Qilu International Securities Limited as its placing agent to procure not less than six placees who are independent third parties to subscribe for up to 65,000,000 placing shares at a price of HK$1.55 per placing share on a best effort basis.

The placing was completed on 8 June 2015 where 65,000,000 placing shares were subscribed for in full pursuant to the terms and conditions of the placing agreement. The gross and net proceeds arising from the placement were HK$100.75 million and approximately HK$98.73 million respectively. The Group has used the net proceeds as general working capital as intended.

The Company considered that the placing represented an opportunity to raise capital for the Group, to broaden its shareholders base and thereby increasing the liquidity of its shares, as well as to strengthen the financial position of the Group. 65,000,000 ordinary shares of nominal value HK$6,500,000 were issued and the share price on 18 May 2015, being the placement agreement date, was HK$1.70.

Successful Issue of US$20 Million Convertible Bonds of the Company

On 3 July 2015, the Company and Eagle Eye Group Limited ("**Eagle Eye**") entered into a subscription agreement (the "**Subscription Agreement**") pursuant to which the Company agreed to issue to Eagle Eye, which also agreed to subscribe for, the Convertible Bonds at the aggregate principal amount of US$20 million. Assuming full conversion of the Convertible Bonds at the initial conversion price of HK$2.20, the Convertible Bonds would be convertible into 70,454,545 conversion shares of the Company. The closing market price of the shares of the Company on 3 July 2015, being the date on which the terms of the Subscription Agreement were fixed, is HK$1.65 per share.

The interest of Eagle Eye in making an investment into the Group reflects its confidence in the Group's business and growth potential. The Company was of the view that raising of funds through the issue of the Convertible Bonds was fair and reasonable having considered the market conditions then. Through this issuance, the Company will be able to enhance its working capital, strengthen its capital base and financial position and broaden the shareholder's base. The Directors consider the terms and conditions of the Subscription Agreement fair and reasonable, on normal commercial terms and in the interests of the Company and the shareholders as a whole.

The issue of the Convertible Bonds completed on 14 July 2015. The net proceeds from the issue of approximately HK$154.6 million, representing a net issue price of approximately HK$2.20 per conversion share, were expected to be used for the development and expansion of the business of the Group and/or for the general working capital of the Group. As at the date hereof, amount of approximately US$6 million was used as the general working capital of the Group and amount of approximately US$14 million was used for the development and expansion of the business of the Group as intended.

Acquisition of 8% Equity Interest in PT Rimau Indonesia

On 27 August 2015, a subsidiary of the Group, as purchaser, entered into a sale and purchase agreement with AIPL, relating to the sale and purchase of 8% equity interest in PT Rimau Indonesia, a foreign investment company (PMA) established in Indonesia on 1 October 2004 that is principally engaged in trading of mineral resources in Indonesia and holds 95% equity interest in the SEM Mine. The nominal consideration of the transaction is HK$180 million, which was satisfied by the allotment and issue of 100 million new shares of the Company to AIPL at the nominal price of HK$1.80 per share. The transaction constituted a discloseable and connected transaction for the Company.

The transaction would effectively increase the Company's investment in the profitable SEM Mine with a promising business prospect at a relatively low investment cost. This could enhance the return on investments and strengthen the Company's operational and economic controls over the SEM Mine. Upon completion of the transaction, the proportion of its minority interests would be reduced and the earnings per share for the Company would increase accordingly. The completion of the transaction took place on 28 October 2015.

Acquisition of 51% Equity Interest in MMHL

On 28 October 2015, the Company and its designated nominee entered into each of the share sale and subscription agreement (the "**SSSA**") and the shareholders agreement (the "**SHA**") with SIL and MMHL, both of which are independent third parties. Pursuant to the terms and conditions of the SSSA, subject to the fulfilment or waiver of the conditions, SIL agreed to sell and the Company or its designed nominee agreed to purchase 2,944 fully paid up ordinary shares in the issued share capital of MMHL (the "**Merge Acquisition**"). MMHL agreed to issue and the Company or its designated nominee agreed to subscribe for 4,400 new shares of MMHL (together with the Merge Acquisition collectively known as "**Merge Transactions**"). Accordingly, upon the first completion of the Merge Transactions, the Group will hold 51% of the then issued share capital of MMHL. The SHA sets out the agreed rights and obligations of the Company or its designated nominee and SIL in respect of each other in connection with their being shareholders of MMHL. The Merge Transactions constituted a major transaction for the Company pursuant to the Listing Rules.

In the event that the first conditions precedent (the "**First Conditions**") as set out in the SSSA are satisfied or waived, the consideration payable at the first completion shall be US$50 million, comprising (a) US$30 million paid to MMHL in cash or through a combination of cash and by way of set off against the same dollar value of some or all of the principal, interest and any other amounts outstanding from MMHL to the Company under an interim loan agreement; and (b) the issuance and allotment 63,265,306 CPS A having an aggregate notional value of US$20 million.

In the event that the second conditions precedent as set out in the SSSA are also satisfied or waived (in addition to the satisfaction or waiver of the First Conditions), the consideration payable at the second completion shall be US$103 million comprising (a) US$10 million paid to SIL in cash; (b) the issuance and allotment of 115,459,184 CPS A having an aggregate notional value of US$36.5 million; and (c) the issuance and allotment of 178,724,490 Class B convertible preference shares (the "**CPS B**", together with the CPS A collectively known as "**CPSs**") having an aggregate notional value of US$56.5 million.

The aggregate consideration payable at the first completion and the second completion shall become US$153 million.

MMHL, through its subsidiaries, owns 100% interest in the Merge Mine that consists of the exploration and production licenses for the extraction and sale of coal. The Merge Mine will be the first large operating scale mechanised longwall underground coal mine in Indonesia with total JORC compliant proven and probable reserves of 92 million tonnes.

The Merge Transactions are consistent with the Company's strategy to expand its niche production expertise as well as obtain a quality (high CV, low inherent moisture and low sulphur content) coal mine. MMHL has deep operational roots in underground mining and has substantial experience in operating business in China, which may help the Company expand its coal trading and coal related downstream businesses into other Asian markets. The significant reserves and resources of the Merge Mine will drive sustainable growth and profitability. The Company also believes that the Merge Transactions will enable the Group to reintegrate its existing Indonesian coal operations and increase its overall competitiveness by leveraging economies of scale, which will ultimately lead to the enhancement of shareholder value.

On 23 December 2015, SIL and MMHL further agreed with the Company by way of a letter agreement pursuant to which, among other matters, various First Conditions were warranted by SIL and/or would become conditions subsequent to be fulfilled by SIL and that SIL agreed to indemnify the Company for any losses arising thereof. Accordingly, the first completion of the Merge Transactions took place on 23 December 2015. Please refer to the announcements of the Company dated 28 October 2015 and 23 December 2015 and the circular of the Company dated 30 November 2015 for further details of the Merge Transactions.

Cancellation, Reclassification and Re-Designation of Authorised Share Capital of the Company

On 28 October 2015, the Board proposed to cancel the 500,000,000 authorised but unissued convertible preference shares of par value of HK$0.10 each so that the Company is authorised to issue 5,000,000,000 ordinary shares of a single class of par value of HK$0.10 each, which were reclassified and re-designated into 4,600,000,000 ordinary shares of par value of HK$0.10 each, 200,000,000 CPS A of par value of HK$0.10 each with a notional value of HK$2.45 each and 200,000,000 CPS B of par value of HK$0.10 each with a notional value of HK$2.45 each for the purpose of proposed issue of CPSs to settle part of the consideration of the Merge Transactions. The proposed cancellation, reclassification and re-designation of authorised share capital were approved by the shareholders of the Company at the shareholders' meeting held on 18 December 2015 and have therefore become effective on the same date.

Investment in the Panamax Vessel

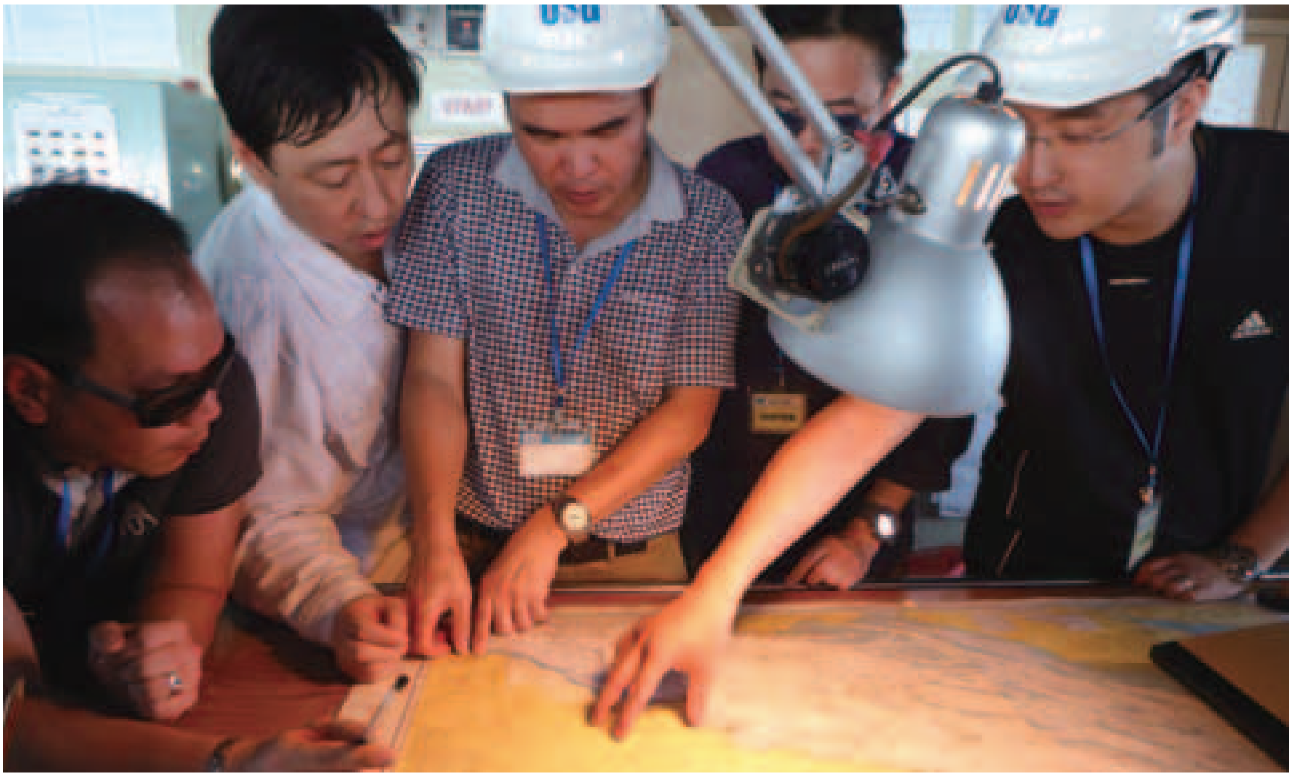
On 11 December 2015, the Group invested US$3,450,000 in the acquisition of the Panamax Vessel from an independent third party. The Panamax Vessel is a Japanese-built dry bulk carrier with a capacity of 73,000 DWT (deadweight tonnage). The vessel has been classified by Bureau Veritas ("**BV**"), one of the leading vessel classification societies in the world and a founding member of International Association of Classification Societies.

After the acquisition, long-term coal transportation contract with coal-fired power stations was entered into with a sizeable company for a period of five years. The Board considers that the new investment in the Panamax Vessel can mitigate the Company's business risk by strengthening its existing shipping business and contribute stable, sustainable and diversified income and cash flows to the Company on a long-term basis.

Acquisition of a New VLCC

On 15 January 2016, Sea Oriental Line Pte Limited, an indirect wholly-owned subsidiary of the Company, entered into a memorandum of agreement with a sizeable European shipping company to acquire a VLCC for a consideration of US$38.4 million (approximately equivalent to HK$297.2 million). The VLCC was Japanese-built in 2001 with a capacity of 298,412 DWT and classified by BV. The acquisition constituted a disclosable transaction for the Group under the Listing Rules, which completed on 9 March 2016. Shortly following the completion, the Group entered into a floating storage tanker service agreement with one of the global energy player to lease the storage capacity of the newly acquired VLCC on 15 March 2016. The tanker service agreement was signed for a period of two years with an option to renew at lessee's option. The Board considers that the acquisition of the additional VLCC has further expanded its floating storage and ocean freight business, which would contribute stable, sustainable and diversified income and cash flows to the Group on a long-term basis.

STAFF AND REMUNERATION POLICIES



As at 31 March 2016, the Group had 534 employees. The Group mainly determines staff remuneration in accordance with market terms and individual qualifications.

The emoluments of the Directors are reviewed and recommended by the remuneration committee, and decided by the Board, as authorised by the shareholders at the annual general meeting, in accordance with 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, to provide incentive to the option holders to participate and contribute the growth of the Group.

GROWTH STRATEGY AND OUTLOOK

Our Growth Strategy

The Group strongly believes in and continuously adopts the growth strategy of capacity enhancement, market expansion, business diversification and mergers and acquisitions. In order to achieve these goals, the Company will strive to carry out the following:

- **Increase production capacity and continuous cost reduction**

  The Group's mining management will continue to work closely with mining experts and technical consultants to plan, model and strategise our mining operations to maximise production capacity and efficiency under prevailing market conditions. The production structure of coal mines had been carefully organised and such systems had been optimised in our mines to realize stable growth in production and efficiency. For instance, the Group strengthened control over its operations and fortified costs and funding management to improve the operational capabilities of our SEM Mine. By doing so, the Group will also upgrade existing logistics and infrastructure facilities such as getting the exclusive right to use the hauling road for coal delivery, improving the capacity and efficiency of the stockpiles, jetty and loading facilities. These measures were pursued to improve access to transportation infrastructure, and to enhance the supply network and distribution in order to deliver more cost effective coal products to end-users. This improvement in the coal supply chain is expected to increase the Group's market penetration, thereby strengthening the Group's position as a reliable coal supplier and enhancing the Group's brand reputation in the target markets.

GROWTH STRATEGY AND OUTLOOK

- ## Market and business diversification

  The Group strongly believes that the strategy of market and business diversification will minimise its business risk, especially in the time of volatile market conditions. In the past year, the Group continuously expanded its shipping business through acquisition of new vessels, which was followed by long-term service contracts. This has enabled the Group to secure a stable and diversified income stream. In December 2015, the Group acquired the Merge Mine, which was valued at more than US$300 million. Following this acquisition, the Group has successfully transformed from a single-mine operator to a multi-mine and multi-product integrated coal producer with diverse coal product types ranging from low CV, sub-bituminous to high CV bituminous thermal coal. The target markets for the Group's coal export will similarly be diversified away from mainly China and India to other Asian countries with strong demand for high quality coal such as South Korea, Taiwan and Japan.

- ## Build upon our strong base of domestic and international customers in top coal markets

  The Group has established strong sales and marketing capabilities within the domestic Indonesian market and fast growing Asian coal market such as China and India. The Group has successfully established our coal distribution network rapidly by leveraging on the 35-year commodities trading experience and wide network of international clientele of AIPL, the Company's controlling shareholder. In the year ahead, the Group will continue to expand our domestic and international customer base and place more focus on coal exports to top-tier international coal market to become a more international and global coal industry player.

- ## Strong and strategic relationships with well-known international energy companies

  Regarding the shipping business, the Group has been able to enter into long-term floating storage and shipping freight service contracts with reputable international energy companies following each significant acquisition. Our reputation and proven track record for safe, reliable and efficient operations have enabled the Group to capture further opportunities to meet our customers' chartering needs. The Group intends to continue building and capitalising on its long-term relationships with international energy companies to expand this business segment.

GROWTH STRATEGY AND OUTLOOK

Outlook

Prospect on the mining business

The Indonesian and international coal markets have been experiencing a tough time for the past few years, due to the unfavourable supply and demand balance in the market that has led to the persistent slump in coal prices. Recently, ICMA reported a 10% year-on-year drop in coal production in Indonesia to 87 million tonnes for the first four months of 2016. Despite the weak coal output, the domestic demand for coal in Indonesia has increased by approximately 35% (year-on-year) to 25 million tonnes for the first four months of 2016.

Meanwhile, ICMA remained optimistic that the coal export market would have opportunity to bounce back in 2016 with the possible increase in coal demand from India and stable coal demand from China. These two markets accounted for more than half of the global total coal consumption. The strategic geographical location of the Indonesian coal mines presents a competitive advantage. Although coal supply is still flooding the global market, many small-scale coal mines in Indonesia have closed down due to persistent losses. The progressive decline in coal stock and supply has led to an increase in coal prices by more than 20% since January 2016.

With reference to the recent ICE Newcastle coal futures prices, the Company expects the global coal market to be more or less stable for the future years. Under this market situation, the Group, as a sizeable multi-mine and multi-product integrated coal producer, will continue to adopt a cautious approach in operating its mining business. For the SEM Mine, the annual production has been maintained at approximately 4 million tonnes per year for the past years. The Group will continue to optimise its annual coal production for the SEM Mine with caution, in response to the prevailing market demand. For the Merge Mine, the production and operation have started since second quarter of 2016 and it is currently in an advanced stage of development. The Group will further develop and invest in the production and operation of the Merge Mine in accordance to the established business plan and budget, with gradual ramp-up to the annual production target of 6 million tonnes per year.

GROWTH STRATEGY AND OUTLOOK

Prospect on the shipping business

The Group has aggressively expanded its shipping business in the past year with the acquisition of one VLCC and one Panamax Vessel. The acquisitions were supported by various long-term floating storage service and charter contracts entered into with sizeable companies. Such term contracts were signed for long-term periods ranging from two years to five years. As at the date hereof, the Group's fleet comprises two VLCCs, one Panamax Vessel and six sets of Tug and Barge Vessels, all of which are secured with long-term service and charter contracts. As such, a stable revenue and profitability can be secured for the Group and stable and reliable cash inflows can also be generated to the Group in the long run.

The persistent low global crude oil prices in the past year have a positive impact on global tanker rates in a number of ways: (i) lower oil prices encourage stockpiling of crude oil; (ii) a contango price structure for crude oil futures encourages buying and could lead to additional floating storage of oil if the spread between the current and future oil price continues to widen; (iii) lower oil and fuel prices, if sustained, could translate into higher oil demand over time; and (iv) reduced bunker prices positively affect tanker earnings by lowering voyage operating costs. All these factors result in increased tanker ton mile demand. The Group believes that this global demand for oil and attendant increase in ton miles over longer trade distances will support continued demand for tanker capacity. According to a recent report from Reuters released in May 2016, although the floating storage segment is less profitable given the current term structure in crude futures, the volume of crude in floating storage at sea in South East Asia, predominantly Singapore and Malaysia, has risen sharply recently by approximately 20% between the first quarter of 2015 and 2016. The current volumes are the highest for at least the last five years. One of the reason is that the oil market is looking for places to store unsold fuel as onshore storage facilities have been filled since the beginning of 2016. Therefore, the Group is optimistic about the prospect of the VLCC business and believes that the VLCCs will continue to contribute stable and significant income streams and positive cash flows to the Group's shipping business in the future.

In view of the highly promising floating storage business, the Group is continuously looking for opportunities to expand this business through further acquisition and chartering of new vessels, particularly VLCCs, to meet the growing demand. The Group is also seeking investment opportunities in shipping logistics infrastructure projects in the Southeast Asian region. The Group will capitalise on its long-term relationships with international energy companies and other customers for its shipping business, and believes that our reputation and proven track record for safe, reliable and efficient operations has positioned us favorably to capture additional opportunities to meet our customers' future chartering needs.

GROWTH STRATEGY AND OUTLOOK

Opportunities arising from slumping commodity market and potential mergers and acquisitions

The international commodity price including coal price has declined over the past year. Although it has negatively impacted the coal and energy industry players globally, many new investment opportunities have arisen due to the relatively low commodity prices, especially in relation to the natural resources and energy sectors. As part of the long-term growth strategy, the Group considers it is an opportune moment to further explore and expand its business in the natural resources and energy sectors at relatively modest prices. The Group also intends to seize this opportunity for vertical integration into the thermal power sector, to diversify our Group's business and to expand our customer base into new markets. The Group is actively seeking investment opportunities that will bring long term benefit to the Group. The Group has been in active discussions and negotiations with various natural resources and energy companies for potential investment opportunities and/or mergers and acquisitions in, including but not limited to, power plant projects. As at the date hereof, such discussions and negotiations are still at a preliminary stage and no final terms and conditions have been concluded. Further announcement(s) will be made by the Group in compliance with the Listing Rules to inform the shareholders of the Company in relation to the status of these discussions and negotiations as and when appropriate.

In light of the above potential mergers and acquisitions, it is the Company's intention to conduct fund raising activities, including but not limited to the allotment and issue of new shares and/or convertible securities of the Company and/or by other means or otherwise as may be considered to be effective and appropriate, which may be used for the additional working capital of the Group and/or for the satisfaction of part or all of the consideration for the potential mergers and acquisitions as mentioned above, should they materialise. Further announcement(s) will be made by the Group in respect thereof as and when required by the Listing Rules.

RISK MANAGEMENT

Operational Risk Management

The Group is exposed to certain operational risks in our supply chain operations, from upstream mining to downstream delivery to customers. The management monitors and mitigates these risks to ensure minimum disruption to the operations. The policies to manage the various risks are highlighted below.

Adverse Weather Conditions

For many open-cut mines in Indonesia, continuous and severe rain may cause the mining pits to be flooded and the hauling roads to be muddy, which will decrease productivity. To overcome this, the management has installed good drainage system with appropriate water pumps and settling ponds to drain the water from the pits. The management also regularly upgrades and maintains the Group's hauling road to ensure continuous operations even during unfavourable weather.

Logistics Risk

Although extremely rare, the Group is exposed to potential marine risks whereby the vessel transporting the cargo sinks, breaks down or is attacked by pirates during the sea journey. The management eliminates these risks by ensuring proper insurance coverage and selecting appropriate vessel for every shipment to ensure maximum security.

Market Risk

The Group is exposed to market risks such as falling coal prices. When coal prices decline, there may be buyers who could potentially default in receiving their cargo or in making payment. The Group has a strong finance and marketing team to ensure suitable and secured payment terms to safeguard the Company's interests.

Financial Risk Management

The Company deals in a variety of financial instruments which are exposed to financial risks, including market risk, credit risk and liquidity risk. The management closely monitors and manages the Company's exposure and implements appropriate measures to mitigate these risks.

Capital Risk Management

The Company manages our capital and makes adjustments to our capital structure according to changing economic conditions to ensure we will be able to continue as a going concern, while maximising returns to our shareholders.

CORPORATE SOCIAL RESPONSIBILITY

The philosophy of "Giving Back to the Community" is a social mission of our Group. We treasure our people and environment, therefore we constantly look to improve the living conditions in the area where we operate.

Our commitment to the local community and environment is reflected in the various activities that we voluntarily engage in. We upgrade the common infrastructure around our coal mine by building and installing infrastructure such as roads and water supply within our mining areas. Recognising that co-existing with the local community is an essential part of the resource business, we also provide employment opportunities to the local residents.

We reduce environmental impact by rehabilitating the backfilled land "re-vegetation" and adopting proper water drainage and filtering systems to ensure that the water is safe for sanitation. After rehabilitation, the site is monitored to ensure that vegetation is taking root and animals are returning to the area. Responsible mining will always be a key theme of our business and we will continue to explore the feasibility of providing healthcare and education to benefit the community that we are in.

INVESTOR RELATIONS

Agritrade Resources has always regarded investor relations as an important aspect of corporate governance and an effective way to maximize shareholder value. The Group has a dedicated investor relations ("IR") division that focuses on facilitating communications with shareholders on a regular basis and attends to queries or concerns in a timely and transparent manner.

As the first point of contact for financial institutions, media and shareholders, the IR team works directly with the management to provide strategic solutions and craft key messages. They also inform senior management regularly of the latest industry developments, gather market perceptions as well as provide insights on investors' concern.

Corporate Website

Agritrade Resources' company website (www.agritraderesources.com) offers easy access to detailed information on various aspects of the business for all interested stakeholders. It is particularly useful for potential investors who wish to gain in-depth insights into the company's business model, financial health and key management team. To better serve our shareholders, the "Investor Relations" section provides regular updates on stock information, key ratios, corporate announcements, financial results and presentations, interim and annual reports, as well as quarterly business update reports. The website provides an effective method of reaching a wide audience by allowing users to sign up for alerts whenever an announcement is uploaded. This tool provides an easy and timely method for interested parties to stay updated on the latest corporate developments.

Announcement of Financial Results

Material information is disclosed in a comprehensive, accurate and timely manner through the release of announcements posted on the Stock Exchange's online portal (www.hkex.com.hk) and media releases. Shareholders and the investing public can also access the Company's announcements, media releases and presentation materials on the Group's website.

Corporate Materials

- Announcements serve as frequent updates on significant corporate developments ranging from signed agreements to acquisitions and disposals. These are posted on the Stock Exchange as well as on our website.

- Interim reports provide a comprehensive overview of Agritrade Resources' business and financial performance as well as outline key corporate developments over the six-month period. The interim report is released on the Stock Exchange's online portal and our website every November/December.

- Annual reports provide insights on the company's full year performance and corporate developments. The report is mailed to all shareholders in hard copies, following their release on the Stock Exchange. The reports are uploaded onto our website and are available to all other interested parties upon request. The annual report is released on the Stock Exchange's online portal and our website every June/July.

- Fact sheets, which are informative one-page handouts of the Company, are regularly updated and uploaded on our website. This is provided to potential and existing investors, investment community and media during meetings or upon request.

- Corporate presentations serve as comprehensive repositories of Company-specific information. The presentations are used at meetings with the investment community and media. Though not mandatory, we upload these on the Company website for the benefit of other stakeholders as well as in the interest of transparent disclosure.

Annual General Meeting

The Company's annual general meeting ("AGM") is typically held in August in Hong Kong each year. Besides serving as a platform for shareholders to vote on proposed resolutions to be passed, the AGM provides an opportunity for the Board to meet shareholders and to provide them an update of the Group's strategic direction. The senior management team as well as the external auditors are present to answer any questions and address any concerns.

Meetings, Conference Calls and Site Visits

The Company engages local and foreign institutional investors, analysts and the media through face-to-face meetings, conference calls and emails, to provide regular updates and address any queries on the Company's performance and strategies.

From time to time, the IR division organises onsite visits to the Group's coal mines in Indonesia for our investors and analysts to have a better understanding of the Group's businesses.

The IR division intends to continue expanding its outreach to include a greater audience.

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Ng Say Pek *(Chairman)*
Mr. Ng Xinwei *(Chief Executive Officer)*
Mr. Ashok Kumar Sahoo *(Chief Financial Officer)*
Ms. Lim Beng Kim, Lulu

Non-executive Director

Mr. Shiu Shu Ming

Independent Non-executive Directors

Mr. Chong Lee Chang
Mr. Siu Kin Wai
Mr. Terence Chang Xiang Wen

COMPANY SECRETARY

Ting Kin Wai

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 1705, 17/F
Harcourt House
39 Gloucester Road
Wanchai
Hong Kong

AUDITOR

BDO Limited
25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

LEGAL ADVISOR

Baker & McKenzie Wong & Leow
8 Marina Boulevard
#05–01 Marina Bay Financial Centre Tower 1
Singapore 018981

PRINCIPAL SHARE REGISTRAR

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

HONG KONG BRANCH SHARE REGISTRAR

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

PRINCIPAL BANKERS

Citibank N.A.
Standard Chartered Bank

WEBSITE

www.agritraderesources.com

STOCK CODE

1131.HK

COMPLIANCE CONTENTS

DIRECTORS' REPORT

The board (the "**Board**") of directors (the "**Directors**") of Agritrade Resources Limited (the "**Company**") presents their annual report and the audited consolidated financial statements of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 March 2016.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company is an investment holding company. The principal activities of the Group are mining, exploration, logistics, sale of coal and other mining-related activities, shipping freight service from time chartering of leased vessels for and on behalf of customers and the provision of floating storage and relevant logistics services for crude oil and petrochemical products.

Further discussion and analysis of the principal activities of the Group as regular by Schedule 5 to the Companies Ordinance (Cap. 622 of the Laws of Hong Kong), including a fair review of the business and a discussion of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred since the financial year ended 31 March 2016 (if any), and an indication of likely future development in the Group's business, are presented and disclosed elsewhere in this report and in the "Management Discussion and Analysis" section of this annual report, which is set out on pages 25 to 49 of this annual report and shall form part of this Directors' Report.

RESULTS AND DIVIDEND

The results of the Group for the year ended 31 March 2016 and the state of the Company's and the Group's affairs as at the date are set out in the financial statements on pages 74 to 144 of the annual report.

The Board recommends the payment of a final dividend of HK$0.01 (2015: HK$0.01) per share for the year ended 31 March 2016, subject to the approval by the shareholders at the forthcoming annual general meeting of the Company.

SUMMARY FINANCIAL INFORMATION

A summary of the published results, assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on pages 145 to 146 of the annual report. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 18 to the financial statements.

SHARE CAPITAL, CONVERTIBLE PREFERENCE SHARES, CONVERTIBLE BONDS AND SHARE OPTIONS

Details of movements in the share capital, convertible preference shares, convertible bonds and share options of the Company during the year are set out in notes 29, 30, 28 and 33 to the financial statements respectively.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 31 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to members as at 31 March 2016 amounted to HK$98,203,000 (2015: HK$133,273,000), which comprised contributed surplus of HK$30,748,000 (2015: HK$30,748,000) and retained profits of HK$67,455,000 (2015: HK$102,525,000).

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend or make a distribution out of contributed surplus if:

(a) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

DIRECTORS

The Directors during the year and up to the date of this report were:

Executive Directors:

Mr. Ng Say Pek *(Chairman)*	(re-designated as the executive director on 18 December 2015)
Mr. Ng Xinwei *(Chief Executive Officer)*	
Mr. Ashok Kumar Sahoo *(Chief Financial Officer)*	
Ms. Lim Beng Kim, Lulu	

Non-executive Directors:

Mr. Shiu Shu Ming	
Mr. Wong Man Hung, Patrick *(Vice Chairman)*	(re-designated as the non-executive director on 1 January 2016 and resigned on 1 May 2016)
Mrs. Chen Chou Mei Mei	(resigned on 24 September 2015)

Independent non-executive Directors:

Mr. Chong Lee Chang	
Mr. Siu Kin Wai	
Mr. Terence Chang Xiang Wen	
Mr. Chan Cheong Yee	(resigned on 26 October 2015)

In accordance with Bye-law 110(A) of the Company's Bye-laws, Mr. Ng Xinwei, Mr. Siu Kin Wai and Mr. Chong Lee Chang shall retire from office by rotation at the forthcoming annual general meeting of the Company. Being eligible, Mr. Ng Xinwei, Mr. Siu Kin Wai and Mr. Chong Lee Chang shall offer themselves for reelection.

The term of office for independent non-executive Director (save for Mr. Chong Lee Chang whose term of office is one year) is three years or the period up to his retirement by rotation in accordance with the Company's Bye-laws.

DIRECTORS' REPORT

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographies of the Directors and the senior management of the Group are set out on pages 15 to 19 of the annual report.

Changes in Directors' information since the date of the interim financial statements of the Company for the six months ended 30 September 2015 up to the date of despatch of this annual report (the "**Relevant Period**") which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules are set out below:

During the Relevant Period, AIPL, the controlling shareholder of the Company, has allotted new shares to Mr. Ng Xinwei, the executive Director. As a result of such share allotment, Mr. Ng Xinwei has become interested in 16.79% of equity of AIPL while Mr. Ng Say Pek, an executive Director, and his spouse were interested in 66.57% and 16.64% of equity of AIPL respectively. Mr. Ng Xinwei was also appointed as a director of AIPL during the Relevant Period.

Mr. Shiu Shu Ming, a non-executive Director, has resigned the directorships of all subsidiaries of the Company during the Relevant Period and therefore Mr. Shiu held no such directorships as at the date of this annual report.

Mr. Chong Lee Chang, an independent non-executive Director, entered into a service contract with the Company on 25 June 2016 and his appointment as an independent non-executive Director is for a fixed term of one year and it can be early terminated by giving not less than one month's notice in writing served by either party.

Mr. Siu Kin Wai, an independent non-executive Director, has been appointed as a non-executive director of CAQ Holdings Limited, a company listed on the Australia Stock Exchange.

DIRECTORS' SERVICE CONTRACTS

Mr. Siu Kin Wai and Mr. Chong Lee Chang have entered into service contracts with the Company for a period of three years commenced on 24 August 2013 and a period of one year commenced on 25 June 2016 respectively and are subject to termination by either party giving not less than one month's written notice. All their appointments are subject to the retirement requirement in accordance with the Company's Bye-laws.

Other than as disclosed above, no Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Group's operations are mainly carried out in Indonesia and Singapore and the shares of the Company are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The Group recognised the importance of compliance with the laws and regulatory requirements in respective jurisdictions mentioned above. The Group has allocated sufficient and competent human resources to ensure ongoing compliance with the laws and regulations and to maintain cordial working relationships with regulators. During the year, so far as the Directors are aware, the Group has complied in all material aspects with relevant laws and regulations that have a significant impact on the business and operation of the Group, including but not limited to the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong) (the "**SFO**") and the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

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

At 31 March 2016, 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 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

	Ordinary shares		Interest in underlying shares		
Name of director	Personal interest	Corporate interest	Personal interest	Aggregated interest	Percentage of the issued voting shares of the Company
Mr. Ng Say Pek (Note 1)	–	860,533,333	3,000,000	863,533,333	56.78%
Mr. Ng Xinwei	–	–	2,750,000 (Note 2)	2,750,000	0.18%
Mr. Ashok Kumar Sahoo	–	48,854,000 (Note 3)	–	48,854,000	3.21%
Ms. Lim Beng Kim, Lulu	45,966,667	–	1,500,000 (Note 4)	47,466,667	3.12%
Mr. Shiu Shu Ming	–	–	2,750,000 (Note 5)	2,750,000	0.18%
Mr. Chong Lee Chang	–	3,760,000 (Note 6)	–	3,760,000	0.25%
Mr. Wong Man Hung, Patrick	–	–	10,000,000 (Note 7)	10,000,000	0.66%

Note:

(1) This represents (i) 860,533,333 shares of the Company held by Agritrade International Pte Ltd. ("**AIPL**") and its associate, in which as at 31 March 2016, AIPL was owned as to 80% by Mr. Ng Say Pek and 20% by Ms. Lim Chek Hwee, the spouse of Mr. Ng Say Pek; and (ii) 3,000,000 share options granted to Ms. Lim Chek Hwee. By virtue of SFO, Mr. Ng Say Pek was deemed to be interested in the shares and underlying shares held by AIPL and Ms. Lim Chek Hwee respectively.

(2) This represents 2,750,000 share options granted to Mr. Ng Xinwei.

(3) This represents 48,854,000 shares of the Company held by Berrio Global Limited, which was wholly owned by Mr. Ashok Kumar Sahoo.

(4) This represents 1,500,000 share options granted to Ms. Lim Beng Kim, Lulu.

(5) This represents 2,750,000 share options granted to Mr. Shiu Shu Ming.

(6) This represents 3,760,000 shares of the Company held by Shieldman Limited, which was wholly owned by Mr. Chong Lee Chang.

(7) This represents 10,000,000 share options granted to Mr. Wong Man Hung, Patrick, who resigned as the Director on 1 May 2016.

Save as disclosed above, as at 31 March 2016, 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.

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

During the year ended 31 March 2016, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

On 14 July 2015, the Company issued the convertible bonds (the "**CB**") at the aggregate principal amount of US$20 million for cash to an independent third party (the "**CB Holder**"). The CB has a maturity period of three years and bears interest at the rate of 5.5% per annum for the first year and 6% per annum thereafter. The CB can be converted into ordinary shares of the Company at an initial conversion price of HK$2.20 each at the option of the CB Holder starting from six months after the date of issue, where upon full conversion, the CB would be convertible into 70,454,545 conversion shares of the Company. If the CB is not fully converted upon maturity, the Company shall have the obligation to redeem all of the outstanding CB at its principal amount together with the accrued interest thereon. There was no conversion on the CB by the CB Holder during the year ended 31 March 2016.

On 23 December 2015, the Company issued 63,265,306 Class A convertible preference shares (the "**CPS A**") at the aggregate notional value of US$20 million as part of the consideration of an acquisition of 51% equity interests in a mining company, namely Merge Mining Holding Limited. Each of the CPS A shall be convertible into one ordinary share of the Company at a notional value of HK$2.45 at the option of the holder within two years after the conversion conditions attached to the CPS A are achieved. Upon full conversion of the CPS A, 63,265,306 conversion shares of the Company would be allotted and issued. There was no conversion on the CPS A during the year ended 31 March 2016.

Save as disclosed above and the holdings of share options as disclosed in note 33 to the financial statements, at no time during the year was the Company, its holding company, or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACTS OF SIGNIFICANCE BY DIRECTORS AND CONTROLLING SHAREHOLDER

AIPL, being the controlling shareholder of the Company effectively owned as to 56.58% of the issued share capital of the Company as at 31 March 2016, was interested in a coal supply agreement dated 31 March 2015, which was entered into between AIPL and PT Senamas Energindo Mineral ("**SEM**"), a non-wholly owned subsidiary of the Company. Pursuant to the coal supply agreement, SEM agreed to supply and AIPL agreed to purchase up to 700,000 tonnes of coal annually for each of the three years ending 31 March 2016, 2017 and 2018. Further details of the transactions undertaken in connection therewith are included in the section headed "Connected Transactions" of this report.

For the year ended 31 March 2016, Mr. Ng Say Pek, the executive Director, and Ms. Lim Chek Hwee, the spouse of Mr. Ng Say Pek, held as to 80% and 20% equity interests in AIPL respectively. Mr. Ng Xinwei, the executive Director, being the son of Mr. Ng Say Pek and Ms. Lim Chek Hwee. Ms. Lim Beng Kim, Lulu, the executive Director, was the senior executive of AIPL. Accordingly, Mr. Ng Say Pek, Mr. Ng Xinwei and Ms. Lim Beng Kim, Lulu had material interests in the coal supply agreement.

Save as disclosed above, for the year ended 31 March 2016, no other transaction, arrangement or contract of significance in relation to the Company's business, to which the Company, its subsidiaries or any of its fellow subsidiaries was a party and in which a Director or a controlling shareholder of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

RELATIONSHIPS WITH KEY STAKEHOLDERS

The Group recognises that its employees, customers and suppliers are key stakeholders to its sustainable growth and development. The Group is committed to provide a caring and safe working environment to its employees and to provide competitive remuneration and benefits and career development opportunities based on the performance of employees. The Group also understands the importance of maintaining good relationship with customers so that it is committed to provide quality products and services and to strengthen the relationship by continuous interaction with customers to gain insight on the changing market demand for different products so that the Group can respond proactively. As for the suppliers and service providers, the Group aims at maintaining a stable business relationship with them. In order to have a better monitoring on their performance, the Group's management regularly conducts performance reviews on and timely communicates with those suppliers and service providers for immediate rectification and ongoing improvements.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2016 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) have interests of 5% or more of the nominal value of the issued voting shares 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 and interest of a controlled corporation	860,533,333	56.58%
Amber Future Investments Limited	Beneficial owner	485,360,000	31.91%

Note:

(1) This represents 375,173,333 ordinary shares of the Company beneficially held by AIPL and 485,360,000 ordinary shares of the Company held through Amber Future Investments Limited, a wholly owned subsidiary of AIPL.

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 voting shares that carry a right to vote in all circumstances at general meetings of the Company.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

PERMITTED INDEMNITY PROVISIONS

Pursuant to the Bye-laws of the Company, every Director shall be entitled to be indemnified and secured harmless by the Company out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which he/she may sustain or incur by reason of any act done, concurred in or omitted in or about the execution of his/her duty or supposed duty in his/her respective offices. The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Company during the year.

SHARE OPTION SCHEME

Details of the Company's share option scheme are set out in note 33 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws although there are no restrictions against such rights under the laws in Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

CONNECTED TRANSACTIONS

Continuing Connected Transactions in relation to Coal Supply Agreement dated 31 March 2015

On 31 March 2015, a coal supply agreement was entered into between SEM, a non-wholly owned subsidiary of the Company, and AIPL, the then controlling shareholder of the Company owning approximately 56.14% of the then issued share capital of the Company. Pursuant to the agreement, SEM agreed to supply and AIPL agreed to purchase up to 700,000 tonnes of coal annually for a period from 1 April 2015 to 31 March 2018, subject to independent shareholders' approval, in the ordinary course of business of the SEM. AIPL was the connected person of the Company and accordingly, the transactions under the coal supply agreement constituted continuing connected transactions on the part of the Company under Chapter 14A of the Listing Rules.

The consideration for the provision of coal under the coal supply agreement is determined by the export prices of Indonesia domestic coal with reference of the Newcastle Index on each contract date and subject to the adjustment according to the deviation between quality of SEM coal and the benchmark on pro-rata basis. The contract price shall be based on the export price of Indonesia domestic coal with similar coal specification and should be mutually agreed by both parties on each transaction. The coal supply agreement was entered into in the usual and ordinary course of the Group's business and terms of which were negotiated based on normal commercial terms and the prices were determined following arm's length negotiation. The coal supply agreement enabled the Group to leverage on AIPL's extensive distribution network and reputation, hence would benefit the Group by expanding its international distribution channel. Details of the coal supply agreement are set out in announcement and the circular of the Company dated 31 March 2015 and 23 April 2015 respectively.

In relation to the coal supply agreement dated 31 March 2015, the total amount of the transactions for the year ended 31 March 2016 is approximately HK$129,070,000, which does not exceed the annual cap for the year ended 31 March 2016 of HK$189,880,000 as approved by the independent shareholders at a special general meeting of the Company held on 11 May 2015.

In compliance with Rule 14A.55 of the Listing Rules, the independent non-executive Directors have reviewed the continuing connected transactions for the year ended 31 March 2016 and confirmed that the transactions have been entered into (i) in the ordinary and usual course of business of the Group; (ii) either on normal commercial terms or better terms; and (iii) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged pursuant to Rule 14A.56 of the Listing Rules to report on the Group's continuing connected transactions for the year ended 31 March 2016 in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised)"Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued the unqualified letter containing their findings and conclusions in respect of the continuing connected transactions for the year ended 31 March 2016 as disclosed by the Group in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been duly provided by the Company to the Stock Exchange.

Save as disclosed above, there is no other transactions for the year ended 31 March 2016, including those disclosed as related party transactions elsewhere in the financial statements, under the definition of connected transactions or continuing connected transactions pursuant to Chapter 14A of the Listing Rules. The Company confirms that it has complied with the applicable disclosure requirements in accordance with chapter 14A of the Listing Rules.

EMOLUMENT POLICY

As at 31 March 2016, the Group had 534 employees. The Group mainly determines staff remuneration in accordance with market terms and individual qualifications.

The emoluments of the Directors are reviewed and recommended by the remuneration committee, and decided by the Board, 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. Details of the share option scheme of the Company are set out in note 33 to the financial statements.

The Group operated the defined contribution pension schemes during the year, of which the contributions were calculated on a certain percentage of the employees' basic salaries. As at 31 March 2016, the Group did not have forfeited contributions available to reduce the existing level of contributions to the pension schemes (2015: Nil).

COMPETING INTERESTS

During the year, and up to the date of this report, the interests of Directors or their respective associates in businesses which are considered to compete or likely to compete, either directly or indirectly, with the businesses of the Group as required to be disclosed pursuant to the Listing Rules are set out below:

Mr. Ng Say Pek, the executive Director and chairman of the Company, Mr. Ng Xinwei, the executive Director, and Ms. Lim Beng Kim, Lulu, the executive Director, are also the controlling shareholder, the director and senior executive of AIPL, respectively. AIPL is engaged in commodity trading of, including but not limited to, coal and palm oil in the South East Asia and may be in competition with the mining business of the Group. As at the date hereof, the Group was the major shareholder of two coal mines located in Indonesia and their operation and management were separated from AIPL. The Group also had its own established customer base including AIPL. As such, the Board considers that the Group is capable of carrying on its own mining business independently of, and at arms length from AIPL.

Save as disclosed above, as at 31 March 2016, none of the Directors or the management shareholders of the Company had any interest in a business which competes or may compete with the business of the Group.

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's revenue from sales of goods or rendering of services and purchases attributable to the major customers and suppliers respectively during the financial year is as follows:

	Percentage of the Group's total	
	Revenue from sales of goods or rendering of services	Purchases
The largest customer	28%	
Five largest customers in aggregate	65%	
The largest supplier		15%
Five largest suppliers in aggregate		35%

Save as disclosed in the sections headed "Interests in Contracts of Significance by Directors and Controlling Shareholder" and "Connected Transactions" of this report and in the note 37 to the financial statement, at no time during the year have the Directors, their associates or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the number of issued shares of the Company) had any interest in these major customers and suppliers.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 March 2016.

AUDITOR

BDO Limited retires and a resolution for the re-appointment of BDO Limited as auditor of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Ng Xinwei
Director and Chief Executive Officer
Hong Kong, 7 July 2016

CORPORATE GOVERNANCE REPORT

The purpose of this report is to provide shareholders with information on the major principles and corporate governance practices adopted by Agritrade Resources Limited (the "**Company**", together with its subsidiaries, the "**Group**").

The board (the "**Board**") of directors (the "**Directors**") of the Company is committed to maintaining a high standard of corporate governance for the Company within a sensible framework. The Company has fully complied with all the code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 of the Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") throughout the year ended 31 March 2016.

THE BOARD OF DIRECTORS

Roles and Responsibilities of the Board

The Board assumes responsibility for the management of the Group's affairs, and concentrates on matters affecting the Group's overall strategic policies, finances, shareholder interests and corporate governance. The Board acknowledges its responsibility for the preparation of the financial statements of the Group.

Board Composition

The Board has a balance of skills and experience and a balanced composition of executive and non-executive Directors. As at the date of this report, the Board comprised eight Board members, including four executive Directors, one non-executive Director and three independent non-executive Directors. The non-executive Directors, including the independent non-executive Directors, were appointed for a specific term ranging from one year to three years and were subject to retirement by rotation and re-election at the annual general meetings of the Company as specified in the Bye-laws of the Company. The biographies of the Directors are set out on pages 15 to 17 of this annual report.

Board Diversity

During the year, the Board has adopted a Board Diversity Policy which set out the approach to achieve diversity on the Board. The policy provides that selection of candidates of board members should be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, interpersonal skills, functional expertise and length of services.

The nomination committee (the "**Nomination Committee**") of the Company will monitor the implementation of the Board Diversity Policy and to review the same annually taking into consideration of specific needs for the Group's business.

Independent Non-executive Directors

To comply with Rule 3.10 of the Listing Rules, the Company has appointed three independent non-executive Directors whom the Company considers to have appropriate professional qualifications or accounting or related financial management experience and qualifications to carry out their duties. The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of its independent non-executive Directors to be independent.

Chairman and Chief Executive Officer

The roles of Chairman and Chief Executive Officer of the Company were separate and were not performed by the same individual during the year. During the year, the Chairman of the Company was Mr. Ng Say Pek, who was responsible for leadership of the Board and for the overall development of strategy of the Group, and ensuring good corporate governance practices and procedures being in place and maintained, while the Chief Executive Officer of the Company was Mr. Ng Xinwei, who was responsible for the day-to-day management of the Group's business and operations.

Mr. Ng Say Pek, the executive Director and Chairman of the Company, is the father of Mr. Ng Xinwei, the executive Director and Chief Executive Officer of the Company.

Directors' Insurance

The Company has taken out appropriate insurance cover for the Directors in respect of legal actions taken against the Directors for the year. The Board reviews the extent of the insurance cover every year.

Directors' Attendance and Time Commitment

The attendance of the Directors at the meetings during the year are set out below:

Directors	Board meetings	Executive Committee meetings	Audit Committee meetings	Remuneration Committee meeting	Nomination Committee meetings	General meetings
(number of meetings attended/number of meetings held during respective director's tenure)						
Executive Directors:						
Mr. Ng Say Pek *(Chairman)*	11/13	–	–	–	–	2/4
Mr. Ng Xinwei *(Chief Executive Officer)*	12/13	7/7	–	–	–	2/4
Mr. Ashok Kumar Sahoo *(Chief Financial Officer)*	13/13	7/7	–	–	–	3/4
Ms. Lim Beng Kim, Lulu	11/13	7/7	–	–	–	0/4
Non-executive Directors:						
Mr. Shiu Shu Ming	12/13	0/4	–	1/1	1/1	3/4
Mr. Wong Man Hung, Patrick *(Vice Chairman)* (resigned on 1 May 2016)	8/13	–	–	–	–	1/4
Mrs. Chen Chou Mei Mei (resigned on 24 September 2015)	2/5	–	–	–	–	0/2
Independent Non-executive Directors:						
Mr. Chong Lee Chang	3/13	–	2/2	–	1/1	0/4
Mr. Siu Kin Wai	2/13	–	2/2	1/1	1/1	0/4
Mr. Terence Chang Xiang Wen	8/13	–	1/1	–	–	2/4
Mr. Chan Cheong Yee (resigned on 26 October 2015)	2/6	–	1/1	1/1	–	0/3

Board Meetings and Proceedings

Regular Board meetings are held at least four times a year at approximately quarterly intervals for reviewing and approving the financial and operating performance, considering major issues and approving the overall strategies of the Company. The Board held 13 meetings (including regular Board meetings) during the year ended 31 March 2016. Agenda and Board papers together with all appropriate, complete and reliable information were normally sent to all Directors before each Board meeting to keep the Directors apprised to the latest developments and financial position of the Company and to enable them to make informed decisions. All Directors were given the opportunity to include matters in the agenda for regular Board meetings. The Board and each Director also had separate and independent access to senior management whenever necessary. The views of Directors were actively solicited if they were unable to attend the meeting of the Board.

The Directors had access to the advice and services of the company secretary regarding the Board procedures, and all applicable rules and regulations in respect of the meetings are followed. With the assistance of the company secretary, the meeting agenda were set by the Board in consultation among Board members. Draft and final versions of the minutes of Board meetings and Board committee meetings, with sufficient details drafted by the secretary of the respective meetings, were circulated to the Directors or respective committee members for their comment and record respectively. Originals of such minutes, being kept by the company secretary, are open for inspection at any reasonable time on reasonable notice by any Director.

BOARD COMMITTEES

As an integral part of good corporate governance, the Board has established the following committees of which the authority, functions, composition and duties of each of the committees are set out below:

1. Executive Committee

The executive committee (the "**Executive Committee**") of the Company is the decision-making body for day-to-day operation of the Group which comprised Mr. Ng Xinwei, Mr. Ashok Kumar Sahoo and Ms. Lim Beng Kim, Lulu, all are executive Directors as at the date of this report. Mr. Ng Xinwei is the Chairman of the Executive Committee. Its main duties include the execution of duties as delegated by the Board and the exercise of the authorities and rights as authorised by the same pursuant to the written guidelines.

During the year, the Executive Committee has handled daily operation matters including but not limited to the opening and changing signatories of bank accounts of the Group and giving instructions to share registrar of the Company on share issues.

2. Remuneration Committee

The remuneration committee (the "**Remuneration Committee**") of the Company comprised three members, namely Mr. Terence Chang Xiang Wen (Chairman of the Remuneration Committee), Mr. Shiu Shu Ming and Mr. Siu Kin Wai as at the date of this report. Save for Mr. Shiu Shu Ming was the non-executive Director, the rest were independent non-executive Directors.

Written terms of reference have been adopted by the Board in compliance with the Listing Rules and are available on both the Company's and the Stock Exchange's websites. The functions of the Remuneration Committee include, among other things:

(a) making recommendations to the Board on the Company's policy and structure for remuneration of the Directors and senior management;

(b) establishing formal and transparent procedures for developing remuneration policies for Directors and senior management; and

(c) making recommendations to the Board on the remuneration packages of individual executive and non-executive Directors and the senior management of the Company.

The remuneration of the Directors and their respective interests in the share options of the Company are set out in notes 11 and 33 to the consolidated financial statements as included in this annual report, respectively.

During the year, the Remuneration Committee has reviewed the remuneration policy and structure of the executive Directors and senior management of the Company. It has also reviewed and approved the grant of share options to an executive Director during the year.

3. Nomination Committee

The Nomination Committee comprised three members as at the date of this report, namely Mr. Chong Lee Chang (Chairman of the Nomination Committee) and Mr. Siu Kin Wai, both were independent non-executive Directors, and Mr. Shiu Shu Ming, the non-executive Director. The main duties of the Nomination Committee are to review the structure, size and composition of the Board; monitoring the implementation of the Board Diversity Policy, reviewing the Board Diversity Policy as appropriate to ensure its effectiveness and to identify, select and nominate suitable individuals for appointment as Directors of the Company. The terms of reference are aligned with the code provisions set out in the CG Code and they are available on the websites of the Company and the Stock Exchange.

During the year, the Nomination Committee has, among others, reviewed the Board Diversity Policy, reviewed the experience and qualification of retiring directors proposed for re-election at the annual general meeting of the Company and made recommendations to the Board on such proposed re-appointment of directorship.

4. Audit Committee

The audit committee (the "**Audit Committee**") of the Company comprised of three independent non-executive Directors as at the date of this report, namely Mr. Siu Kin Wai (Chairman of the Audit Committee), Mr. Chong Lee Chang and Mr. Terence Chang Xiang Wen.

Written terms of reference have been adopted by the Board in compliance with the Listing Rules and are available on websites of both the Company and the Stock Exchange.

The roles and functions of the Audit Committee include, among other things:

(a) acting as the key representative body for overseeing the relationship with the Company's external auditor;

(b) making recommendations to the Board on the appointment, re-appointment and removal of the external auditor;

(c) reviewing the financial information of the Group including the monitoring of the integrity of the Group's financial statements, annual report and accounts, half-yearly interim report and reviewing significant financial reporting judgments contained therein; and

(d) overseeing the Group's financial reporting system and internal control procedures.

During the year, the Audit Committee has regularly met with the management and the external auditor and has reviewed and made recommendations in relation to the following matters:

(a) reviewed the financial statements and annual results announcement for the year ended 31 March 2015 and the interim report and interim results announcement for the six months ended 30 September 2015;

(b) reviewed and considered the report from the external auditor on the audit of the Group's financial statements for the year ended 31 March 2015;

(c) reviewed and made recommendations to the Board on the risk management and internal control systems and the effectiveness of the internal audit function of the Group;

(d) reviewed the external auditor's audit plan, audit strategy and scope of work for the year under review; and

(e) reviewed the continuing connected transactions entered into by the Group for the year ended 31 March 2015.

CORPORATE GOVERNANCE FUNCTIONS

The corporate governance functions of the Company are performed by the Board collectively. The roles and functions of the Board in terms of the corporate governance functions include, among other things:

(a) developing and reviewing the Company's policies and practices on corporate governance;

(b) reviewing and monitoring the training and continuous professional development of Directors and senior management;

(c) reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements; and

(d) reviewing the Company's compliance with the CG Code and the related disclosures in the Corporate Governance Report.

During the year, the Board has held a meeting to review the adequacy and appropriateness in relation to the corporate governance structure and policies of the Company.

RISK MANAGEMENT, INTERNAL CONTROL AND INTERNAL AUDIT

The Board has undertaken the overall responsibility for maintaining sound and effective risk management and internal control systems and internal audit function to safeguard the Company's assets and shareholders' interests, as well as, with the Audit Committee, for reviewing the effectiveness of these systems and function at least twice annually for each of the half-yearly period. A business analysis and internal control team is established and delegated by the Board to ensure and maintain sound internal control, risk management and internal audit functions by constantly monitoring and reviewing the execution of the guidelines and procedures so as to ensure a reasonable assurance against any misstatement or loss and to timely identify, evaluate and manage any significant risks of failure in the Group's financial and operational systems. In addition, upon request by the business analysis and internal control team whenever material internal control irregularities or defects are noted, the Board may engage independent consultants to conduct review of the related systems as and when necessary.

The risk management, internal control and audit systems are designed to provide reasonable, but not absolute, assurance against material misstatement or loss, and to manage rather than completely eliminate the risk of system failure. In addition, it should provide a basis for the maintenance of proper and fair accounting records and assist in the compliance with relevant rules and regulations. During the financial year ended 31 March 2016, the Board was responsible and has reviewed the effectiveness of the risk management and internal control systems and the internal audit function of the Group. The review covered all material controls, including financial, operational and compliance controls of the Group. It also reviewed with the Audit Committee on any reports from the business analysis and internal control team, particularly on the effectiveness of the Group's internal control system, adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function. No material internal control problems were noted and the Board was satisfied that the risk management and internal control systems and the internal audit function of the Group functioned effectively and adequately during the year of review.

AUDITOR'S REMUNERATION

During the year, the audit fees paid or payable to the auditor of the Company is HK$2,200,000 including non-audit services (including but not limited to the performance of agreed-upon procedures and preparation of accountants' reports on historical financial information and pro forma financial information for transaction purpose) with total fees of approximately HK$820,000 for the year.

RESPONSIBILITIES IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledged their responsibilities to prepare the financial statements of the Group and other financial disclosures in accordance with statutory requirements and applicable accounting standards. The Directors believed that they have selected suitable accounting policies and applied them consistently, made judgment and estimates that are prudent and reasonable and ensured the consolidated financial statements are prepared on a "going concern" basis. The statement of the external auditor of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 72 to 73 of this annual report.

DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. All Directors were fully aware of their responsibilities and obligations under the Listing Rules and relevant regulatory requirements in relation to the directors' training and professional development.

During the year, all Directors had attended various seminars, conferences, or forums which were relevant to their respective duties and responsibilities or the businesses of the Company. A summary of their records of training during the year is as follows:

Directors	Attending briefings, trainings, seminars or conference	Reading articles, researches, journals or updates
Executive Directors:		
Mr. Ng Say Pek *(Chairman)*	✔	✔
Mr. Ng Xinwei *(Chief Executive Officer)*	✔	✔
Mr. Ashok Kumar Sahoo *(Chief Financial Officer)*	✔	✔
Ms. Lim Beng Kim, Lulu	✔	✔
Non-executive Directors:		
Mr. Shiu Shu Ming	✔	✔
Mr. Wong Man Hung, Patrick *(Vice Chairman)* (resigned on 1 May 2016)	✔	✔
Mrs. Chen Chou Mei Mei (resigned on 24 September 2015)	✔	✔
Independent Non-executive Directors:		
Mr. Chong Lee Chang	✔	✔
Mr. Siu Kin Wai	✔	✔
Mr. Terence Chang Xiang Wen	✔	✔
Mr. Chan Cheong Yee (resigned on 26 October 2015)	✔	✔

COMPANY SECRETARY

The company secretary is a full time employee of the Company and reports to the Board and the chief executive officer of the Company. He is responsible for advising the Board on corporate governance matters. During the year under review, the company secretary of the Company has complied with the professional training requirements under the CG Code.

CONSTITUTIONAL DOCUMENTS

The Memorandum of Association and the Bye-laws of the Company are published on the websites of the Company and the Stock Exchange. During the year, there was no change in the Memorandum of Association and the Bye-laws of the Company.

DIRECTORS' SECURITIES TRANSACTION

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by Directors. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code during the year and the Company was not aware of any non-compliance with the Model Code regarding securities transactions by its Directors.

COMMUNICATION WITH SHAREHOLDERS

The Company recognises the importance of maintaining effective communication, ensuring timely and accurate disclosure of information to the shareholders and investors of the Company. The Company had established a shareholders' communication policy and review it on a regular basis to ensure its effectiveness. The Company communicates with the shareholders mainly in the following ways:

(i) the holding of annual general meetings and special general meetings, if any, which may be convened for specific purposes which provide opportunities for the shareholders to communicate directly with the Board;

(ii) the publication of announcements, annual reports, interim reports and/or circulars as required under the Listing Rules and press releases providing updated information of the Group;

(iii) the availability of latest information of the Group in the Company's website at www.agritraderesources.com; and

(iv) the holding of press conference from time to time.

Shareholders may at any time send their written enquiries and concerns to the Board either by post, by facsimiles or by email, for the attention of Chairman of the Board or the company secretary of the Company at the following address or facsimiles number or via email:

Address:	Agritrade Resources Limited Room 1705, 17/F, Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong
Email address:	info@agritraderesources.com
Facsimile number:	(852) 3106 0227

The company secretary will forward the shareholders' enquiries and concerns to the Board and/or relevant board committees of the Company, where appropriate, to answer the shareholders' questions either by phone or in writing.

SHAREHOLDERS' RIGHTS

Convening a Special General Meeting (the "SGM") by Shareholders

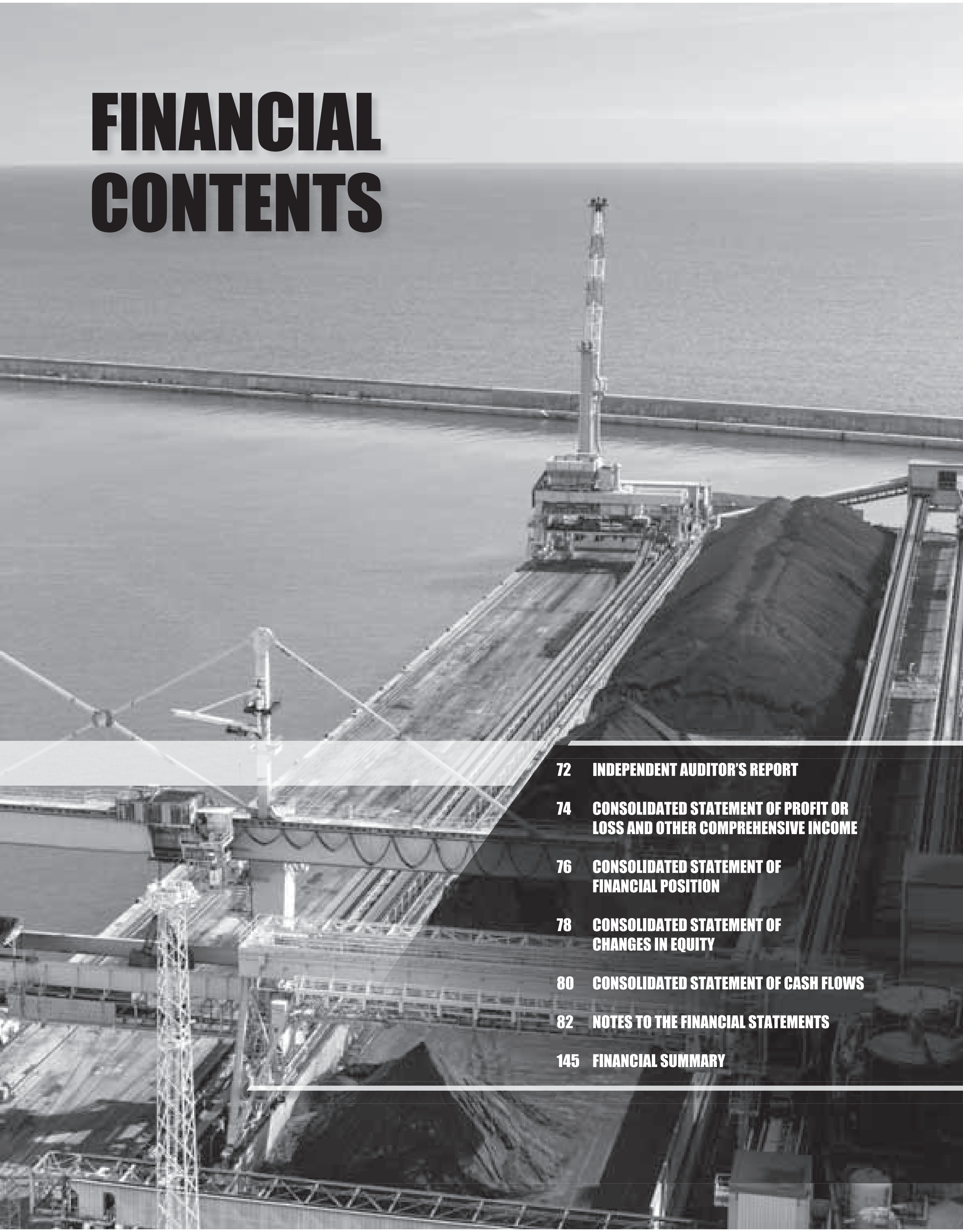
Shareholder(s) holding, at the date of the deposit of the requisition, not less than one-tenth (10%) of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall have the right to submit a written requisition requiring an SGM to be called by the Board. The written requisition (i) must state the object(s) of the meeting, and (ii) must be signed by the requisitionists and deposited at the principal place of business of the Company in Hong Kong for the attention of the company secretary of the Company, and may consist of several documents in like form, each signed by one or more of the requisitionists.

If the Directors do not within twenty-one days from the date of the deposit of the requisition proceed duly to convene a meeting, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of three months from the said date. A meeting convened by the requisitionists shall be convened in the same manner, as nearly as possible, as that in which meetings are to be convened by Directors.

Putting Forward Proposals at General Meetings

Pursuant to the Bermuda Companies Act 1981, either any number of the registered shareholders holding not less than one-twentieth (5%) of the paid-up capital of the Company carrying the right of voting at general meetings of the Company, or not less than 100 of such registered shareholders, can request the Company in writing to (a) give to shareholders entitled to receive notice of the next general meeting notice of any resolution which may properly be moved and is intended to be moved at that meeting; and (b) circulate to shareholders entitled to have notice of any general meeting any statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting. The requisition signed by all the requisitionists must be deposited at the registered office of the Company with a sum reasonably sufficient to meet the Company's relevant expenses and not less than six weeks before the meeting in case of a requisition requiring notice of a resolution or not less than one week before the meeting in the case of any other requisition. Provided that if, after a copy of the requisition requiring notice of a resolution has been deposited at the principal office of the Company, an annual general meeting is called for a date six weeks or less after the copy has been deposited, such requisition though not deposited within the time required shall be deemed to have been properly deposited for the purposes thereof.

FINANCIAL CONTENTS



INDEPENDENT AUDITOR'S REPORT

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TO THE MEMBERS OF AGRITRADE RESOURCES LIMITED
(鴻寶資源有限公司)
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Agritrade Resources Limited (the "Company") and its subsidiaries (hereafter collectively referred to as the "Group") set out on pages 74 to 144, which comprise the consolidated statement of financial position as at 31 March 2016, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

AUDITOR'S RESPONSIBILITY *(continued)*

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 March 2016 and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BDO Limited
Certified Public Accountants

Lam Siu Fung
Practising Certificate Number: P05308

Hong Kong, 7 July 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2016

	Notes	2016 HK$'000	2015 HK$'000
Revenue	7	**1,152,468**	1,234,468
Cost of sales and services		**(796,708)**	(863,979)
Gross profit		**355,760**	370,489
Other income, and gains and losses, net	8	**53,369**	9,730
Gain on bargain purchase	36	**358,301**	–
Administrative expenses		**(228,476)**	(136,413)
Finance costs	13	**(29,747)**	(30,991)
Profit before income tax		**509,207**	212,815
Income tax	14	**(43,594)**	(31,956)
Profit for the year	9	**465,613**	180,859
Profit for the year attributable to:			
— Owners of the Company		**470,782**	146,858
— Non-controlling interests		**(5,169)**	34,001
		465,613	180,859
			(represented)
Earnings per share:	17		
— Basic		**HK31.2 cents**	HK11.5 cents
— Diluted		**HK28.3 cents**	HK11.1 cents

Details of the dividends for the years are disclosed in Note 16 to the financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2016

	2016 HK$'000	2015 HK$'000
Profit for the year	**465,613**	180,859
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**(12,953)**	(3,537)
Total comprehensive income for the year	**452,660**	177,322
Total comprehensive income for the year attributable to:		
— Owners of the Company	**457,829**	143,210
— Non-controlling interests	**(5,169)**	34,112
	452,660	177,322

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2016

	Notes	**2016 HK$'000**	2015 HK$'000
Non-current assets			
Property, plant and equipment	18	**5,998,700**	3,135,187
Prepaid lease payments	19	**44,264**	15,232
Exploration and evaluation assets	20	**5,704**	–
		6,048,668	3,150,419
Current assets			
Inventories	21	**48,956**	32,100
Trade receivables	22	**183,334**	187,994
Other receivables, deposits and prepayments	22	**365,055**	320,533
Derivative financial assets	23	**988**	–
Amounts due from related parties	37(b)	**149,178**	73,046
Bank balances and cash		**295,925**	265,062
		1,043,436	878,735
Current liabilities			
Trade payables	24	**78,312**	201,115
Other payables, accruals and deposits received	24	**273,500**	162,155
Provision for close-down, restoration and environmental costs	25	**5,349**	5,349
Secured bank borrowings	26	**237,802**	192,537
Amounts due to related parties	37(b)	**1,070**	1,087
Obligation under finance leases	32	**40,047**	60,418
Derivative financial liabilities	23	**14,575**	–
Tax payable		**214,666**	162,405
		865,321	785,066
Net current assets		**178,115**	93,669
Total assets less current liabilities		**6,226,783**	3,244,088

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2016

	Notes	2016 HK$'000	2015 HK$'000
Non-current liabilities			
Deferred tax	27	**1,139,150**	572,559
Secured bank borrowings	26	**411,246**	154,647
Convertible bonds	28	**113,133**	–
Obligation under finance leases	32	**25,194**	10,085
		1,688,723	737,291
Net assets		**4,538,060**	2,506,797
Capital and reserves			
Share capital	29	**152,093**	135,460
Reserves		**2,543,549**	1,464,729
Equity attributable to owners of the Company		**2,695,642**	1,600,189
Non-controlling interests		**1,842,418**	906,608
Total equity		**4,538,060**	2,506,797

The financial statements were approved and authorised for issue by the Board of Directors on 7 July 2016.

Ng Xinwei
Director

Ashok Kumar Sahoo
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2016

	Share capital HK$'000 (Note 29)	Share premium HK$'000 (Note (i))	Convertible preference shares reserve HK$'000 (Note (ii))	Convertible bonds equity reserve HK$'000 (Note (ii))	Translation reserve HK$'000 (Note (iii))	Share option reserve HK$'000 (Note (iv))	Other reserve HK$'000 (Note (v))	Retained profits HK$'000	Proposed final dividend HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 April 2014	107,207	700,720	116,004	117,966	20,439	5,554	–	269,656	35,522	1,373,068	872,496	2,245,564
Profit for the year	–	–	–	–	–	–	–	146,858	–	146,858	34,001	180,859
Other comprehensive income for the year:												
Exchange differences arising on translation of foreign operations	–	–	–	–	(3,648)	–	–	–	–	(3,648)	111	(3,537)
Total comprehensive income for the year	–	–	–	–	(3,648)	–	–	146,858	–	143,210	34,112	177,322
Conversion of convertible bonds	16,710	230,391	–	(117,966)	–	–	–	–	–	129,135	–	129,135
Conversion of convertible preference shares	11,200	104,804	(116,004)	–	–	–	–	–	–	–	–	–
Exercise of share options	343	4,177	–	–	–	(676)	–	–	–	3,844	–	3,844
Dividends paid/declared	–	–	–	–	–	–	–	(13,546)	(35,522)	(49,068)	–	(49,068)
Proposed final dividend 2015	–	–	–	–	–	–	–	(14,208)	14,208	–	–	–
At 31 March 2015	135,460	1,040,092	–	–	16,791	4,878	–	388,760	14,208	1,600,189	906,608	2,506,797
Profit for the year	–	–	–	–	–	–	–	470,782	–	470,782	(5,169)	465,613
Other comprehensive income for the year:												
Exchange differences arising on translation of foreign operations	–	–	–	–	(12,953)	–	–	–	–	(12,953)	–	(12,953)
Total comprehensive income for the year	–	–	–	–	(12,953)	–	–	470,782	–	457,829	(5,169)	452,660
Issues of shares	16,500	239,234	–	–	–	–	–	–	–	255,734	–	255,734
Issue of convertible preference shares	–	–	85,492	–	–	–	–	–	–	85,492	–	85,492
Contingently issuable convertible preference shares	–	–	–	–	–	–	357,783	–	–	357,783	–	357,783
Recognition of equity-settled share-based payment	–	–	–	–	–	8,836	–	–	–	8,836	–	8,836
Exercise of share options	133	1,616	–	–	–	(261)	–	–	–	1,488	–	1,488
Non-controlling interests arising on business combination	–	–	–	–	–	–	–	–	–	–	1,067,600	1,067,600
Dividend paid to non-controlling interests											(27,122)	(27,122)
Acquisition of additional interests in subsidiaries	–	–	–	–	–	–	(57,501)	–	–	(57,501)	(99,499)	(157,000)
Dividends paid/declared	–	–	–	–	–	–	–	–	(14,208)	(14,208)	–	(14,208)
Proposed final dividend 2016	–	–	–	–	–	–	–	(15,211)	15,211	–	–	–
At 31 March 2016	152,093	1,280,942	85,492	–	3,838	13,453	300,282	844,331	15,211	2,695,642	1,842,418	4,538,060

Notes:

(i) Share premium
The balance represents the premium arising from the issue of shares at a price in excess of their par value per share.

(ii) Convertible preference shares reserve and convertible bonds equity reserve
The balances represent the equity component of outstanding convertible preference shares and outstanding convertible bonds issued by the Company recognised in accordance with the accounting policies adopted for convertible preference shares and convertible bonds in Notes 4(g)(vi) and 4(g)(iv), respectively.

(iii) Translation reserve
The balance comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in Note 4(l).

(iv) Share option reserve
The balance represents the fair value of the share options granted by the Company which are yet to be exercised, net of issuing expenses in accordance with the accounting policy set out in Note 4(n).

(v) Other reserve
The balance represents (i) difference between the fair value of consideration and the proportionate share of carrying amount of net assets arising from the acquisition of additional interests in subsidiaries; and (ii) the fair value of convertible preference shares contingently issuable in a business combination during the current year.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2016

	2016 HK$'000	2015 HK$'000
Operating activities		
Profit before income tax	**509,207**	212,815
Adjustments for:		
Depreciation and amortisation of property, plant and equipment	**159,366**	140,823
Release of prepaid lease payments	**1,287**	1,346
Interest income	**(1,399)**	(263)
Fair value changes on financial instruments, net	**(33,127)**	–
Finance costs	**29,747**	30,991
Gain on disposal of property, plant and equipment	**(4,158)**	(2,079)
Gain on bargain purchase	**(358,301)**	–
Write-off and allowance of other receivables	**47,573**	–
Equity-settled share-based payment	**8,836**	–
Operating service fee in relation to a plant	**–**	7,740
Operating cash flows before movements in working capital	**359,031**	391,373
Increase in inventories	**(16,856)**	(751)
Increase in trade nature amounts due from related parties	**(85,133)**	–
Decrease/(increase) in trade and other receivables, deposits and prepayments	**196,112**	(68,033)
(Decrease)/increase in trade and other payables, accruals and deposits received	**(260,365)**	8,868
Cash generated from operations	**192,789**	331,457
Income taxes paid	**(5,432)**	(4,655)
Interest paid	**(24,930)**	(22,975)
Net cash generated from operating activities	**162,427**	303,827
Investing activities		
Interest received	**1,399**	263
Decrease/(increase) in amounts due from related parties	**9,001**	(53,872)
Purchase of property, plant and equipment	**(413,085)**	(316,155)
Proceeds from disposal of property, plant and equipment	**42,191**	39,037
Addition in prepaid lease payments	**(25,767)**	(4,635)
Addition in exploration and evaluation assets	**(550)**	–
Deposits paid for construction of a plant	**–**	(1,935)
Consideration for business combination, net	**(230,543)**	–
Net cash used in investing activities	**(617,354)**	(337,297)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2016

	2016 HK$'000	2015 HK$'000
Financing activities		
Increase in secured bank borrowings, net	**282,465**	250,576
Repayment of obligation under financial leases	**(5,262)**	(65,658)
Proceeds from issue of convertible bonds	**154,600**	–
Proceeds from issue of ordinary shares	**98,734**	–
Proceeds from exercise of share options	**1,488**	3,844
Decrease in amounts due to related parties	**(17)**	(8,485)
Dividends paid	**(41,330)**	(49,068)
Net cash generated from financing activities	**490,678**	131,209
Net increase in cash and cash equivalents	**35,751**	97,739
Cash and cash equivalents at beginning of the year	**265,062**	170,848
Effect of foreign exchange rate changes	**(4,888)**	(3,525)
Cash and cash equivalents at end of the year, representing bank balances and cash	**295,925**	265,062

1. GENERAL

Agritrade Resources Limited (the "Company") is incorporated as an exempted company with limited liability in Bermuda under The Companies Act 1981 of Bermuda (as amended) and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section in the annual report.

The Company is an investment holding company. The principal activities of the Company's subsidiaries are set out in Note 34. The Company and its subsidiaries are collectively referred to as the Group.

In the opinion of the directors, the ultimate holding company of the Company is Agritrade International Pte. Limited, which is incorporated in Singapore.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new/revised HKFRSs — effective 1 April 2015

During the year, the Group has adopted all the revised HKFRSs which are first effective for the current year and relevant to the Group.

HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle
HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle
Amendments to HKAS19 (2011)	Defined Benefit Plans: Employee Contributions

The adoption of these amendments has no material impact on the Group's financial statements.

(b) New/revised HKFRSs that have been issued but not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle[1]
Amendments to HKAS 1	Disclosure Initiative[1]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[1]
HKFRS 9 (2014)	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 16	Leases[3]

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

(b) New/revised HKFRSs that have been issued but not yet effective *(continued)*

Amendments to HKAS 1 — Disclosure Initiative

The amendments are designed to encourage entities to use judgment in the application of HKAS 1 when considering the layout and content of their financial statements.

An entity's share of other comprehensive income from equity accounted interests in associates and joint ventures will be split between those items that will and will not be reclassified to profit or loss, and presented in aggregate as a single line item within those two groups.

Amendments to HKAS 16 and HKAS 38 — Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to HKAS 16 prohibit the use of a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that amortisation based on revenue is not appropriate for intangible assets. This presumption can be rebutted if either the intangible asset is expressed as a measure of revenue or revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

Amendments to HKAS 27 — Equity Method in Separate Financial Statements

The amendments allow an entity to apply the equity method in accounting for its investments in subsidiaries, joint ventures and associates in its separate financial statements.

HKFRS 9 (2014) — Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("FVTOCI") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss ("FVTPL").

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

(b) New/revised HKFRSs that have been issued but not yet effective *(continued)*

HKFRS 15 — Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5-step approach to revenue recognition:

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 each performance obligation
Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRSs. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

HKFRS 16 — Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Group is in the process of making an assessment of the potential impact of those pronouncements disclosed above. The directors of the Company so far concluded that the application of these pronouncements will have no material impact on the Group's financial statements.

3. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRS") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

(b) Basis of measurement

The financial statements have been prepared under the historical cost basis except for certain financial instruments, which are measured at fair values as explained in the accounting policies set out below.

(c) Functional and presentation currency

The financial statements are presented in Hong Kong dollars ("HK$"), which is the same as the functional currency of the Company.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(a) Business combination and basis of consolidation *(continued)*

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Goodwill is initially recognised at cost being the excess of the aggregate of consideration transferred and the amount recognised for non-controlling interests over the fair value of identifiable assets, liabilities and contingent liabilities acquired.

Where the fair value of identifiable assets, liabilities and contingent liabilities exceeds the fair value of consideration paid, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest; and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(b) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and amortisation and accumulated impairment losses.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The principal annual rates/useful lives used for this purpose are as follows:

Buildings	Over the shorter of the leases, or the estimated useful life of the buildings of 50 years
Mining-related plant and machinery	12.5–25%
Furniture, fixtures and equipment	20–33%
Motor vehicles	12.5–30%
Vessels	4–10%

Construction in progress is stated at cost less impairment losses. Cost comprises direct costs of construction as well as borrowing costs capitalised during the periods of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to the appropriate class of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

Mining properties are stated at cost less accumulated amortisation and any impairment losses and are amortised on the units-of-production method utilising only proven and probable coal reserves in the depletion base.

When proven and probable coal reserves have been determined, stripping costs incurred to develop surface coal mines are capitalised as part of the cost of the mining property. Stripping costs incurred during the production phase are variable production costs that are included in the costs of inventory produced during the period that the stripping costs are incurred, unless the stripping activity can be shown to give rise to future benefits from the mineral property, in which case the stripping costs would be capitalised into mining property. Future benefits arise when stripping activity increases the future output of the mine by providing access to a new ore body.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Property, plant and equipment *(continued)*

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, the term of the relevant lease.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

(d) Prepaid lease payments for leasehold land under operating leases

Prepaid lease payments for leasehold land under operating leases represent up-front payments to acquire long-term interests in lessee-occupied properties. These payments are stated at cost and are amortised over the period of the lease on a straight-line basis as an expense.

(e) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

The Group as lessor

Time charter income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on the straight-line basis over the lease term.

The Group as lessee

Assets held under finance leases are initially recognised as assets at their fair value or, if lower, the present value of the minimum lease payments. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to profit or loss over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, prepaid lease payments and investments in subsidiaries to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased. If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

(g) Financial instruments

(i) Financial assets

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets at fair value through profit or loss are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Financial assets at fair value through profit or loss

These assets include financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial assets may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; (ii) the assets are part of a group of financial assets which is managed and its performance evaluated on a fair value basis according to a documented management strategy; or (iii) the financial asset contains an embedded derivative that would need to be separately recorded.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Financial instruments *(continued)*

(i) Financial assets *(continued)*

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses, except where the effect of discounting would be immaterial, in which case, the loans and receivables are stated at cost less impairment losses.

(ii) Impairment loss on financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— granting concession to a debtor because of debtor's financial difficulty;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

For loans and receivables, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Financial instruments *(continued)*

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial liabilities may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

Financial liabilities at amortised cost

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Financial instruments *(continued)*

(iv) Compound Instruments

Compound instruments that contain liability and equity components

The component parts of compound instruments, comprising convertible bonds issued by the Group, are classified separately as financial liability and equity in accordance with the substance of the contractual arrangement. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date. The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured.

Issue costs were apportioned between the liability and equity components of the compound instruments based on their relative carrying amounts at the date of issue. The portion relating to the equity component was charged directly to equity. The portion relating to the liability component is included in the carrying amount of the liability portion and amortised over the period of the convertible instruments using the effective interest method.

In subsequent periods, the equity component, represented by the option to convert the liability component into ordinary shares of the Company, will remain in convertible bonds equity reserve until the embedded option is exercised in which case the balance stated in convertible bonds equity reserve will be transferred to share premium. Where the option remains unexercised at the expiry dates, the balance stated in convertible bonds equity reserve will be released to the retained profits.

No gain or loss is recognised upon conversion or expiration of the option.

Compound instruments that contain liability component and conversion option derivative

Compound instruments issued by the Group that contain both liability and conversion option components are classified separately into their respective items on initial recognition. Conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is a conversion option derivative. At the date of issue, the conversion option derivative is recognised at fair value. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as liability.

In subsequent periods, the liability component of the compound instruments is carried at amortised cost using the effective interest method, until extinguished on conversion or maturity. The conversion option derivative is measured at fair value with changes in fair value recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Financial instruments *(continued)*

(iv) Compound Instruments (continued)

Compound instruments that contain liability component and conversion option derivative *(continued)*

When the instruments are converted, the carrying amount of the liability portion together with the fair value of the conversion derivative at the time of conversion are transferred to share capital and share premium as consideration for the shares issued. When the instruments are redeemed, and difference between the redemption amount and the carrying amounts of both components is recognised in profit or loss.

Transaction costs that relate to the issue of the compound instruments are allocated to the liability and conversion option components in proportion to the allocation of the proceeds. Transaction costs relating to the conversion option derivative are recognised in profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the instruments using the effective interest method.

(v) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(vi) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vii) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contact at the higher of: (i) the amount determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 *Revenue*.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Financial instruments *(continued)*

(viii) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

(h) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(i) Inventories

Coal inventories are calculated using the weight average method. Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

(j) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from sale of goods is recognised when goods are delivered and titles are passed.

Revenue from time charter and provision of floating storage service, which is of operating lease in nature, is recognised on a straight-line basis over the period of relevant lease.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that assets' net carrying amount on initial recognition.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

(l) Foreign currency

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Foreign currency *(continued)*

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. HK$) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as translation reserve (attributed to non-controlling interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of non-current monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as translation reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the translation reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

Fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of reporting period. Exchange differences arising are recognised in translation reserve.

(m) Employee benefits

(i) Defined contribution retirement plan

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

(ii) Termination benefits

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

(n) Equity-settled share-based payment transactions

Where share options are awarded to employees and others providing similar services, the fair value of the options at the date of grant is recognised in profit or loss over the vesting period with a corresponding increase in the share option reserve within equity. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at the end of each reporting period so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(n) Equity-settled share-based payment transactions *(continued)*

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also recognised in profit or loss over the remaining vesting period.

Where equity instruments are granted to persons other than employees and others providing similar services, the fair value of services received is recognised in profit or loss unless the services qualify for recognition as assets. A corresponding increase in equity is recognised. For cash-settled share-based payments, a liability is recognised at the fair value of the services received.

(o) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Provisions for close-down, restoration and environmental costs

One consequence of coal mining is land subsidence caused by the resettlement of the land at the mining sites. Depending on the circumstances, the Group may relocate inhabitants from the mining sites prior to conducting mining activities or the Group may compensate the inhabitants for losses or damage from close-down and land subsidence after the sites have been mined. The Group may also be required to make payments for restoration, rehabilitation or environmental protection of the land after the sites have been mined.

Close-down, restoration and environmental costs include the dismantling and demolition of infrastructure and the removal of residual materials and remediation of disturbed areas. These costs are provided in the accounting period when the obligation arising from the related disturbance occurs based on the net present value of estimated future costs. Where there is a change in the expected decommissioning and restoration costs, an adjustment is recorded against the carrying amount of the provision and the cost of inventory produced in the period. Provision for close-down, restoration and environmental costs does not include any additional obligations which are expected to arise from future disturbance. The cost estimates are reviewed and revised at end of each reporting period to reflect changes in conditions.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(p) Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(q) Capitalisation of borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(a) Provision for close-down, restoration and environmental costs

The provision is reviewed regularly to ensure that it properly reflects the remaining obligations arising from the current and past mining activities. Provision for close-down, restoration and environmental costs is determined by management based on their past experience and best estimation of future expenditures, after taking into account the existing relevant regulations in Indonesia. However, in so far as the effect on the land and the environment from current mining activities becomes apparent in future years, the estimate of the associated costs may be subject to revision from time to time. Further details are set out in Note 25.

(b) Reserve estimates

Coal reserves are amortised on the units-of-production method. Reserves are estimates of the amount of products that can be economically and legally extracted from the Group's properties. In order to calculate reserves, estimates and assumptions are required about a range of geological, technical and economic factors, including quantities, grades, production techniques, recovery rates, production costs, transportation costs, commodity demand and commodity prices.

Estimating the quantity and/or grade of reserves requires the size, shape and depth of ore bodies or fields to be determined by analysing geological data such as drilling samples. This process may require complex and difficult geological judgments and calculations to interpret the data.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

(b) Reserve estimates *(continued)*

Because the economic assumptions used to estimate reserves change from period to period, and because additional geological data is generated during the course of operations, estimates of reserves may change from period to period. Changes in reported reserves may affect the Group's financial results and financial position in a number of ways, including the followings:

(i) Asset carrying values may be affected due to changes in estimated future cash flows.

(ii) Depreciation, depletion and amortisation charges in profit or loss may change where such charges are determined by the units-of-production basis, or where the useful economic lives of assets change.

(iii) Decommissioning, site restoration and environmental provisions may change where changes in estimated reserves affect expectations about the timing or cost of these activities.

(iv) The carrying value of deferred tax may change as a result of changes in the asset carrying values as discussed above.

(c) Carrying value of non-current assets and impairment of assets

Non-current assets, including property, plant and equipment and prepaid lease payments were carried at cost less accumulated depreciation and amortisation, where appropriate, and impairment losses. These carrying amounts are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. In estimating the recoverable amounts of assets, various assumptions, including future cash flows to be associated with the non-current assets and discount rates, are made. If future events do not correspond to such assumptions, the recoverable amounts will need to be revised, and this may have an impact on the Group's results of operations or financial position.

(d) Useful lives of property, plant and equipment

Management determines the estimated useful lives of and related depreciation charges for items of property, plant and equipment save as mining properties as mentioned in Note 5(b) above. This estimate is based on the actual useful lives of assets of similar nature and functions. It could change significantly as a result of significant technical innovations and competitor actions in response to industry cycles. Management will increase the depreciation charges where useful lives are less than previously estimated lives, or will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

(e) Capitalised stripping costs

The Group capitalises stripping (waste removal) costs incurred during the production phase to the extent that the actual waste to ore ratio is higher than the expected ratio. This calculation requires the use of judgments and estimates relating to the expected tonnes of waste to be removed over the life of the identified mining area (the "Identified Mining Area") and the expected economically recoverable reserves to be extracted as a result. Changes in a mine's life and design of the Identified Mining Area will usually result in changes to the average life of mine stripping ratio of the Identified Mining Area. These changes are accounted for prospectively.

(f) Determination of functional currency

The Group measures foreign currency transactions in the respective functional currencies of the group entities. In determining the functional currencies of the group entities, judgment is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services.

(g) Determination and classification of lease arrangements

In assessing whether the Group's arrangements contain a lease, the Group's management takes into consideration the key terms of each arrangement with reference to HK(IFRIC) 4. The Group's management further assesses whether a lease arrangement shall be classified as a finance lease or an operating lease based on the key terms of the lease arrangement with reference to HKAS 17.

(h) Fair value measurement

A number of assets and liabilities included in the Group's financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the "fair value hierarchy"):

- Level 1: Quoted prices in active markets for identical items (unadjusted);

- Level 2: Observable direct or indirect inputs other than Level 1 inputs;

- Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

The Group measures financial instruments at fair value, details of which are set out in the applicable notes.

6. SEGMENT REPORTING

The Group determines its operating segments based on the reports reviewed by the chief operating decision-makers that are used to make strategic decisions.

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 of details of the operating segments are as follows:

(i) Mining segment comprised the mining, exploration, logistics, sales of coal and other mining-related activities.

(ii) Shipping segment comprised the freight management service from time chartering, and the provision of floating storage and relevant logistics services for crude oil and petrochemical products.

Inter-segment transactions are priced with reference to prices charged to external parties for similar order. Central revenue and expenses are not allocated to the operating segments as they are not included in the measure of the segments' results that is used by the chief operation decision-makers for assessment of segment performance.

6. SEGMENT REPORTING *(continued)*

The following is an analysis of the Group's reportable segments.

(a) Reportable segments

	Mining		Shipping		Total	
	2016 HK$'000	2015 HK$'000	**2016 HK$'000**	2015 HK$'000	**2016 HK$'000**	2015 HK$'000
Reportable segment revenue	**986,194**	1,210,958	**237,760**	50,559	**1,223,954**	1,261,517
Inter-segment sales	**–**	–	**(71,486)**	(27,049)	**(71,486)**	(27,049)
Revenue from external customers	**986,194**	1,210,958	**166,274**	23,510	**1,152,468**	1,234,468
Reportable segment profit	**480,429**	235,234	**87,114**	21,630	**567,543**	256,864
Interest income	**1,217**	235	**42**	20	**1,259**	255
Finance costs	**(12,901)**	(22,339)	**(5,711)**	(636)	**(18,612)**	(22,975)
Depreciation and amortisation	**(131,066)**	(134,928)	**(28,265)**	(5,848)	**(159,331)**	(140,776)
Reportable segment assets	**6,353,221**	3,620,352	**712,085**	366,476	**7,065,306**	3,986,828
Additions to non-current assets	**2,712,444**	139,449	**365,780**	181,891	**3,078,224**	321,340
Reportable segment liabilities	**(2,005,839)**	(1,314,008)	**(372,916)**	(183,169)	**(2,378,755)**	(1,497,177)

6. SEGMENT REPORTING *(continued)*

(b) Geographical information

The following table provides an analysis of 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"):

	Revenue from external customers		Specified non-current assets	
	2016 HK$'000	2015 HK$'000	**2016 HK$'000**	2015 HK$'000
Indonesia (place of domicile)	**988,460**	1,234,468	**5,438,254**	2,850,445
The People's Republic of China (the "PRC") and Hong Kong	**–**	–	**65**	91
Dubai	**22,427**	–	**–**	–
Malaysia	**104,658**	–	**–**	–
Singapore	**36,923**	–	**610,349**	299,883
	1,152,468	1,234,468	**6,048,668**	3,150,419

The Group does not generate significant revenue from Bermuda, its place of incorporation nor Hong Kong where the Company's shares are listed. In the opinion of the directors, the place of domicile is considered as Indonesia where the majority of the Group's operation is located.

The revenue information above is based on the location of customers.

6. SEGMENT REPORTING *(continued)*

(c) Information about major customers

Revenue from two major customers (2015: one major customer) of the Group's mining segment amounted to HK$319,638,000 and HK$129,070,000 (2015: HK$409,069,000) which represented 10% or more of the Group's revenue for the year.

(d) Reconciliation of reportable segment profit, assets and liabilities

	2016 HK$'000	2015 HK$'000
Profit before income tax:		
Reportable segment profit	**567,543**	256,864
Unallocated corporate expenses and finance costs	**(58,336)**	(44,049)
Consolidated profit before income tax	**509,207**	212,815
Assets:		
Reportable segment assets	**7,065,306**	3,986,828
Unallocated corporate assets	**26,798**	42,326
Consolidated total assets	**7,092,104**	4,029,154
Liabilities:		
Reportable segment liabilities	**2,378,755**	1,497,177
Unallocated corporate liabilities	**175,289**	25,180
Consolidated total liabilities	**2,554,044**	1,522,357

7. REVENUE

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 year.

	2016 HK$'000	2015 HK$'000
Sale of coals	**986,194**	1,210,958
Vessel charter income	**62,891**	20,304
Floating storage service income	**103,383**	3,206
	1,152,468	1,234,468

8. OTHER INCOME, AND GAINS AND LOSSES, NET

	2016 HK$'000	2015 HK$'000
Fair value changes on financial instruments, net (Notes 23 and 28)	**33,127**	–
Exchange differences, net	**11,930**	–
Gain on disposal of property, plant and equipment	**4,158**	2,079
Interest income	**1,399**	263
Other income	**2,755**	7,388
	53,369	9,730

9. PROFIT FOR THE YEAR

This is arrived at after charging:

	2016 HK$'000	2015 HK$'000
Cost of services	**80,813**	19,672
Cost of inventories	**715,895**	844,307
	796,708	863,979
Staff costs (Note 10)	**94,438***	78,454*
Depreciation and amortisation of property, plant and equipment	**159,366***	140,823*
Release of prepaid lease payments	**1,287**	1,346
Auditor's remuneration	**1,370**	1,435
Write-off and allowance of other receivables	**47,573**	–

* Cost of inventories includes HK$87,598,000 (2015: HK$102,796,000) relating to staff costs, depreciation of property, plant and equipment excluding mining properties, for which the amounts are also included in the respective total amounts disclosed separately above.

The amortisation charge for mining properties included in property, plant and equipment for the year is included in the Group's cost of inventories in the consolidated statement of profit or loss and other comprehensive income.

10. STAFF COSTS

	2016 HK$'000	2015 HK$'000
Staff costs (including directors' remuneration) comprises:		
Salaries and other benefits	**74,353**	76,157
Post-employment benefit contributions	**11,249**	2,297
Equity-settled share-based payment	**8,836**	–
	94,438	78,454

11. DIRECTORS' REMUNERATION

The remunerations paid or payable to each of the directors and the chief executive during the year are as follows:

	Fees HK$'000	Salaries and other benefits HK$'000	Post-employment benefit contributions HK$'000	Equity-settled share-based payment HK$'000	Total HK$'000
2016:					
Executive directors:					
Mr. Ng Say Pek *(Chairman)*	100	372	18	–	490
Mr. Ng Xinwei *(Chief Executive Officer)*	100	2,446	37	–	2,583
Ms. Lim Beng Kim, Lulu	100	–	–	–	100
Mr. Ashok Kumar Sahoo *(Chief Financial Officer)*	100	3,180	107	–	3,387
Non-executive directors:					
Mr. Wong Man Hung, Patrick *(Vice Chairman)*	100	1,105	18	8,836	10,059
Mrs. Chen Chou Mei Mei	43	–	–	–	43
Mr. Shiu Shu Ming	100	424	18	–	542
Independent non-executive directors:					
Mr. Chong Lee Chang	130	–	–	–	130
Mr. Chan Cheong Yee	74	–	–	–	74
Mr. Siu Kin Wai	150	–	–	–	150
Mr. Terence Chang Xiang Wen	120	–	–	–	120
	1,117	7,527	198	8,836	17,678

11. DIRECTORS' REMUNERATION *(continued)*

	Fees HK$'000	Salaries and other benefits HK$'000	Post-employment benefit contributions HK$'000	Total HK$'000
2015:				
Executive directors:				
Mr. Wong Man Hung, Patrick *(Vice Chairman)*	58	623	7	688
Mr. Ng Xinwei *(Chief Executive Officer)*	100	3,663	102	3,865
Ms. Lim Beng Kim, Lulu	100	–	–	100
Mr. Ashok Kumar Sahoo *(Chief Financial Officer)*	100	2,934	102	3,136
Mr. Rashid Bin Maidin	80	–	–	80
Mr. Ambrish L. Thakker	33	–	–	33
Non-executive directors:				
Mr. Ng Say Pek *(Non-executive Chairman)*	100	–	–	100
Mrs. Chen Chou Mei Mei	90	–	–	90
Mr. Shiu Shu Ming	100	1,048	17	1,165
Independent non-executive directors:				
Mr. Chong Lee Chang	130	–	–	130
Mr. Chan Cheong Yee	130	–	–	130
Mr. Siu Kin Wai	150	–	–	150
Mr. Terence Chang Xiang Wen	120	–	–	120
	1,291	8,268	228	9,787

None of the directors has waived or agreed to waive any emolument paid or payable by the Group during the years ended 31 March 2015 and 2016.

12. FIVE HIGHEST PAID INDIVIDUALS' REMUNERATION

Of the five individuals with highest emoluments in the Group, four (2015: four) were directors of the Company, whose emoluments are included in the disclosures in Note 11 above. The emolument of the remaining one (2015: one) individual is as follows:

	2016 **HK$'000**	2015 HK$'000
Salaries and other benefits	**822**	1,037
Post-employment benefit contributions	**18**	17
	840	1,054

The emoluments paid or payable to members of senior management are within the following bands.

	2016 **Number of** **individuals**	2015 Number of individuals
HK$Nil to HK$1,000,000	**8**	13
HK$1,000,001 and HK$1,500,000	**–**	1
HK$2,500,001 and HK$3,000,000	**1**	–
HK$3,000,001 to HK$3,500,000	**1**	1
HK$3,500,001 to HK$4,000,000	**–**	1
HK$10,000,001 to HK$10,500,000	**1**	–

13. FINANCE COSTS

	2016 **HK$'000**	2015 HK$'000
Imputed interest on convertible bonds (Note 28)	**11,135**	8,016
Interest charged under finance leases	**4,388**	13,495
Interest on secured bank borrowings	**14,224**	9,480
	29,747	30,991

14. INCOME TAX

The amount of income tax in the consolidated statement of profit or loss and other comprehensive income represents:

	2016 **HK$'000**	2015 HK$'000
Current tax — overseas		
— tax for the year	**56,958**	48,401
— under/(over)-provision in prior years	**735**	(359)
	57,693	48,042
Deferred tax (Note 27)		
— tax for the year	**(14,099)**	(16,086)
Income tax	**43,594**	31,956

No provision for Hong Kong profits tax was made for the years ended 31 March 2015 and 2016 as the Company and its subsidiaries incorporated in Hong Kong had no assessable profits for both years.

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

14. INCOME TAX *(continued)*

Income tax for the year can be reconciled to profit before income tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2016 HK$'000	2015 HK$'000
Profit before income tax	**509,207**	212,815
Tax calculated at the prevailing domestic income tax rate of 16.5% (2015: 16.5%)	**84,019**	35,114
Effect of different tax rates of subsidiaries operating in other jurisdictions	**40,574**	12,591
Tax effect of expenses not deductible for tax purpose	**17,804**	2,970
Tax effect of income not taxable for tax purpose	**(99,540)**	(20,392)
Tax effect of tax losses not recognised	**–**	2,026
Tax effect of deductible temporary differences not recognised	**2**	6
Under/(over)-provision in prior years	**735**	(359)
Income tax for the year	**43,594**	31,956

15. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION

	Notes	2016 HK$'000	2015 HK$'000
Non-current assets			
Investments in subsidiaries		**10**	134
Property, plant and equipment		**–**	34,940
		10	35,074
Current assets			
Prepayments		**4,083**	524
Amounts due from subsidiaries		**2,304,417**	1,380,705
Amounts due from related parties		**15,438**	–
Bank balances and cash		**5,032**	39,512
		2,328,970	1,420,741
Current liabilities			
Other payables and accruals		**47,746**	25,061
Amounts due to subsidiaries		**165,755**	117,051
Derivative financial liabilities		**14,380**	–
		227,881	142,112
Net current assets		**2,101,089**	1,278,629
Total assets less current liabilities		**2,101,099**	1,313,703
Non-current liabilities			
Convertible bonds	28	**113,133**	–
		113,133	–
Net assets		**1,987,966**	1,313,703
Capital and reserves			
Share capital	29	**152,093**	135,460
Reserves	31	**1,835,873**	1,178,243
Total equity		**1,987,966**	1,313,703

The financial statements were approved and authorised for issue by the Board of Directors on 7 July 2016.

Ng Xinwei
Director

Ashok Kumar Sahoo
Director

16. DIVIDENDS

	2016 HK$'000	2015 HK$'000
Interim dividend of HK$Nil (2015: HK$0.01) per ordinary share and convertible preference share	–	13,546
Proposed final dividend of HK$0.01 (2015: HK$0.01) per ordinary share	15,211	14,208
	15,211	27,754

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting and has not been recognised as a liability at the end of the reporting period.

17. EARNINGS PER SHARE

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

	2016 HK$'000	2015 HK$'000
Earnings		
Earnings attributable to owners of the Company for the purposes of basic earnings per share	470,782	146,858
Fair value change on conversion option component of convertible bonds	(32,334)	–
Interest on convertible bonds	11,135	8,016
Earnings attributable to owners of the Company for the purposes of diluted earnings per share	449,583	154,874

	2016 '000	2015 '000 (represented)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	1,510,502	1,276,988
Effect of dilution — weighted average number of ordinary shares:		
Convertible bonds	52,552	88,357
Share options	23,714	26,338
Weighted average number of ordinary shares for the purposes of diluted earnings per share	1,586,768	1,391,683

Basic and diluted earnings per share for the year ended 31 March 2015 are represented to reflect the bonus element of the placing of shares during the year.

The computation of diluted earnings per share did not assume the issuance of the Company's outstanding contingently issuable convertible preference shares as the conditions associated to the issuance of those contingently issuable convertible preference shares have not been met as at 31 March 2016.

18. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Mining properties HK$'000	Mining-related plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Vessels HK$'000	Construction in progress HK$'000	Total HK$'000
Cost								
At 1 April 2014	7,648	2,578,816	515,997	19,563	26,087	123,840	9,276	3,281,227
Exchange adjustments	–	–	–	(7)	(203)	–	–	(210)
Additions	14,803	4,224	138,213	7,268	1,013	181,891	3,683	351,095
Disposals	–	–	(39,329)	(1,250)	(11)	–	(719)	(41,309)
At 31 March 2015	22,451	2,583,040	614,881	25,574	26,886	305,731	12,240	3,590,803
Exchange adjustments	449	–	5,205	2	318	–	5,906	11,880
Acquisition of subsidiaries (Note 36)	12,101	2,322,762	125,329	75	523	–	175,433	2,636,223
Additions	1,770	25,287	25,160	1,730	7,542	364,624	15,898	442,011
Disposals	–	–	(41,112)	(21)	–	–	(28,926)	(70,059)
At 31 March 2016	36,771	4,931,089	729,463	27,360	35,269	670,355	180,551	6,610,858
Accumulated depreciation and amortisation								
At 1 April 2014	812	205,608	101,427	6,528	4,967	–	–	319,342
Exchange adjustments	–	–	–	(1)	(197)	–	–	(198)
Provided for the year	762	71,772	54,701	4,964	2,776	5,848	–	140,823
Disposals	–	–	(4,250)	(100)	(1)	–	–	(4,351)
At 31 March 2015	1,574	277,380	151,878	11,391	7,545	5,848	–	455,616
Exchange adjustments	3	–	112	–	161	–	–	276
Provided for the year	1,138	65,960	55,676	5,326	3,069	28,197	–	159,366
Disposals	–	–	(3,091)	(9)	–	–	–	(3,100)
At 31 March 2016	2,715	343,340	204,575	16,708	10,775	34,045	–	612,158
Net carrying value								
At 31 March 2016	34,056	4,587,749	524,888	10,652	24,494	636,310	180,551	5,998,700
At 31 March 2015	20,877	2,305,660	463,003	14,183	19,341	299,883	12,240	3,135,187

18. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Notes:

(1) As at 31 March 2016, the net carrying values of the Group's motor vehicles and plant and machinery held under finance leases amounted to HK$8,991,000 (2015: HK$11,342,000) and HK$151,436,000 (2015: HK$180,263,000), respectively. The Group's obligation under finance leases is secured by the lessor's charge over the leased assets.

(2) As at 31 March 2016, the Group's mining-related plant and machinery with an aggregate carrying value of HK$13,884,000 (2015: HK$16,354,000) and vessels of HK$609,205,000 (2015: HK$299,883,000) were pledged to secure bank borrowings of the Group.

(3) Mining properties represent mining rights relating to 2 cash-generating units of coal mining (the "Coal Mining CGUs").

All of the Coal Mining CGUs were acquired as part of the business combinations of equity interests in PT Rimau Indonesia ("PTRI") and Merge Mining Holding Limited ("MMHL") in prior years and the current year, respectively. The mining properties were initially recognised at the fair values on acquisition with reference to professional valuations performed by independent firms of professionally qualified valuers. At subsequent reporting periods, mining properties are measured using the cost model.

Amortisation is provided to write off the cost of the mining properties using the units-of-production method based on the proven and probable mineral reserves under the assumption that the Group can renew the mining properties till all proven and probable mineral reserves have been mined.

Cost of mining properties as at 31 March 2016 includes stripping activity assets of HK$75,731,000 (2015: HK$44,912,000) in relation to one of the Group's mines.

Details of the mining properties of the Group at end of reporting period are as follows:

Mining property	Location	Expiry date
Coal Resources and Reserves	Close to the town of Tamiang Layang, in the Barito Timur Regency, Central Kalimantan, Indonesia	December 2029
Coal Resources and Reserves	Close to Sungai Pinang Districts, Banjar Regency, South Kalimantan Province, Indonesia	February 2030

19. PREPAID LEASE PAYMENTS

As at 31 March 2016, the Group's prepaid lease payments represent land use rights in Indonesia and are analysed for reporting purpose as follows:

	2016 **HK$'000**	2015 HK$'000
Non-current assets	**44,264**	15,232

20. EXPLORATION AND EVALUATION ASSETS

	2016 HK$'000	2015 HK$'000
Cost and carrying amount:		
At beginning of the year	–	–
Acquisition of subsidiaries (Note 36)	5,154	–
Addition	550	–
At end of the year	5,704	–

21. INVENTORIES

	2016 HK$'000	2015 HK$'000
Coal	48,956	32,100

22. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2016 HK$'000	2015 HK$'000
Trade receivables	183,334	187,994
Other receivables and deposits	333,732	308,308
Prepayments	31,323	12,225
	365,055	320,533
	548,389	508,527

22. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

(continued)

The Group generally allows credit period of up to 120 days to its trade customers. The following is an aged analysis of trade receivables, net of allowance for doubtful debts, presented based on the invoice date at the end of reporting period:

	2016 HK$'000	2015 HK$'000
0–60 days	**89,477**	130,330
61–90 days	**30,276**	16,029
91–120 days	**39,909**	27,552
Over 120 days	**23,672**	14,083
	183,334	187,994

Before accepting any new customer, the Group will assess credit worthiness by customers. The customers are mostly renowned companies. Based on the past history, no significant recoverability problem is expected. Trade receivables that were neither past due nor impaired are customers who have a good repayment record with the Group. Based on past experience, the directors of the Company are of the opinion that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

Included in the Group's trade receivables are debtors with aggregate carrying amount of HK$70,784,000 (2015: HK$187,732,000) which are past due at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. The average age of these receivables is 60 days for both years.

Ageing of trade receivables which are past due but not impaired

	2016 HK$'000	2015 HK$'000
1–60 days	**42,692**	130,068
61–90 days	**7,981**	16,029
91–120 days	**9,677**	27,552
Over 120 days	**10,434**	14,083
	70,784	187,732

22. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

(continued)

Movement in impairment loss recognised

	2016 HK$'000	2015 HK$'000
At beginning and end of the year	**1,350**	1,350

An amount of HK$38,700,000 was paid to a related company of a director of a subsidiary for purchase of plant and machinery. No delivery of plant and machinery has been made and the amount has not been refunded after formal requisition by the Group. In the opinion of directors, the recoverability of the amount is remote and accordingly full allowance for doubtful debt was recognised during the year.

23. DERIVATIVE FINANCIAL INSTRUMENTS

	As at 31 March 2016	
	Assets HK$'000	Liabilities HK$'000
Conversion option component of convertible bonds (Note 28)	–	14,380
Forward currency contracts	988	–
Coal future contracts	–	195
Total amount, classified as current	988	14,575

Forward currency contracts

The Group has entered into various forward currency contracts to manage its exchange rate exposures. These forward currency contracts are not designated for hedge purposes and are measured at fair value through profit or loss. Changes in the fair value of non-hedging currency derivatives amounting to HK$988,000 were credited to profit or loss during the year (2015: HK$Nil).

23. DERIVATIVE FINANCIAL INSTRUMENTS *(continued)*

Coal future contracts

The major terms of the outstanding coal future contracts of the Group which had not been designated as hedging instruments were as follows:

	As at 31 March 2016
Quantities (in metric tonnes)	**287,200**
Average price per metric tonne	**US$50**
Delivery period	**From 1 April 2016 to 2 July 2017**
Fair value loss of coal future contracts recognised as current liabilities (in HK$'000)	**195**

The above derivatives are measured at fair values at the end of each reporting period and are with financial institutions. The fair values of coal future contracts are determined based on the forward coal price at the end of the reporting period.

24. TRADE AND OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED

	2016 HK$'000	2015 HK$'000
Trade payables	**78,312**	201,115
Deposits received	**12,076**	–
Contingent consideration payable	**77,400**	–
Other payables and accruals	**184,024**	162,155
	273,500	162,155
	351,812	363,270

24. TRADE AND OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED *(continued)*

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

	2016 HK$'000	2015 HK$'000
0–60 days	**24,056**	196,167
61–90 days	**13,550**	1,554
Over 90 days	**40,706**	3,394
	78,312	201,115

The average credit period on purchases of goods and services is up to 90 days and certain suppliers grant longer credit period to the Group up to 120 days on case-by-case basis. The Group has financial risk management policies in place to ensure that all payables are within the credit timeframe.

As at 31 March 2016, the contingent consideration payable in cash was stated at its fair value.

All other payables, accruals and deposits received are expected to be settled within one year.

25. PROVISION FOR CLOSE-DOWN, RESTORATION AND ENVIRONMENTAL COSTS

	2016 HK$'000	2015 HK$'000
Balance at beginning and end of the year	**5,349**	5,349

Mining activities may result in land subsidence, which could lead to losses to the residents of the mining areas. Pursuant to the relevant Indonesian regulations, the Group was required to make compensation payments to the residents for their losses resulting from land subsidence, or to restore the mining areas back to certain acceptable conditions.

Provision for close-down, restoration and environmental costs has been determined by management based on their past experience and best estimate of expenditure. However, in so far as the effect of the land and the environment from current mining activities becomes apparent in future periods, the estimate of the associated costs may be subject to revision in future. The amounts provided in relation to close-down, restoration and environmental costs are reviewed at least annually based upon the facts and circumstances available at the time and the provisions are updated accordingly. In the opinion of the directors of the Company, the amounts provided might be requested to pay within twelve months from the end of the reporting period and therefore, the amounts have been classified under current liabilities.

26. SECURED BANK BORROWINGS

	2016	2015
	HK$'000	HK$'000
Bank borrowings are secured and repayable as follows:		
On demand or within one year	**237,802**	192,537
After one year but within two years	**108,658**	28,096
After two years but within five years	**279,243**	126,551
After five years	**23,345**	–
	649,048	347,184
Amount due within one year included in current liabilities	**(237,802)**	(192,537)
Amount due over one year included in non-current liabilities	**411,246**	154,647

The bank borrowings bear fixed interest rate of 4.00% (2015: 6.75%) per annum, and floating interest rates ranging from 3.34% to 10.50% (2015: 3.08% to 11.75%) per annum.

As at 31 March 2015 and 2016, certain property, plant and equipment of the Group were pledged to secure the bank borrowings of the Group (Note 18). Certain bank borrowings are also secured by (i) corporate guarantees of the Company and its certain subsidiaries; (ii) corporate guarantees of a non-controlling owner of a subsidiary and its related companies; (iii) personal guarantee of a shareholder of a non-controlling owner of a subsidiary; and (iv) pledge of shares of a subsidiary.

As at 31 March 2016, the Group had available undrawn committed banking facilities of HK$45,677,000 (2015: HK$48,766,000) in respect of which all conditions precedent were met.

	2016	2015
	HK$'000	HK$'000
Bank borrowings were denominated in:		
Indonesia Rupiah ("IDR")	**57,556**	72,865
United States dollars ("US$")	**591,492**	274,319
	649,048	347,184

27. DEFERRED TAX

The following sets out the major deferred tax liabilities recognised and movements thereon during the current and prior years:

	Mining properties HK$'000
At 1 April 2014	(588,645)
Credited to profit or loss (Note 14)	16,086
At 31 March 2015	(572,559)
Acquisition of subsidiaries (Note 36)	(580,690)
Credited to profit or loss (Note 14)	14,099
At 31 March 2016	(1,139,150)

At 31 March 2016, the Group has unused tax losses of HK$4,684,000 (2015: HK$4,684,000) available for offset against future assessable profits. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams on the respective entities of the Group with tax losses available for offsetting future assessable profits. Tax losses of the Group may be carried forward indefinitely.

28. CONVERTIBLE BONDS

Convertible bonds issued in prior years

In prior years, the Company issued zero-coupon convertible bonds (the "Convertible Bonds 1") at a total nominal value of HK$674,250,000 as part of the consideration of the business combinations. The Convertible Bonds 1 had a maturity period of ten years from the date of issue and can be converted into ordinary shares of the Company at HK$1.5 each at the holders' option. If the Convertible Bonds 1 had not been converted, they would be redeemed at the tenth anniversary of the date of issue of the Convertible Bonds 1 at par. During the prior year, the Convertible Bonds 1 in total nominal value of HK$250,650,000 were converted into 167,100,000 ordinary shares of the Company, and the Convertible Bonds 1 had been fully converted as of 31 March 2015.

The carrying amount of the Convertible Bonds 1 in issue was split into the equity and liability components. The fair value of the liability component was calculated using a market borrowing rate of 12.51% per annum at the date of issue. The residual amount net of the attributable issue expenses, representing the value of the equity conversion component, is included in shareholders' equity in the convertible bonds equity reserve.

28. CONVERTIBLE BONDS *(continued)*

Convertible bonds issued in the current year

During the year, the Company issued convertible bonds with a principal amount of US$20,000,000 and maturity on 36 months from the issue date (the "Convertible Bonds 2"), which bears interest at a rate of (i) 5.5% per annum from the issue date to the first anniversary of the issue date; and (ii) 6% per annum from the first anniversary of the issue date to the maturity date. The bonds are convertible into ordinary shares from 6 months after the issue date up to the maturity date. The number of conversion shares to which the bondholder is entitled on conversion of the Convertible Bonds 2 shall be determined by dividing the principal amount of the Convertible Bonds 2 to be converted by the conversion price of HK$2.2 per share (subject to anti-dilutive adjustments) at a fixed rate of exchange of US$1:HK$7.75. The bonds are redeemable by the Company in US$ with the prior written and express consent of the bondholder. Any Convertible Bonds 2 not converted will be redeemed on maturity at the outstanding principal amount and the accrued interest in US$.

There was no conversion or redemption of the Convertible Bonds 2 during the year.

Convertible Bonds 2 that contain both liability and conversion option components were classified separately into their respective items on initial recognition. Conversion option of Convertible Bonds 2 is a conversion option derivative. At the issue date and 31 March 2016, the conversion option derivative was recognised at fair value at HK$46,714,000 and HK$14,380,000 respectively which was determined taking into account the valuation performed by Flagship Consulting (Hong Kong) Limited ("Flagship"), a firm of professionally qualified valuers, resulting in a gain on fair value change of financial derivates of HK$32,334,000 recognised in profit or loss for the current year. The fair value of the liability component was measured as the present value of the expected payments and the principal repayment at maturity on initial recognition at HK$108,316,000 and was recognised as liability.

In subsequent periods, the liability component of convertible bonds is carried at amortised cost using the effective interest method, until extinguished on conversion or maturity.

The movements on the liability components of the convertible bonds are as follows:

	2016 **HK$'000**	2015 HK$'000
At beginning of the year	**–**	121,119
Issued during the year	**108,316**	–
Conversion of shares of the Company	**–**	(129,135)
Imputed interest expense (Note 13)	**11,135**	8,016
Interest paid	**(6,318)**	–
At end of the year	**113,133**	–

29. SHARE CAPITAL

	Number of shares	Amount HK$'000
Authorised:		
Ordinary shares of HK$0.10 each:		
At 1 April 2014 and 31 March 2015	4,500,000,000	450,000
Effect of cancellation and reclassification (Note (i))	100,000,000	10,000
At 31 March 2016	4,600,000,000	460,000
Convertible preference shares of HK$0.10 each:		
At 1 April 2014 and 31 March 2015	500,000,000	50,000
Effect of cancellation and reclassification (Note (i))	(100,000,000)	(10,000)
At 31 March 2016	400,000,000	40,000
Issued and fully paid:		
Ordinary shares of HK$0.10 each:		
At 1 April 2014	1,072,065,600	107,207
Exercise of share options (Note (ii))	3,431,785	343
Conversion of convertible bonds (Note (iii))	167,100,000	16,710
Conversion of convertible preference shares (Note (iv))	112,000,000	11,200
At 31 March 2015	1,354,597,385	135,460
Exercise of share options (Note (ii))	1,328,215	133
Issue of shares on placing (Note (v))	65,000,000	6,500
Issue of shares on acquisition of additional equity interests in subsidiaries (Note 34)	100,000,000	10,000
At 31 March 2016	1,520,925,600	152,093

29. SHARE CAPITAL *(continued)*

Notes:

(i) Pursuant to a resolution passed in a special general meeting on 18 December 2015, the 500,000,000 authorised but unissued convertible preference shares of HK$0.1 each were cancelled, and reclassified into (i) 100,000,000 ordinary shares of HK$0.1 each; (ii) 200,000,000 class A convertible preference shares of HK$0.1 each with a notional value of HK$2.45 each; and (iii) 200,000,000 class B convertible preference shares of HK$0.1 each with a notional value of HK$2.45 each.

(ii) During the year ended 31 March 2016, options were exercised to subscribe for 1,328,215 (2015: 3,431,785) ordinary shares of the Company at a total consideration of approximately HK$1,488,000 (2015: HK$3,844,000) of which HK$133,000 (2015: HK$343,000) was credited to share capital and HK$1,355,000 (2015: HK$3,501,000) was credited to the share premium account. An amount of HK$261,000 (2015: HK$676,000) was transferred from share option reserve to the share premium account.

(iii) As set out in Note 28, during the year ended 31 March 2015, the Company's Convertible Bonds 1 with principal value of HK$250,650,000 were converted into 167,100,000 ordinary shares of the Company at the conversion prices of HK$1.5 per share. HK$129,135,000 was released from liability component of the Convertible Bonds 1, of which HK$16,710,000 was credited to share capital and HK$112,425,000 was credited to share premium account. An amount of HK$117,966,000 was transferred from convertible bonds equity reserve to share premium account.

(iv) As set out in Note 30, during the year ended 31 March 2015, the Company's convertible preference shares with principal value of HK$168,000,000 were converted into 112,000,000 ordinary shares of the Company at a fixed conversion price of HK$1.5 per ordinary share. HK$116,004,000 was released from convertible preference shares reserve, of which HK$11,200,000 was credited to share capital and HK$104,804,000 was credited to share premium account.

(v) During the year ended 31 March 2016, an aggregate number of 65,000,000 new ordinary shares of par value of HK$0.1 each were placed at a placing price of HK$1.55 per share to the then independent third parties of the Company at aggregate proceeds of HK$98,734,000, net of issuing expenses, of which HK$6,500,000 was credited to share capital and the remaining balance of HK$92,234,000 was credited to the share premium account.

30. CONVERTIBLE PREFERENCE SHARES

Convertible preference shares issued in prior years

In prior years, the Company issued 240,000,000 convertible preference shares at a total nominal value of HK$360,000,000 as part of the consideration for the business combinations. The conversion price of the convertible preference shares is fixed at HK$1.5 per ordinary share and can be converted into ordinary shares without a maturity date. Neither the Company nor the holder of the convertible preference shares shall have any right to redeem the convertible preference shares, other than for the purpose of conversion of the convertible preference shares pursuant to the terms thereof. The convertible preference shares shall at all times rank (a) in priority to the ordinary shares of the Company and any other shares of the Company as to return of capital; and (b) pari passu with ordinary shares of the Company in issue as to dividends. The gross fair value of the convertible preference shares, at the initial recognition, was HK$249,084,000. An amount of HK$248,579,000, net of professional issue expenses of HK$505,000, was credited to the convertible preference shares reserve.

During the prior year, the holders of convertible preference shares converted 112,000,000 convertible preference shares at a total nominal value of HK$168,000,000 into 112,000,000 ordinary shares of the Company, and the convertible preference shares were fully converted as of 31 March 2015.

30. CONVERTIBLE PREFERENCE SHARES *(continued)*

Convertible preference shares issued in the current year

During the current year, new convertible preference shares were issued or issuable as part of the consideration for the business combinations, details of which are set out in Note 36.

During the current year, no new convertible preference share has been converted.

31. RESERVES OF THE COMPANY

	Share premium HK$'000	Contributed surplus HK$'000	Convertible preference shares reserve HK$'000	Convertible bonds equity reserve HK$'000	Share option reserve HK$'000	Other reserve HK$'000	Retained profits HK$'000	Proposed final dividend HK$'000	Total HK$'000
At 1 April 2014	700,720	30,748	116,004	117,966	5,554	–	37,300	35,522	1,043,814
Profit and other comprehensive income for the year	–	–	–	–	–	–	78,771	–	78,771
Conversion of convertible preference shares	104,804	–	(116,004)	–	–	–	–	–	(11,200)
Conversion of convertible bonds	230,391	–	–	(117,966)	–	–	–	–	112,425
Exercise of share options	4,177	–	–	–	(676)	–	–	–	3,501
Dividends paid/declared	–	–	–	–	–	–	(13,546)	(35,522)	(49,068)
Proposed final dividend 2015	–	–	–	–	–	–	(14,208)	14,208	–
At 31 March 2015	1,040,092	30,748	–	–	4,878	–	88,317	14,208	1,178,243
Loss and other comprehensive income for the year	–	–	–	–	–	–	(20,862)	–	(20,862)
Issue of convertible preference shares	–	–	85,492	–	–	–	–	–	85,492
Contingently issuable convertible preference shares	–	–	–	–	–	357,783	–	–	357,783
Issue of shares	239,234	–	–	–	–	–	–	–	239,234
Recognition of equity-settled share-based payment	–	–	–	–	8,836	–	–	–	8,836
Exercise of share options	1,616	–	–	–	(261)	–	–	–	1,355
Dividends paid/declared	–	–	–	–	–	–	–	(14,208)	(14,208)
Proposed final dividend 2016	–	–	–	–	–	–	(15,211)	15,211	–
At 31 March 2016	1,280,942	30,748	85,492	–	13,453	357,783	52,244	15,211	1,835,873

The contributed surplus of the Company represents the difference between the consolidated shareholders' funds of the subsidiaries acquired and the nominal value of the Company's shares issued for the acquisition at the time of a previous group reorganisation less amounts utilised on bonus issue of shares plus the credit arising from the capital reduction in prior years.

32. LEASES

Finance leases

Future lease payments are due as follows:

	Minimum lease payments 2016 HK$'000	Future interest 2016 HK$'000	Present value 2016 HK$'000
Not later than one year	**45,832**	**5,785**	**40,047**
Later than one year and not later than five years	**27,043**	**1,849**	**25,194**
	72,875	**7,634**	**65,241**

	Minimum lease payments 2015 HK$'000	Future interest 2015 HK$'000	Present value 2015 HK$'000
Not later than one year	72,785	12,367	60,418
Later than one year and not later than five years	12,500	2,415	10,085
	85,285	14,782	70,503

The present value of future lease payments are analysed as:

	2016 HK$'000	2015 HK$'000
Current liabilities	**40,047**	60,418
Non-current liabilities	**25,194**	10,085
	65,241	70,503

32. LEASES *(continued)*

Operating leases — lessee

The Group paid minimum lease payments of HK$3,598,000 (2015: HK$1,526,000) and HK$18,025,000 (2015: HK$19,672,000) under operating leases in respect of rented premises and a road in Indonesia for mining operation, respectively.

At the end of the reporting period, the Group has commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises and the road which will fall due as follows:

	2016 HK$'000	2015 HK$'000
Within one year	**22,889**	22,089
In the second to fifth years inclusive	**77,598**	85,417
After five years	**28,755**	53,361
	129,242	160,867

Operating lease payments represent rentals payable by the Group for its certain office premises and a road for mining operation in Indonesia. Leases of office premises are negotiated for an average term of 1 to 2 years with fixed rentals. Lease of the road in Indonesia is negotiated for a term of 10 years. The yearly rentals are fixed for a 10-year period.

In prior year, the Group entered into time charter agreements with independent third parties to charter certain vessels for the Group's shipping operations. Leases of time charter of vessels were negotiated for a term of 1 year with their rentals committed based on weight of products transported.

Operating lease — lessor

As the end of the reporting period, the Group has future minimum lease receivables under non-cancellable operating leases in respect of its vessels for provision of floating storage services and time charter income which fall due as follows:

	2016 HK$'000	2015 HK$'000
Within one year	**172,189**	44,474
In the second to fifth years inclusive	**155,435**	–
	327,624	44,474

Leases are negotiated for a term of 1 to 5 years.

33. SHARE-BASED PAYMENT TRANSACTIONS

The Company's share option scheme adopted since 28 August 2002 (the "Old Scheme") was expired on 27 August 2012. At the end of the reporting period, 23,490,000 share options under the Old Scheme were outstanding.

On 10 October 2012, the Company adopted a new share option scheme (the "New Scheme") for the primary purpose to attract, retain and motivate talented employees, executive and non-executive directors and consultants of the Company or any subsidiaries or associated companies or such persons who from time to time are determined by the board of directors (the "Board") at its discretion as having contributed to the Group based on his/her performance and/or years of services, or it regarded as valuable resources and other relevant factors (the "Participants"), to strive for future developments and expansion of the Group. The New Scheme will expire on 9 October 2022.

Under the New Scheme, the Board of the Company may grant options to the Participants to subscribe for shares in the Company at a price equal to the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the offer date, which must be a trading day; (ii) a price being the average of the closing prices of shares as stated in the Stock Exchange's daily quotation sheet for the five trading days immediately preceding the date of the offer date; and (iii) the nominal value of a share, subject to a maximum of 142,092,560 shares, representing approximately 10% of the issued share capital of the Company, as at the date of the approval of the refreshment of New Scheme mandate limit on 31 August 2015.

The total number of shares which may be issued and to be issued upon exercise of all exercised and/or outstanding options granted to each of the Participants shall not in aggregate exceed 1% of the relevant class of securities of the Company in issue in any 12-month periods.

All options granted shall be accepted within 21 days and have taken effect when the duplicate letter comprising acceptance of the options signed by the grantee together with a remittance in favour of the Company of HK$1.00 by way of consideration for the grant thereof is received by the Company.

33. SHARE-BASED PAYMENT TRANSACTIONS *(continued)*

The following table discloses movements during both years in the Company's share option scheme:

Category	Date of grant	Exercisable period	Exercise price per share (HK$)	Number of share options At 1/4/2014	Exercised	Transferred	At 31/3/2015	Granted	Exercised	At 31/3/2016
1. Directors										
Mr. Ng Xinwei	30/8/2010	30/8/2010 to 29/8/2020	1.120	2,750,000	–	–	2,750,000	–	–	2,750,000
Ms. Lim Beng Kim, Lulu	30/8/2010	30/8/2010 to 29/8/2020	1.120	1,500,000	–	–	1,500,000	–	–	1,500,000
Mr. Shiu Shu Ming	30/8/2010	30/8/2010 to 29/8/2020	1.120	2,750,000	–	–	2,750,000	–	–	2,750,000*
Mr. Wong Man Hung, Patrick	6/7/2015	6/7/2015 to 5/7/2025	1.724	–	–	–	–	10,000,000	–	10,000,000
				7,000,000	–	–	7,000,000	10,000,000	–	17,000,000
2. Associate of shareholder										
Ms. Lim Chek Hwee	30/8/2010	30/8/2010 to 29/8/2020	1.120	3,000,000	–	–	3,000,000	–	–	3,000,000
3. Employees in aggregate	30/8/2010	30/8/2010 to 29/8/2020	1.120	1,500,000	(481,785)	850,000	1,868,215	–	(1,328,215)	540,000
4. Consultants in aggregate	30/8/2010	30/8/2010 to 29/8/2020	1.120	15,750,000	(2,450,000)	(850,000)	12,450,000	–	–	12,450,000
	18/3/2011	18/3/2011 to 17/3/2021	1.122	1,000,000	(500,000)	–	500,000	–	–	500,000
				16,750,000	(2,950,000)	(850,000)	12,950,000	–	–	12,950,000
				28,250,000	(3,431,785)	–	24,818,215	10,000,000	(1,328,215)	33,490,000

* The share options were granted to the grantee as an employee instead of a director at the date of grant.

The exercise price of share options outstanding at the end of the year ranged from HK$1.12 to HK$1.724 (2015: HK$1.12 to HK$1.122) and their weighted average remaining contractual life was 5.87 years (2015: 5.44 years).

Of the total number of share options outstanding at the end of the year, 33,490,000 (2015: 24,818,215) had vested and were exercisable at the end of the year.

During the year, 1,328,215 (2015: 3,431,785) share options were exercised.

33. SHARE-BASED PAYMENT TRANSACTIONS *(continued)*

In respect of the share options exercised in current year, the average market share price at the dates of exercise was HK$1.64 (2015: HK$1.81).

During the year, 10,000,000 share options were granted to a director of the Company under the New Scheme (2015: Nil). The fair value of share options granted during the year was HK$8,836,000, which was recognised in profit or loss.

The fair value of equity-settled share options granted during the year was estimated as at the date of grant using Binomial Tree Approach, taking into account the terms and conditions upon which the options were granted. The inputs into the model are as follows:

	2016
Grant date	6 July 2015
Grant date share price	HK$1.650
Exercise price	HK$1.724
Contractual life of option	10 years
Expected volatility	70.32%
Expected dividend yield	1.52%
Risk-free interest rate	1.775%

The volatility assumption, measured at the standard deviation of expected share price returns, is based on a statistical analysis of daily share prices over the last ten years.

The Group did not enter into any share-based payment transactions with parties other than directors or employees during the current and prior years.

34. INVESTMENTS IN SUBSIDIARIES

The following list contains only the particulars of the principal subsidiaries as at 31 March 2016 which principally affect the results, assets or liabilities of the Group as the directors are of the opinion that a full list of all the subsidiaries would be of excessive length.

Name of subsidiary	Place of incorporation or registration/ operations	Issued and fully paid share capital/ registered capital	Proportion of effective equity interests held by the Group		Principal activities
			2016	2015	
Newtone Management Limited*	Hong Kong	HK$1	**100%**	100%	Provision of administrative services
Sea Oriental Line Pte. Ltd.	Singapore	US$16,000,000 and Singapore dollars ("SGD") 3,600,000	**100%**	100%	Provision of shipping freight management services
Sea Equatorial Limited	The Marshall Islands	US$1	**100%**	100%	Provision of floating storage services
Sea Horizon Line Limited	The Marshall Islands	US$1	**100%**	–	Provision of floating storage services
PT Andhika Samudra Internusa#	Indonesia	IDR16,200,000,000	**49%**	–	Provision of shipping freight management services
Agritrade Resources Asia Pte Ltd.	Singapore	US$3,000,000 and SGD100	**100%**	100%	Coal sales and marketing
PT Megastar Indonesia	Indonesia	IDR45,000,000,000	**95%**	95%	Provision of logistics services
PT Senamas Energindo Mineral ("PT SEM")	Indonesia	IDR1,250,000,000	**65% (Note)**	57%	Mining and trading
PT Merge Energy Sources Development	Indonesia	IDR92,800,000,000	**51%**	–	Mining and trading
PT Merge Mining Industri	Indonesia	IDR18,110,000,000	**51%**	–	Mining and trading
PT Merge Continental Mining	Indonesia	IDR18,110,000,000	**51%**	–	Mining and trading

* directly held by the Company

\# the Group has over 50% of voting rights of this company

None of the subsidiaries has issued any debt securities at 31 March 2015 and 2016.

Note:

During the year ended 31 March 2016, the Group acquired a further 8% equity interest in PTRI, increasing its effective interest in PT SEM from 57% to 65% by acquiring the non-controlling interest for a consideration of nominal amount of HK$180,000,000 which was satisfied by the issue of 100,000,000 ordinary shares of the Company at fair value of HK$157,000,000, of which HK$10,000,000 was credited to share capital and HK$147,000,000 was credited to share premium account. The difference of approximately HK$57,501,000 between the proportionate share of the carrying amount of its net assets and the consideration paid for the additional interest was charged to other reserve.

35. NON-CONTROLLING INTERESTS

PTRI, a company incorporated and operated in Indonesia, is a 68%-owned (2015: 60%-owned) subsidiary of the Company and it owns 95% equity interest in PT SEM. In addition, during the year, the Group acquired 51% of the equity interest of MMHL, a company incorporated in the Cayman Islands. MMHL and its subsidiaries are collectively referred to as the Merge Group. As at 31 March 2016, the Group has material non-controlling interests ("NCI") which mainly represent (i) effective 32% (2015: 40%) ownership interest in PTRI and 35% (2015: 43%) proportional ownership interest in PT SEM; and (ii) 49% ownership interest in the Merge Group. The NCIs of all other subsidiaries that are not 100%-owned by the Group are considered to be immaterial.

Summarised financial information in relation to sub-group of PTRI and the Merge Group is presented below:

	PTRI and PT SEM		The Merge Group
	2016 HK$'000	2015 HK$'000	**2016 HK$'000**
For the year ended 31 March			
Revenue	**711,913**	881,271	**–**
Profit/(loss) for the year	**39,754**	77,785	**(42,952)**
Total comprehensive income	**42,912**	78,043	**(35,087)**
Profit/(loss) allocated to NCI	**14,702**	33,448	**(21,046)**
Dividends paid to NCI	**(27,122)**	–	**–**
For the year ended 31 March			
Cash flows (used in)/generated from operating activities	**(69,435)**	305,133	**83,949**
Cash flows used in investing activities	**(24,241)**	(169,719)	**(16,122)**
Cash flows (used in)/generated from financing activities	**(2,215)**	2,170	**–**
Net cash (outflows)/inflows	**(95,891)**	137,584	**67,827**

	2016 HK$'000	2015 HK$'000	**2016 HK$'000**
As at 31 March			
Current assets	**610,538**	559,868	**114,358**
Non-current assets	**2,741,266**	2,815,466	**2,660,204**
Current liabilities	**(492,787)**	(640,438)	**(59,381)**
Non-current liabilities	**(724,388)**	(652,779)	**(580,690)**
Net assets	**2,134,629**	2,082,117	**2,134,491**
Accumulated NCI	**786,895**	905,128	**1,046,554**

36. BUSINESS COMBINATION

During the year, the Group acquired 51% of the equity interest of MMHL, a company whose principal activity is investment holding. The Merge Group is principally engaged in mining activities in Indonesia. The acquisition was made with the aims to expand the Group's existing scale of operation and enlarge the Group's market presence.

The fair values of identifiable assets and liabilities of the Merge Group as at the date of acquisition were:

	Carrying amount HK$'000	Fair value adjustment HK$'000	Fair value HK$'000
Property, plant and equipment	2,506,169	130,054	2,636,223
Prepaid lease payments	4,392	–	4,392
Exploration and evaluation assets	5,154	–	5,154
Other receivables, deposits and prepayments	283,547	–	283,547
Bank balances and cash	1,657	–	1,657
Other payables, accruals and deposits received	(171,507)	–	(171,507)
Deferred tax	(548,177)	(32,513)	(580,690)
Total identifiable net assets	2,081,235		2,178,776
Non-controlling interests			(1,067,600)
Gain on bargain purchase			(358,301)
Consideration			752,875
Satisfied by:			
Cash			232,200
Convertible preference shares			85,492
Contingent consideration			435,183
Consideration			752,875

Notes:

(1) Pursuant to the acquisition and subscription agreement, the acquisition involved an aggregate nominal consideration of US$153 million (equivalent to approximately HK$1,184 million), comprising an initial nominal consideration of US$50 million and a conditional nominal consideration of US$103 million (the "Contingent Consideration").

The initial consideration shall be payable and settled by the Company on the completion of the acquisition in the following manner:

(a) US$30 million (equivalent to approximately HK$232 million) to MMHL in cash or through a combination of cash and by way of set off against the same dollar value of some or all of the principal, interest and any other amounts outstanding from the Merge Group to the Group; and

(b) US$20 million (equivalent to approximately HK$155 million) being settled by 63,265,306 class A convertible preference shares (the "Class A Convertible Preference Shares") issued by the Company to the vendor, with fair value of HK$85,492,000 as at the date of completion.

36. BUSINESS COMBINATION *(continued)*

Notes: *(continued)*

(1) *(Continued)*

After the completion of the acquisition, the Contingent Consideration is conditional, which shall be payable and settled by the Company in the following manner to the vendor upon the fulfilment of the conditions mainly including that (i) Ministry of Energy and Mineral Resources of the Republic of Indonesia re-issued a mining business licence under the relevant mining law enacted in the Republic of Indonesia to an entity within the Merge Group; and (ii) an entity within the Merge Group has commenced commercial production of run-of-mine coal:

(a) US$10 million (equivalent to approximately HK$77 million) to vendor in cash;

(b) US$36.5 million (equivalent to approximately HK$283 million) being settled by 115,459,184 Class A Convertible Preference Shares to be issued by the Company, with fair value of HK$140,420,000 as at the date of completion; and

(c) US$56.5 million (equivalent to approximately HK$437 million) being settled by 178,724,490 class B convertible preference shares (the "Class B Convertible Preference Shares") to be issued by the Company, with fair value of HK$217,363,000 as at the date of completion.

At the date of completion of the acquisition, among the contingent considerations, the amount of HK$77,400,000 payable in cash was included in the Group's other payables and the fair value of the above Class A Convertible Preference Shares and Class B Convertible Preference Shares in the aggregate amount of HK$357,783,000 was included in other reserve.

(2) Both Class A Convertible Preference Shares and Class B Convertible Preference Shares (collectively the "CPSs"), with the aggregate fair value of HK$443,275,000 as at the date of completion, are accounted for as equity instruments of the Company.

Holders of Class A Convertible Preference Shares may convert the convertible preference shares into ordinary shares of the Company at HK$2.45 per share at any time within 2 years after a notice has been served by the Company to the holders that the Merge Group achieved sustainable production of 3 million tonnes of annualised production after the completion of the acquisition.

Holders of Class B Convertible Preference Shares may convert the convertible preference shares into ordinary shares of the Company at HK$2.45 per share at any time within 2 years after a notice has been served by the Company to the holders that (i) the Merge Group achieved sustainable production of 3 million tonnes of annualised production after the completion of the acquisition; and (ii) the mining business license for coal mining held by an entity within the Merge Group has been added to the "Clean and Clear List" maintained by the Indonesian Ministry of Energy and Mineral Resources.

The CPSs have no dividend entitlement until converted into conversion shares. Class A Convertible Preference Shares rank pari passu to Class B Convertible Preference Shares. The CPSs rank pari passu to the ordinary shares of the Company as to return of capital. The CPSs are not transferrable until converted to ordinary shares of the Company and subject to applicable law, the holders of the CPSs shall have no right to redeem the CPSs.

(3) The fair value of other receivables, deposits and prepayments approximated the gross carrying amount of these amounts as disclosed above. None of these receivables have been impaired and it is expected that the full contractual amounts can be collected.

(4) In order to attract the Group to acquire the interest in the Merge Group with an aim to obtaining sufficient working capital to commence mining activities, the purchase price was determined based on a discounted price, resulting in a gain on bargain purchase.

(5) Since the date of acquisition, the Merge Group has contributed HK$Nil and loss of HK$42,952,000 to Group's revenue and results, respectively. If the acquisition had occurred on 1 April 2015, the Group's revenue and profit would have been HK$1,152,468,000 and HK$451,426,000 respectively. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2015, nor is it intended to be a projection of future performance.

(6) The acquisition-related costs of HK$34,863,000 have been expensed and are included in administrative expenses.

37. RELATED PARTY TRANSACTIONS

Save for those disclosed elsewhere in these financial statements, details of transactions between the Group and other related parties are disclosed below.

(a) During the year, the Group entered into the following transactions with related parties:

	2016 HK$'000	2015 HK$'000
Sales to a shareholder of the Company	**129,070**	95,536
Production fee paid to a non-controlling owner of a subsidiary	**8,179**	9,650

(b) Amounts with related parties are summarised below:

	2016 HK$'000	Maximum amount outstanding during the year HK$'000	2015 HK$'000
(i) Amounts due from:			
— Related company with common director	**497**	497	–
— Related company controlled by shareholder of the Company	**38**	38	–
— Related company of a non-controlling owner of a subsidiary	**48,047**	50,800	50,800
— Shareholder of the Company	**100,596**	100,596	22,246
Amounts included in current assets	**149,178**		73,046
(ii) Amounts due to:			
— Non-controlling owner of a subsidiary and its related companies	**1,070**		1,087
Amounts included in current liabilities	**1,070**		1,087

The balances with the above related parties are unsecured, interest-free and repayable on demand or within one year after the end of the reporting period.

(c) During the year ended 31 March 2016, certain wholly-owned subsidiaries were disposed of to ultimate holding company, a related company and a director of the Company at an aggregate amount of HK$124,000, which approximated the aggregate fair value of the net assets of the subsidiaries.

37. RELATED PARTY TRANSACTIONS *(continued)*

(d) On 23 June 2011, the Group entered into an agreement with PT Total Sinergy International ("TSI"), which was beneficially 25.5%-owned by a shareholder of the Company, in relation to construction of a plant of the Group (i.e. GEO-COAL Plant) with the coal upgrading technology namely GEO-COAL Technology which is developed and owned by TSI, pursuant to which the Group has agreed a series of co-operation with TSI in the GEO-COAL Technology which includes: (i) appointing TSI to manage the design, building and installation of the GEO-COAL Plant; (ii) operation and maintenance of the GEO-COAL Plant by utilising the GEO-COAL Technology; (iii) granting licenses of the GEO-COAL Technology to the Group by TSI; and (iv) granting the Group the pre-emptive right to distribute the GEO-COAL Technology in the PRC by TSI.

Pursuant to the agreement, TSI is appointed by the Group as the project manager to design, build and install the GEO-COAL Plant to apply the GEO-COAL Technology.

Upon the commencement of production after the completion of the building, installation, trail running of the GEO-COAL Plant, the Group would appoint TSI to provide operating and maintaining services for the GEO-COAL Plant for an initial period of three years, by charging an operating and maintenance fee at US$4 per tonne of the processed coal. The engagement of TSI in providing the operating and maintaining services is subject to completion of the GEO-COAL Plant and the acceptance of the delivery of the GEO-COAL Plant from TSI by the Group.

To facilitate the production of the GEO-COAL Plant and the future development of the Group by adopting the GEO-COAL Technology, TSI agreed to grant the Group a non-exclusive and non-transferable licence to use, apply and exploit the GEO-COAL Technology. TSI will charge the Group a royalty amounting US$4 per tonne on the processed coal, and the Group will undertake the annual royalty of the GEO-COAL Plant shall not be less than US$1,000,000. TSI further grants the Group the extended licences to apply and adopt the GEO-COAL Technology to upgrade low rank coal in other coal mines directly or indirectly owned or operated by the Group. Detailed commercial terms of the extended licences would be subject to the agreement of TSI and the Group.

To facilitate the promotion of the GEO-COAL Technology, TSI grants the Group the pre-emptive right of distributing, applying and exploiting the GEO-COAL Technology in the PRC. Further terms relating to the distribution and licensing operations of the GEO-COAL Technology in the PRC would be subject to the agreement of TSI and the Group.

Further details are set out in the Company's announcements dated 7 April 2011 and 23 June 2011.

The construction of the GEO-COAL Plant was completed during the prior year and the GEO-COAL Plant has been disposed of to a related company with common shareholder at a consideration of HK$38,050,000 during the current year.

(e) Members of key management during the year comprised only the directors whose remuneration is set out in Note 11.

38. COMMITMENTS

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

39. FINANCIAL RISK MANAGEMENT

The Group's major financial instruments include trade and other receivables, bank balances and cash, trade and other payables, secured bank borrowings and obligation under finance leases. Details of the financial instruments are disclosed in respective notes. The risks associated with certain of these financial instruments include market risk (interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. The Group's overall strategy remains unchanged from prior year.

Market risk

Interest rate risk

The Group is mainly exposed to cash flow interest rate risk in relation to certain of its floating-rate bank balances and bank borrowings. The Group is also exposed to fair value interest rate risk related to its fixed-rate bank deposits and bank borrowings. The Group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise. No sensitivity analysis was performed as the directors of the Company consider the effect of fluctuation of interest rate is not significant.

Other price risk

The Group is exposed to price risk because of coal future contracts held by the Group and classified on the consolidated statement of financial position as financial liabilities at fair value through profit or loss. The directors of the Company consider the amount is insignificant and accordingly, no sensitivity analysis was performed.

Credit risk

In order to manage the credit risk, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Other than the concentration of credit risk by geographical location, which is mainly in Indonesia and accounted for approximately 90% of total trade receivables as at 31 March 2015 and 2016, the Group has no significant concentration of credit risk on trade receivables, with exposure spread over a number of counterparties and customers.

39. FINANCIAL RISK MANAGEMENT *(continued)*

Liquidity risk

In management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of the financial instruments based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total contractual undiscounted cash flows	Carrying amount
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2016						
Trade payables	**78,312**	**–**	**–**	**–**	**78,312**	**78,312**
Other payables and accruals	**273,500**	**–**	**–**	**–**	**273,500**	**273,500**
Secured bank borrowings	**255,774**	**121,288**	**293,168**	**23,436**	**693,666**	**649,048**
Amounts due to related parties	**1,070**	**–**	**–**	**–**	**1,070**	**1,070**
Obligation under finance leases	**45,832**	**20,469**	**6,574**	**–**	**72,875**	**65,241**
Convertible bonds	**9,056**	**9,276**	**125,052**	**–**	**143,384**	**113,133**
	663,544	**151,033**	**424,794**	**23,436**	**1,262,807**	**1,180,304**
2015						
Trade payables	201,115	–	–	–	201,115	201,115
Other payables and accruals	162,155	–	–	–	162,155	162,155
Secured bank borrowings	208,004	32,469	132,762	–	373,235	347,184
Amounts due to related parties	1,087	–	–	–	1,087	1,087
Obligation under finance leases	72,785	12,500	–	–	85,285	70,503
	645,146	44,969	132,762	–	822,877	782,044

39. FINANCIAL RISK MANAGEMENT *(continued)*

Currency risk

The Group is exposed to currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to the risk are primarily SGD and IDR. As at 31 March 2016, the Group had forward currency contracts on IDR with a fair value of HK$988,000, recognised as derivative financial instruments. The Group currently does not have a hedging policy for SGD. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the US$ exchange rate, with all other variables held constant, of the Group's profit before income tax (due to changes in the fair value of monetary assets and liabilities).

	Increase/ (decrease) in profit before income tax HK$'000
2016	
If the IDR strengthens/(weakens) against US$ by 5%	**2,145**
If the SGD strengthens/(weakens) against US$ by 5%	**19**
2015	
If the IDR strengthens/(weakens) against US$ by 5%	1,575
If the SGD strengthens/(weakens) against US$ by 5%	1,225

Fair value

(a) Financial instruments not measured at fair value

Financial instruments not measured at fair value include bank balances and cash, trade receivables, other receivables, deposits and prepayments, trade payables, other payables, accruals and deposits received (excluding contingent consideration payable), secured bank borrowings, amounts due with related parties, obligation under finance leases and liability component of convertible bonds.

The carrying value of these financial instruments approximates fair value.

(b) Financial instruments measured at fair value

The fair value of financial assets and liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.

The valuation techniques and significant unobservable inputs used in determining the fair value measurement of Level 2 and Level 3 financial instruments, as well as the relationship between key observable inputs and fair value are set out below.

39. FINANCIAL RISK MANAGEMENT *(continued)*

Fair value *(continued)*

(b) *Financial instruments measured at fair value* *(continued)*

Information about Level 2 fair value measurements

The fair value of the conversion option component of convertible bonds is measured using the binomial tree approach.

The fair value of forward currency contracts is determined based on the forward exchange rate at the reporting date.

The fair value of coal future contracts is determined based on forward coal price at the reporting date.

Information about Level 3 fair value measurements

The fair value of contingent consideration payable is estimated using a discounted cash flow method.

The contingent consideration arrangement requires the Group to pay US$10 million in cash to the vendor after the fulfilment of certain conditions as detailed in Note 36. The key unobservable valuation input is the fulfilment of the conditions within twelve months after the end of reporting period.

An increase in the time of fulfilment would result in a decrease in the fair value of the contingent consideration payable.

The following table provides an analysis of financial instruments carried at fair value by level of fair value hierarchy:

As at 31 March 2016

	Level 2 HK$'000	**Level 3** HK$'000	**Total** HK$'000
Financial assets/(liabilities):			
Financial liabilities at fair value through profit or loss			
— Contingent consideration payable	–	(77,400)	(77,400)
Derivative financial instruments			
— Conversion option component of convertible bonds	(14,380)	–	(14,380)
— Forward currency contracts	988	–	988
— Coal future contracts	(195)	–	(195)
	(13,587)	(77,400)	(90,987)

As at 31 March 2016, the Group has no financial instrument carried at fair value under Level 1 hierarchy.

There was no transfer between levels during the year.

40. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balances. The Group's overall strategy remains unchanged from prior year.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by total capital. Total borrowings include current and non-current borrowings as shown in the consolidated statement of financial position (the "Borrowings"), including secured bank borrowings, amounts due to related parties, obligation under finance leases, derivative financial liabilities and convertible bonds. Total capital is calculated as "Equity attributable to owners of the Company", as shown in the consolidated statement of financial position, plus "Borrowings". The gearing ratios of the Group at 31 March 2015 and 2016 are as follows:

	2016 **HK$'000**	2015 HK$'000
Total borrowings	**843,067**	418,774
Equity attributable to owners of the Company	**2,695,642**	1,600,189
Total capital	**3,538,709**	2,018,963
Gearing ratio	**24%**	21%

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares to reduce debts.

The Group has no plan to use special measures to adjust its gearing ratio in the foreseeable future.

41. CONTINGENT LIABILITIES

There is no significant contingent liability of the Group as at 31 March 2015 and 2016.

42. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

	2016 HK$'000	2015 HK$'000
Financial assets		
Fair value through profit or loss		
— Derivative financial assets	988	–
Loans and receivables (including bank balances and cash), at amortised cost	962,014	834,410
Financial liabilities		
Fair value through profit or loss		
— Derivative financial liabilities	14,575	–
— Contingent consideration payable	77,400	–
Financial liabilities, at amortised cost	1,102,904	782,044

FINANCIAL SUMMARY

RESULTS

The consolidated results, assets and liabilities of the Group for the last five financial years as extracted from the audited financial statements of the Group and restated as appropriate are summarised below:

	2012 HK$'000	2013 HK$'000	2014 HK$'000	2015 HK$'000	**2016 HK$'000**
Revenue					
— continuing operation	427,225	700,891	961,316	1,234,468	**1,152,468**
— discontinued operation	109,074	125,251	–	–	**–**
	536,299	826,142	961,316	1,234,468	**1,152,468**
Profit/(loss) before income tax					
— continuing operation	44,035	127,149	152,571	212,815	**509,207**
— discontinued operation	(21,365)	659	–	–	**–**
	22,670	127,808	152,571	212,815	**509,207**
Income tax credit/(expense)					
— continuing operation	(20,812)	(38,982)	(31,853)	(31,956)	**(43,594)**
— discontinued operation	305	–	–	–	**–**
	(20,507)	(38,982)	(31,853)	(31,956)	**(43,594)**
Profit/(loss)for the year					
— continuing operation	23,223	88,167	120,718	180,859	**465,613**
— discontinued operation	(21,060)	659	–	–	**–**
	2,163	88,826	120,718	180,859	**465,613**
Attributable to:					
Owners of the Company	(17,624)	53,470	115,194	146,858	**470,782**
Non-controlling interests	19,787	35,356	5,524	34,001	**(5,169)**
	2,163	88,826	120,718	180,859	**465,613**

FINANCIAL SUMMARY

ASSETS AND LIABILITIES

	2012 HK$'000	2013 HK$'000	2014 HK$'000	2015 HK$'000	**2016** **HK$'000**
Total assets	2,968,998	3,225,349	3,676,438	4,029,154	**7,092,104**
Total liabilities	(1,136,468)	(1,303,143)	(1,430,874)	(1,522,357)	**(2,554,044)**
	1,832,530	1,922,206	2,245,564	2,506,797	**4,538,060**
Attributable to:					
Owners of the Company	1,000,460	1,054,903	1,373,068	1,600,189	**2,695,642**
Non-controlling interests	832,070	867,303	872,496	906,608	**1,842,418**
	1,832,530	1,922,206	2,245,564	2,506,797	**4,538,060**