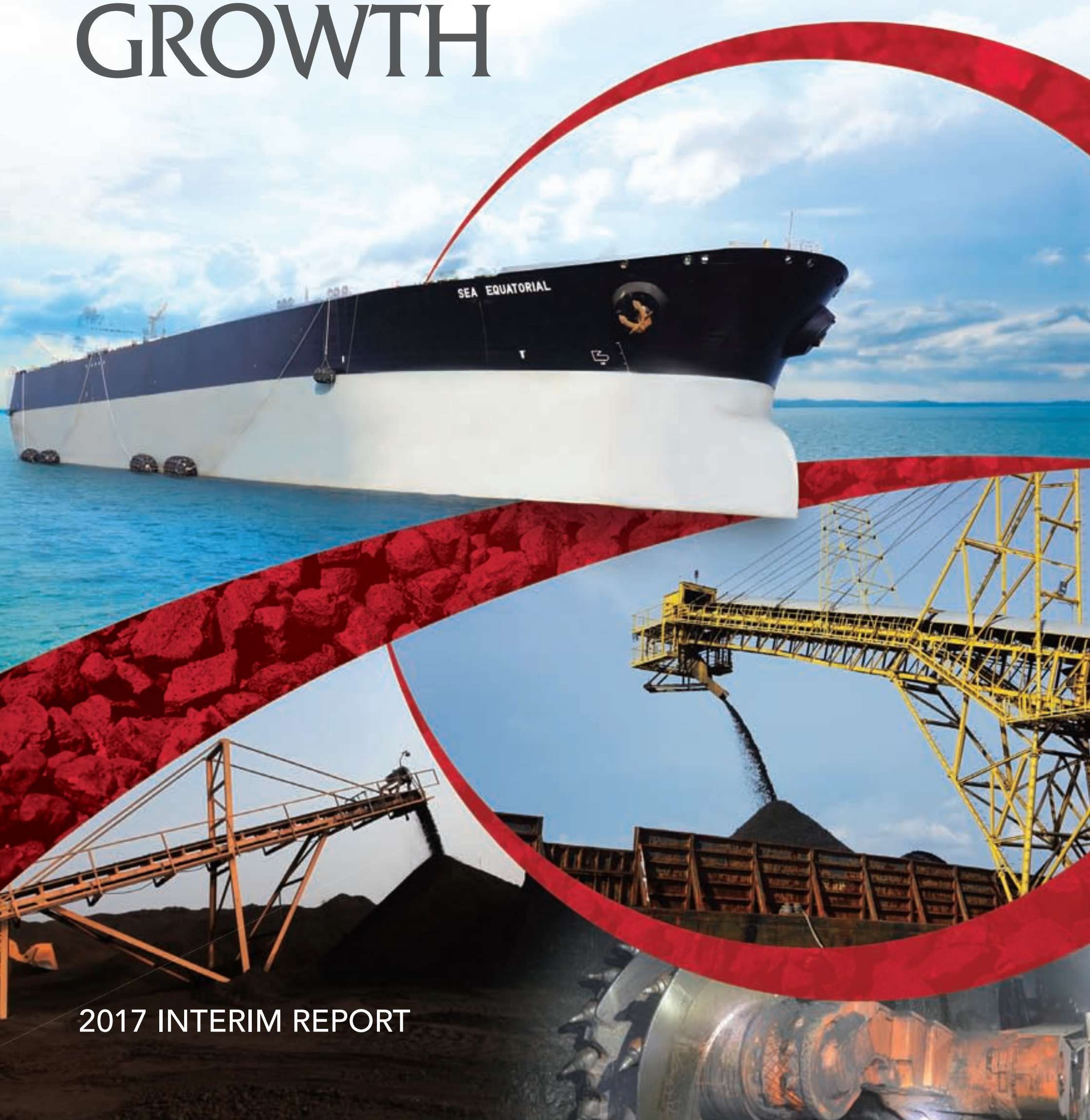
鴻寶資源有限公司

AGRITRADE RESOURCES LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 1131.H.K.)

DELIVERING GROWTH



2017 INTERIM REPORT

Contents

BUSINESS REVIEW

For the six months ended 30 September 2017 (the "**Review Period**"), Agritrade Resources Limited (the "**Company**") and its subsidiaries (collectively the "**Group**") have primarily three (2016: two) business segments, namely the mining business segment, the shipping business segment and the energy business segment.

MINING BUSINESS

The mining business segment of the Group is principally engaged in the production, processing, transportation, sales, marketing and trading of coal. During the Review Period, the Group owned two Indonesian coal mines, namely PT Senamas Energindo Mineral ("**SEM**") mine (the "**SEM Mine**") and Rantau Nangka underground coal mine (the "**Merge Mine**"), and operated one coal mine located in Central Kalimantan, Indonesia, namely Bunda Kandung mine (the "**Bunda Kandung Mine**"), under the contract mining arrangement. The Group primarily sells and markets its coal products in Asia.

For the Review Period, the average global coal pricing was higher as compared to the same period last year. As a result, the Group's mining segment recorded an increase in both turnover to HK$829.6 million (2016: HK$504.8 million) and operational profit to HK$255.6 million (2016: HK$121.3 million). The coal production of the Group's mining segment for the Review Period was approximately 2.7 million tonnes (2016: approximately 2.6 million tonnes).

SEM mining and coal trading operations

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

During the Review Period, international coal pricing recovered and the Group managed to increase its coal production for its SEM Mine to 2.4 million tonnes (2016: 2.0 million tonnes) and the export sales of coal also increased. As such, the Group's SEM mining and coal trading segment recorded a significant increase in both the turnover to HK$716.7 million (2016: HK$446.5 million) and the operational profit to HK$254.4 million (2016: HK$97.0 million) for the Review Period, representing an increase of 60.5% and 162.3% respectively as compared to the same period in 2016.

The competitive advantages of SEM's operations include advanced production infrastructure, excellent coal logistics networks and port service facilities as well as a high-caliber professional team. The Group continuously invests in mining equipment, 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 41-kilometre Pertamina road between the SEM Mine and jetty facilities until 30 September 2022. Consequent to these merits, the Group operates the SEM Mine at a higher production efficiency with good cost and operational control. The Group will continue to look at ways to reduce cost and enhance operational efficiency.

Merge mining operations

The Group owns the Merge Mine located in South Kalimantan, Indonesia through Merge Mining Holding Limited ("**MMHL**"), a non-wholly owned subsidiary of the Company. The Merge Mine has significant JORC compliant proved and probable coal reserves of 97.1 million tonnes and produces 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 Merge Mine is the only large-scale, mechanised longwall underground coal mine in Indonesia, which enables 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 that reduces operating cost. The longwall operations also allow the Group to economically extract high CV coal with low inherent moisture and sulphur as compared to typical Indonesian coal.

For the Review Period, the Merge Mine produced approximately 94,000 tonnes of coal (2016: approximately 269,000 tonnes). The Merge mining operations recorded a revenue of HK$64.9 million (2016: HK$38.9 million), which resulted in a sales profit of HK$7.2 million (2016: HK$27.1 million). Since the quality of the coal products from the Merge Mine is higher than that of average Indonesian thermal coal, the Group exported the Merge coal products to traders and power generation plants located in Asia such as Japan, South Korea, Taiwan and China — countries that require constant supply of high CV thermal coal. The Group will continue to invest in the longwall and other mining equipment to ramp up its production capacity in line with its initial production target.

Contract mining

The Group operates its contract mining business for a coal mine located in Central Kalimantan, Indonesia, namely the Bunda Kandung Mine. Under such contract mining arrangement, the Group makes royalty payments to the Indonesian mine owner in return for the production and extraction of coal without any ownership of the mine. The Group utilises its own mining equipment and labour force throughout the process of coal production and extraction. 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. For the Review Period, the Group has produced approximately 183,000 tonnes (2016: approximately 389,000 tonnes) of coal from the Bunda Kandung Mine, and the contract mining operations contributed a turnover of HK$48.0 million (2016: HK$19.4 million) to the Group's mining business.

SHIPPING BUSINESS

The shipping business segment of the Group comprises the provision of shipping transportation, vessel storage and relevant logistics services for crude oil and petrochemical products under time chartering or long-term contracts. During the Review Period, the shipping transportation and storage services were provided by the Group's own fleet, which includes three 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 the Review Period, the revenue from external customers generated from the shipping business segment is HK$150.4 million (2016: HK$146.8 million) and the segment profit is HK$85.3 million (2016: HK$80.9 million). The increase in both the segment revenue to external customers and segment profit is mainly due to the additional storage service income contributed by the VLCC acquired by the Group in January 2017.

Long-term VLCC storage and logistic services

For the Review Period, the long-term vessel storage and logistic services were provided by the three sets (2016: two sets) of VLCCs owned by the Group that were acquired in February 2015, March 2016 and January 2017 respectively. Following each of the acquisitions, the Group entered into long-term vessel storage service agreements (the "**Storage Agreements**") with an international petroleum trading company to lease out the VLCCs for storage of crude oil with an option to renew. During the Review Period, the Storage Agreements contributed HK$135.5 million (2016: HK$106.7 million) of revenue and HK$78.3 million (2016: HK$70.3 million) of profit to the Group. Such increase was due to the additional contribution by the third VLCC which was acquired by the Group in January 2017. The Group believes that the Storage Agreements would continue contributing stable, sustainable and diversified income and cash flows to the Group on a long-term basis.

Vessel transportation and shipping freight services

The Group's vessel transportation and shipping freight services are provided by its Panamax Vessel and Tug and Barge Vessels. During the Review Period, net service revenue from external customers of HK$14.9 million (2016: HK$40.1 million) was recorded. The significant decrease is mainly attributable to the lower freight rates charged to customers for its Tug and Barge Vessels for the Review Period.

ENERGY BUSINESS

During the Review Period, the Group started a new business in the energy segment, which involves the production of biodiesel in the United States of America (the "**USA**").

In December 2016, the Group completed the acquisition of the 51% interest in a biodiesel plant (the "**Biodiesel Plant**") located in Arkansas, the USA for a consideration of US$2.97 million. The maximum production capacity of the Biodiesel Plant is expected to be 40 million gallons annually. The Biodiesel Plant has been retrofitted to accommodate multi-feedstock, including yellow grease, rendered animal fats, inedible corn oil and refined vegetable oil, to decrease cost of production. The trial production of the Biodiesel Plant commenced in June 2017 with the sourcing of feedstock. In September 2017, the Biodiesel Plant made its first delivery of biodiesel to major oil and gas trader customers located in the USA, recording its initial commercial sales. The operation of the Biodiesel Plant has contributed HK$4.9 million of revenue to the energy business segment of the Group for the Review Period.

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 for mining operations**
  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 optimise production capacity and maximise production efficiency. The production structure of our coal mines have been carefully organised and optimised to realise stable growth in production and efficiency. The Group will also upgrade and improve existing logistics and infrastructure facilities such as securing exclusive rights to use the hauling road for coal delivery and 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. The 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.

- **Market and business diversification**

  The Group strongly believes that the strategy of market and business diversification will minimise its business risk, especially in volatile market conditions.

  Regarding the coal mining business, the Group acquired the Merge Mine in December 2015 and started its contract mining business at the Bunda Kandung Mine in the first quarter of 2016. As such, 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 are similarly diversified from mainly China and India to other Asian countries with strong demand for high quality coal such as South Korea, Taiwan and Japan.

  For the shipping business, the Group has continuously expanded this segment through ongoing investments and acquisitions in various types of vessels, including the VLCCs and the Panamax Vessel. Currently, the Group owns a fleet of vessels comprising three VLCCs, one Panamax Vessel and Tug and Barge Vessels. All the vessels are supported by the entering into of the long-term service contracts, which enabled the Group to secure a stable and diversified income stream.

  In December 2016, the Group penetrated into the renewable energy business segments through its acquisition of a biodiesel plant located in the USA at US$2.97 million. Such acquisition marked the Group's first foray into the renewable energy sector, which can effectively diversify the Group's business risk to a new business segment and geographical location.

- **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 36-year commodities trading experience and network of Agritrade International Pte. Ltd., 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 with the aim of becoming a more international and global coal industry player.

- **Strong and strategic relationships with well-known international energy companies**
  Regarding the shipping business, the Group entered into long-term 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 and expectations. The Group intends to continue building and capitalising on its long-term relationships with international energy companies to expand this business segment.

OUTLOOK AND PROSPECTS

Prospect on the mining business

Global coal price recovered since the fourth quarter of 2016 due to coal production cuts in China as a result of recent Chinese Government policies. Newcastle coal price index reached the highest it has been in years. Even with the slowdown of this increasing trend, the Group considers it a favourable signal for the coal market. The Group will take advantage of the opportunity arising from the recent market rebound by maximising the production capacity of its three operating coal mines. Together with the strong coal demand from Asian countries like China, India, Japan, Korea and Taiwan, the Group will also focus on export sales and further explore new markets or customers in different Asian countries. The Group expects to achieve the aggregate annual coal production of 6 million tonnes for its three operating mines.

As a sizeable multi-mine and multi-product integrated coal producer, the Group will adopt a holistic growth strategy for the mining business. For the SEM Mine, annual production will be maintained at a sustainable level of approximately 4.6 million tonnes. The Group will adjust the annual coal production in response to prevailing market demand and conditions to optimise returns. For the Merge Mine, 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 with the established business plan and budget. As for the Bunda Kandung Mine, the Group expects its annual production to keep increasing for the coming financial years. In view of the current favourable conditions in the coal market, the Group believes that the performance of its mining business will be optimistic and promising.

Prospect on the shipping business

The Group has strategically expanded its shipping business in the past few years by acquiring vessels, including three sets of VLCC vessels and one set of Panamax Vessel. As at the date hereof, the Group's fleet comprises three VLCCs, one Panamax Vessel and six sets of Tug and Barge Vessels. The Group has secured storage service contracts for its VLCCs with a sizeable company on a long-term basis. As such, the Group has secured long-term stable revenue and profitability that is supported by reliable cash inflows.

Confident on the prospects of the shipping business, the Group is continuously looking for opportunities to expand the shipping business through further acquisition and chartering of new vessels, particularly VLCCs, to meet the current market 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.

Prospect on the energy business

The Group operates its renewable energy business through a Biodiesel Plant located in Arkansas, the USA, which was acquired by the Group in December 2016. The maximum production capacity of the Biodiesel Plant is expected to be 40 million gallons annually. The operation of the Biodiesel Plant includes the processing, production and sale of biodiesel to sizeable companies located in the USA. The Biodiesel Plant is in the course of ramping up its current production capacity. The Board expects that upon the ramp-up of capacity, the Biodiesel Plant can achieve 80% capacity utilisation rate by 2018.

The Biodiesel Plant will continue to source feedstock and sell biodiesel to customers in the USA for the financial year ending 31 March 2018, with further growth in production capacity and turnover thereafter expected. The Group intends to enter into major long-term contract(s) with biofuel leader(s) in the USA for its biodiesel business. As at the date hereof, such discussion 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 contract(s) as and when appropriate. The Board believes that the production of the Biodiesel Plant will cater to the increasing demand for renewable energy in the USA market and will have a promising prospect. It is expected that the renewable energy business will have positive contribution to the Group's overall turnover and performance for the coming years.

Potential mergers and acquisitions and fund raising activities

The Group intends to conduct vertical integration through strategic mergers and acquisitions, particularly within the energy sector such as thermal power sector, in response to prevailing market conditions and opportunities, with the objective of diversifying and expanding 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, various 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 potential mergers and acquisitions activities, it is the Company's intention to conduct fund raising activities, including but not limited to the issuance of debt securities, 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 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.

MAJOR EVENTS

APPOINTMENT OF ADVISOR TO THE BOARD

On 27 April 2017, Mr. James Beeland Rogers Jr. ("**Mr. Jim Rogers**") was appointed as the advisor to the board (the "**Board**") of directors (the "**Directors**") of the Company.

Mr. Jim Rogers, a native of Demopolis, Alabama, is an author, financial commentator, adventurer, and successful international investor. He has been frequently featured in Time, The Washington Post, The New York Times, Barron's, Forbes, Fortune, The Wall Street Journal, The Financial Times, The Business Times, The Straits Times and many media outlets worldwide. He has also appeared as a regular commentator and columnist in various media and has been a professor at Columbia University.

As the advisor to the Board, Mr. Jim Rogers is responsible for advising the Board in the areas of coal mining business, logistics business, corporate business plans, mergers and acquisitions, pricing and market strategies.

COMMENCEMENT OF THE BIODIESEL OPERATION IN THE USA

The Group completed the acquisition of the 51% interest in the Biodiesel Plant located in Arkansas, the USA in December 2016. The maximum production capacity of the Biodiesel Plant is expected to be 40 million gallons annually. The trial production of the Biodiesel Plant commenced in June 2017 and since then it has started sourcing feedstock. The commercial operation of the Biodiesel Plant commenced in September 2017 following the completion of its first delivery of biodiesel to major oil and gas trader customers located in the USA. The Group believes that the Biodiesel Plant will cater to the increasing demand for renewable energy in the USA market and lead to the creation of a new business vertical for the Group.

REVIEW REPORT ON INTERIM FINANCIAL INFORMATION

HLB 國衛會計師事務所有限公司
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INDEPENDENT REVIEW REPORT
TO THE BOARD OF DIRECTORS OF AGRITRADE RESOURCES LIMITED
(incorporated in the Bermuda with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 18 to 43, which comprise the condensed consolidated statement of financial position of Agritrade Resources Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") as of 30 September 2017 and the related condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-months period then ended, and a summary of significant accounting policies and other explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). The directors of the Company are responsible for the preparation and presentation of the interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review of the interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information as at 30 September 2017 is not prepared, in all material respects, in accordance with HKAS 34.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Shek Lui
Practising Certificate Number: P05895
Hong Kong, 16 November 2017

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2017

	Notes	**2017** **HK$'000** **(Unaudited)**	2016 HK$'000 (Unaudited)
Revenue	3	**984,761**	651,632
Cost of sales and services		**(615,136)**	(431,012)
Gross profit		**369,625**	220,620
Other income, and gains and losses, net		**2,443**	39,108
Administrative expenses		**(59,034)**	(50,762)
Finance costs	4	**(46,247)**	(20,139)
Profit before income tax		**266,787**	188,827
Income tax	6	**(55,341)**	(21,497)
Profit for the period	5	**211,446**	167,330
Profit for the period attributable to:			
— Owners of the Company		**147,629**	143,168
— Non-controlling interests		**63,817**	24,162
		211,446	167,330
Earnings per share	7		
— Basic		**HK9.3 cents**	HK9.0 cents
— Diluted		**HK9.3 cents**	HK8.1 cents
Interim dividend per share		**Nil**	Nil

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2017

	2017 **HK$'000** **(Unaudited)**	2016 HK$'000 (Unaudited)
Profit for the period	**211,446**	167,330
Other comprehensive (loss)/income for the period:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**(16,144)**	461
Total comprehensive income for the period	**195,302**	167,791
Total comprehensive income for the period attributable to:		
— Owners of the Company	**134,401**	143,629
— Non-controlling interests	**60,901**	24,162
	195,302	167,791

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2017

	Notes	As at 30 September 2017 HK$'000 (Unaudited)	As at 31 March 2017 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment	*8*	**6,491,420**	6,389,872
Prepaid lease payments		**146,938**	147,376
Exploration and evaluation assets	*9*	**13,872**	14,087
		6,652,230	6,551,335
Current assets			
Inventories		**116,687**	83,044
Trade receivables	*10*	**268,877**	206,563
Other receivables, deposits and prepayments		**476,543**	296,464
Derivative financial assets	*11*	**506**	–
Amounts due from related parties		**220,901**	169,681
Pledged bank deposit		**7,740**	7,740
Bank balances and cash		**284,100**	387,729
		1,375,354	1,151,221
Current liabilities			
Trade payables	*12*	**227,292**	181,705
Other payables, accruals and deposits received		**159,091**	154,026
Provision for close-down, restoration and environmental costs		**5,349**	5,349
Secured bank borrowings		**354,177**	294,933
Convertible bonds	*13*	**122,787**	–
Amounts due to related parties		**632**	1,150
Obligation under finance leases		**47,695**	47,695
Derivative financial liabilities	*11*	**14,930**	16,546
Tax payable		**237,753**	213,058
		1,169,706	914,462
Net current assets		**205,648**	236,759
Total assets less current liabilities		**6,857,878**	6,788,094

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2017

	Notes	As at 30 September 2017 HK$'000 (Unaudited)	As at 31 March 2017 HK$'000 (Audited)
Non-current liabilities			
Other payable		**77,400**	77,400
Amount due to related parties		**66,262**	18,945
Obligation under finance leases		**15,953**	15,953
Secured bank borrowings		**469,437**	505,603
Convertible bonds	*13*	**–**	119,636
Deferred tax		**1,111,382**	1,121,061
		1,740,434	1,858,598
Net assets		**5,117,444**	4,929,496
Capital and reserves			
Share capital	*14*	**152,127**	152,107
Reserves		**2,910,598**	2,783,571
Equity attributable to owners of the Company		**3,062,725**	2,935,678
Non-controlling interests		**2,054,719**	1,993,818
Total equity		**5,117,444**	4,929,496

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2017

	Share capital HK$'000	Share premium HK$'000	Convertible preference shares reserve HK$'000	Translation reserve HK$'000	Share option reserve HK$'000	Other reserve HK$'000	Retained profits HK$'000	Proposed final dividend HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 April 2016 (Audited)	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
Profit for the period	–	–	–	–	–	–	143,168	–	143,168	24,162	167,330
Other comprehensive income for the period											
Exchange differences arising on translation of foreign operations	–	–	–	461	–	–	–	–	461	–	461
Total comprehensive income for the period	–	–	–	461	–	–	143,168	–	143,629	24,162	167,791
Exercise of share options	14	170	–	–	(28)	–	–	–	156	–	156
Lapse of share options	–	–	–	–	(8,836)	–	8,836	–	–	–	–
Payment of dividends	–	–	–	–	–	–	–	(15,211)	(15,211)	–	(15,211)
At 30 September 2016 (Unaudited)	152,107	1,281,112	85,492	4,299	4,589	300,282	996,335	–	2,824,216	1,866,580	4,690,796
At 1 April 2017 (Audited)	**152,107**	**1,281,112**	**85,492**	**16,448**	**12,610**	**300,282**	**1,072,416**	**15,211**	**2,935,678**	**1,993,818**	**4,929,496**
Profit for the period	**-**	**-**	**-**	**-**	**-**	**-**	**147,629**	**-**	**147,629**	**63,817**	**211,446**
Other comprehensive (loss)/income for the period											
Exchange differences arising on translation of foreign operations	**-**	**-**	**-**	**(13,228)**	**-**	**-**	**-**	**-**	**(13,228)**	**(2,916)**	**(16,144)**
Total comprehensive (loss)/income for the period	**-**	**-**	**-**	**(13,228)**	**-**	**-**	**147,629**	**-**	**134,401**	**60,901**	**195,302**
Exercise of share options	**20**	**242**	**-**	**-**	**(38)**	**-**	**-**	**-**	**224**	**-**	**224**
Recognition of equity-settled share-based payment	**-**	**-**	**-**	**-**	**7,633**	**-**	**-**	**-**	**7,633**	**-**	**7,633**
Payment of dividends	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(15,211)**	**(15,211)**	**-**	**(15,211)**
At 30 September 2017 (Unaudited)	**152,127**	**1,281,354**	**85,492**	**3,220**	**20,205**	**300,282**	**1,220,045**	**-**	**3,062,725**	**2,054,719**	**5,117,444**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2017

	2017 HK$'000 (Unaudited)	2016 HK$'000 (Unaudited)
Net cash generated from operating activities	**131,284**	64,717
Investing activities		
Purchase of property, plant and equipment	**(226,579)**	(92,512)
(Increase)/decrease in amounts due from related parties	**(51,220)**	2,319
Addition in exploration and evaluation assets	**–**	(6,911)
Other cash inflow/(outflow) from investing activities, net	**240**	(23,906)
Net cash used in investing activities	**(277,559)**	(121,010)
Financing activities		
Increase/(decreased) in secured bank borrowings, net	**23,078**	(97,273)
Repayment of obligation under finance leases	**–**	(14,163)
Proceeds from exercise of share options	**224**	156
Increase in amounts due to related parties	**46,799**	20
Dividends paid	**(15,211)**	(15,211)
Other cash outflow from financing activities, net	**–**	(19)
Net cash generated from/(used in) financing activities	**54,890**	(126,490)
Net decrease in cash and cash equivalents	**(91,385)**	(182,783)
Cash and cash equivalents at beginning of the period	**395,469**	295,925
Effect of foreign exchange rate changes	**(12,244)**	318
Cash and cash equivalents at end of the period, representing bank balances and cash	**291,840**	113,460

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the six months ended 30 September 2017 (the "**Interim Financial Statements**") have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and Hong Kong Accounting Standard 34 'Interim Financial Reporting' issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). The accounting policies used in the Interim Financial Statements are consistent with those followed in the preparation of the annual financial statements of the Group for the year ended 31 March 2017, except as stated in note 2 below. The Interim Financial Statements should be read, where relevant, in conjunction with the 2017 annual financial statements of the Group.

The Interim Financial Statements are presented in Hong Kong dollars ("**HK$**"), which is the same as the functional currency of the Company.

2. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the Interim Financial Statements for the six months ended 30 September 2017 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2017.

In the current interim period, the Group has applied certain amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA that are mandatorily effective for the current interim period. The application of those amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these Interim Financial Statements and/or disclosures set out in these Interim Financial Statements.

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

3. REVENUE AND SEGMENT REPORTING

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

The Group 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 provision of shipping transportation, vessel storage and relevant logistics services for crude oil and petrochemical products under time chartering or long-term contracts.

(iii) Energy segment comprised the production, generation, provision and sale of fuel and energy and other engergy-related operations.

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.

3. REVENUE AND SEGMENT REPORTING (Continued)

(a) Reportable segments

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

For the six months ended 30 September

	Mining 2017 HK$'000 (Unaudited)	Mining 2016 HK$'000 (Unaudited)	Shipping 2017 HK$'000 (Unaudited)	Shipping 2016 HK$'000 (Unaudited)	Energy 2017 HK$'000 (Unaudited)	Energy 2016 HK$'000 (Unaudited)	Total 2017 HK$'000 (Unaudited)	Total 2016 HK$'000 (Unaudited)
Revenue from external customers	**829,552**	504,789	**150,354**	146,843	**4,855**	–	**984,761**	651,632
Reportable segment profit/(loss)	**255,638**	121,330	**85,315**	80,898	**(8,539)**	–	**332,414**	202,228
Unallocated corporate (expenses)/income							**(19,380)**	6,738
Finance costs							**(46,247)**	(20,139)
Profit before income tax							**266,787**	188,827
Depreciation and amortisation	**89,393**	58,037	**28,955**	18,464	**602**	–	**118,950**	76,501

	Mining At 30 September 2017 HK$'000 (Unaudited)	Mining At 31 March 2017 HK$'000 (Audited)	Shipping At 30 September 2017 HK$'000 (Unaudited)	Shipping At 31 March 2017 HK$'000 (Audited)	Energy At 30 September 2017 HK$'000 (Unaudited)	Energy At 31 March 2017 HK$'000 (Audited)	Total At 30 September 2017 HK$'000 (Unaudited)	Total At 31 March 2017 HK$'000 (Audited)
Reportable segment assets	**7,001,318**	6,584,109	**862,405**	1,024,210	**110,759**	–	**7,974,482**	7,608,319
Reportable segment liabilities	**2,306,478**	2,055,767	**430,980**	573,319	**43,743**	–	**2,781,201**	2,629,086

3. REVENUE AND 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		Specific non-current assets	
	for the six months ended 30 September 2017 HK$'000 (Unaudited)	for the six months ended 30 September 2016 HK$'000 (Unaudited)	**At 30 September 2017 HK$'000 (Unaudited)**	At 31 March 2017 HK$'000 (Audited)
Indonesia (place of domicile)	**835,981**	511,208	**5,801,257**	5,710,864
China and Hong Kong	**–**	–	**27**	41
Dubai	**6,358**	33,707	**–**	–
Singapore and Malaysia	**137,567**	106,717	**775,103**	802,428
The United States of America	**4,855**	–	**75,843**	38,002
	984,761	651,632	**6,652,230**	6,551,335

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.

(c) Information about major customers

Revenue from one major customer (2016: one major customer) of the Group's mining segment amounted to HK$199,839,000 (2016: HK$227,130,000) and one major customer (2016: one major customer) of the Group's shipping segment amounted to HK$135,171,000 (2016: HK$112,102,000), which represented 10% or more of the Group's revenue for the period.

3. REVENUE AND SEGMENT REPORTING (Continued)

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

	For the six months ended 30 September	
	2017	2016
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Profit before income tax:		
Reportable segment profit	**332,414**	202,228
Unallocated corporate expenses and finance costs	**(65,627)**	(13,401)
Consolidated profit before income tax	**266,787**	188,827

	At	At
	30 September	31 March
	2017	2017
	HK$'000	HK$'000
	(Unaudited)	(Audited)
Assets:		
Reportable segment assets	**7,974,482**	7,608,319
Unallocated corporate assets	**53,102**	94,237
Consolidated total assets	**8,027,584**	7,702,556
Liabilities:		
Reportable segment liabilities	**2,781,201**	2,629,086
Unallocated corporate liabilities	**128,939**	143,974
Consolidated total liabilities	**2,910,140**	2,773,060

4. FINANCE COSTS

	For the six months ended 30 September	
	2017	2016
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Imputed interest on convertible bonds	**7,807**	7,807
Interest charged under finance leases	**873**	2,277
Interest on secured bank borrowings	**37,567**	10,055
	46,247	20,139

5. PROFIT FOR THE PERIOD

This is arrived at after charging/(crediting):

	For the six months ended 30 September	
	2017	2016
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Cost of services	**65,732**	145,701
Cost of inventories	**549,404**	285,311
	615,136	431,012
Fair value changes on financial instruments, net *	**(2,122)**	(30,287)
Staff costs (including share-based payment expenses)	**64,221**	47,959
Share-based payment expenses	**7,633**	–
Depreciation and amortisation of property, plant and equipment	**118,966**	76,517

* Fair value changes on financial instruments, net is included and accounted for in the condensed consolidated statement of profit or loss and other comprehensive income as "other income, and gains and losses, net".

6. INCOME TAX

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

	For the six months ended 30 September	
	2017	2016
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Current tax — overseas	**65,020**	30,481
Deferred tax	**(9,679)**	(8,984)
Income tax	**55,341**	21,497

No provision for Hong Kong profits tax was made for the six months ended 30 September 2016 and 2017 as the Company and its subsidiaries incorporated in Hong Kong had no assessable profits for both periods.

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

7. 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:

	For the six months ended 30 September	
	2017	2016
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Earnings		
Earnings attributable to owners of the Company for the purposes of basic earnings per share	**147,629**	143,168
Fair value change on conversion option component of convertible bonds	**68**	(13,986)
Interest on convertible bonds	**7,807**	7,807
Earnings attributable to owners of the Company for the purposes of diluted earnings per share	**155,504**	136,989

	2017	2016
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**1,584,420**	1,584,327
Effect of dilution — weighted average number of ordinary shares:		
Convertible bonds	**70,455**	70,455
Share options	**10,509**	23,493
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**1,665,384**	1,678,275

8. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2017, the Group acquired items of property, plant and equipment with a total cost of approximately HK$226,579,000 (30 September 2016: HK$92,512,000) and mining expenditure incurred was approximately HK$657,208,000 (30 September 2016: HK$307,278,000).

9. EXPLORATION AND EVALUATION ASSETS

	At 30 September 2017 HK$'000 (Unaudited)	At 31 March 2017 HK$'000 (Audited)
Cost and carrying amounts:		
At beginning of the period/year	**14,087**	5,704
Addition	**–**	8,383
Exchange adjustments	**(215)**	–
At end of the period/year	**13,872**	14,087

10. TRADE RECEIVABLES

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:

	At 30 September 2017 HK$'000 (Unaudited)	At 31 March 2017 HK$'000 (Audited)
0–60 days	**133,924**	169,956
61–90 days	**27,240**	15,849
91–120 days	**8,693**	20,758
Over 120 days	**99,020**	–
	268,877	206,563

11. DERIVATIVE FINANCIAL INSTRUMENTS

	At 30 September 2017		At 31 March 2017	
	Assets	**Liabilities**	Assets	Liabilities
	HK$'000	**HK$'000**	HK$'000	HK$'000
	(Unaudited)	**(Unaudited)**	(Audited)	(Audited)
Conversion option component of convertible bonds (Note 13)	**–**	**119**	–	50
Forward currency contracts	**150**	**–**	–	–
Coal swap	**–**	**14,811**	–	16,496
Interest rate swap	**356**	**–**	–	–
Total amount, classified as current	**506**	**14,930**	–	16,546

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.

Information about Level 2 fair value measurements

The fair value of the conversion option component of convertible bonds is measured using the binominal 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 swap is determined based on forward coal price at the reporting date.

11. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

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. 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 30 September 2017

	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	(119)	–	(119)
— Forward currency contracts	150	–	150
— Interest rate swap	356	–	356
— Coal swap	(14,811)	–	(14,811)
	(14,424)	(77,400)	(91,824)

11. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

As at 31 March 2017

	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial 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	(50)	–	(50)
— Coal swap	(16,496)	–	(16,496)
	(16,546)	(77,400)	(93,946)

As at 30 September 2017 and 31 March 2017, the Group has no financial instrument carried at fair value under Level 1 hierarchy.

There was no transfer between levels during the period.

12. TRADE PAYABLES

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

	At 30 September 2017 HK$'000 (Unaudited)	At 31 March 2017 HK$'000 (Audited)
0–60 days	**64,487**	79,701
61–90 days	**15,034**	16,702
Over 90 days	**147,771**	85,302
	227,292	181,705

12. TRADE PAYABLES (Continued)

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.

13. CONVERTIBLE BONDS

On 14 July 2015, the Company issued convertible bonds (the "**Convertible Bonds**") with a principal amount of US$20,000,000 and maturity on 36 months from the issue date, 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 Convertible Bonds are convertible into ordinary shares of the Company from six 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 shall be determined by dividing the principal amount of the Convertible Bonds 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$7.75. The Convertible Bonds are redeemable by the Company with the prior written and express consent of the bondholder in United States dollars ("**US$**"). Any Convertible Bonds 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 during the six months ended 30 September 2016 and 2017.

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

	2017 **HK$'000**	2016 HK$'000
Audited balance as at 31 March	**119,636**	113,133
Imputed interest expense	**7,807**	7,807
Interest paid and payable	**(4,656)**	(4,437)
Unaudited balance as at 30 September	**122,787**	116,503

14. SHARE CAPITAL

	Number of shares	Amount HK$'000
Authorised:		
Ordinary shares of HK$0.10 each:		
At 31 March 2017 and 30 September 2017	4,600,000,000	460,000
Convertible preference shares of HK$0.10 each:		
At 31 March 2017 and 30 September 2017	400,000,000	40,000
Issued and fully paid:		
Ordinary shares of HK$0.10 each:		
At 31 March 2017	1,521,065,600	152,107
Exercise of share options	200,000	20
At 30 September 2017	1,521,265,600	152,127

15. COMMITMENTS

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:

	At 30 September 2017 HK$'000 (Unaudited)	At 31 March 2017 HK$'000 (Audited)
Within one year	**23,831**	21,469
In the second to fifth years inclusive	**82,871**	69,625
After five years	**4,910**	9,585
	111,612	100,679

Save for those disclosed above and elsewhere in these financial statements, the Group had no material commitments as at 30 September 2017 and 31 March 2017.

16. 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, 20,400,000 share options under the Old Scheme were outstanding.

On 12 October 2012, the Company adopted a new share option scheme (the "**New Scheme**") for the primary purposed 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 at its discretion as having contributed to the Group based on his/her performance and/or years of services, or its 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.

16. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

The following table discloses movements during six months ended 30 September 2017 in the Company's share option scheme:

				Number of share options			
Category	Date of grant	Exercisable period	Exercise price per share (HK$)	At 1/4/2017	Granted	Exercised	At 30/9/2017
1. Directors							
Mr. Ng Xinwei	30/8/2010	30/8/2010 to 29/8/2020	1.120	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
				4,250,000	–	–	4,250,000
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. Employees in aggregate	30/8/2010	30/8/2010 to 29/8/2020	1.120	400,000	–	–	400,000
	24/10/2016	24/10/2016 to 23/10/2026	1.520	10,000,000	–	–	10,000,000
				10,400,000	–	–	10,400,000
4. Consultants in aggregate	30/8/2010	30/8/2010 to 29/8/2020	1.120	12,450,000	–	(200,000)	12,250,000
	18/3/2011	18/3/2011 to 17/3/2021	1.122	500,000	–	–	500,000
	27/4/2017	27/4/2017 to 26/4/2027	1.382	–	15,000,000	–	15,000,000
				12,950,000	15,000,000	(200,000)	27,750,000
				30,600,000	15,000,000	(200,000)	45,400,000

16. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

The exercise price of share options outstanding at the end of the period ranged from HK$1.12 to HK$1.724 (as at 31 March 2017: HK$1.12 to HK$1.724) and their weighted average remaining contractual life was 6.51 years (as at 31 March 2017: 5.39 years).

Of the total number of share options outstanding at the end of the period, 45,400,000 (as at 31 March 2017: 30,600,000) had vested and were exercisable at the end of the reporting period.

During the period, 200,000 (2016: 140,000) share options were exercised.

In respect of the share options exercised in current period, the average market share price at the dates of exercise was HK$1.86 (2016: HK$1.48).

During the period, 15,000,000 share options were granted to an advisor and a consultant of the Company under the New Scheme (2016: Nil). The fair value of share options granted during the period was HK$7,633,000 (2016: HK$Nil), which was recognised in profit or loss.

The fair value of equity-settled share options granted during the period 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:

	2017
Grant date	**27 April 2017**
Grant date share price	**HK$1.320**
Exercise price	**HK$1.382**
Contractual life of option	**10 years**
Expected volatility	**65.26%**
Expected dividend yield	**1.14%**
Risk-free interest rate	**1.42%**

16. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

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 prior period.

17. MATERIAL RELATED PARTY TRANSACTIONS

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

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

	For the six months ended 30 September	
	2017 **HK$'000** **(Unaudited)**	2016 HK$'000 (Unaudited)
Sales to a shareholder of the Company	**12,559**	50,310

17. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(b) Key management personnel compensation

The remuneration for key management personnel, including amount paid to the directors of the Company during the periods is as follows:

	For the six months ended 30 September	
	2017	2016
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Fees	**460**	458
Salaries and other benefits	**3,396**	3,139
Post-employment benefit contributions	**105**	72
	3,961	3,669

18. LITIGATION

Hong Kong Arbitration

In June 2016, Agritrade Mine Holdings Limited ("**AMHL**"), a 51% shareholder of MMHL, initiated arbitration proceedings in the Hong Kong International Arbitration Centre against Sino Island Limited ("**SIL**"), the 49% shareholder of MMHL. AMHL alleged, amongst other things, that SIL, through its related parties, including Mr. Jing Yu ("**Mr. Yu**"), breached the shareholders' agreement signed between MMHL, AMHL and SIL, and that SIL has attempted to frustrate the corporate governance framework envisaged under the shareholders' agreement and the Group's management rights over MMHL and its subsidiaries. AMHL sought remedies to enforce its rights under the shareholders' agreement.

In May 2017, SIL filed a counterclaim against, amongst others, AMHL in the Hong Kong Arbitration Matter and has sought various remedies, including the return by the Group of its entire shareholding in MMHL. AMHL disputed the allegations raised by SIL and filed its response to the counterclaim in June 2017. On 1 August 2017, the arbitral tribunal ruled, amongst others, that it has no jurisdiction to determine SIL's counterclaim relating to the return of the Group's entire shareholding in MMHL, and that it has no jurisdiction to determine any of SIL's counterclaims beyond AMHL. The arbitration proceedings therefore continue only as between AMHL and SIL and the reliefs claimed in the proceedings are limited to these parties alone. The arbitral hearing in the Hong Kong Arbitration Matter is currently scheduled to take place in January 2018.

18. LITIGATION (Continued)

Jakarta Proceedings

In September 2016, Mr. Yu and a related person (the "**Plaintiffs**") initiated proceedings in South Jakarta District Court (the "**Court**") against certain MMHL's subsidiaries (including PT Merge Energy Sources Development ("**MESD**") and PT Merge Mining Industry ("**MMI**")), certain of their directors, commissioners and officers and other parties. The Plaintiffs alleged, among other things, violation of certain provisions of the Indonesian Law No. 40 of 2007 on Limited Liability Companies and the Indonesian mining regulations relating to the appointment of the Group's nominees to the relevant boards of directors and commissioners in MESD and MMI and the amendment of articles of association of MESD and MMI. The Plaintiffs seek nullification of the appointments of the Group's nominees to the relevant boards of directors and boards of commissioners in MESD and MMI and the amendment of articles of association of MESD and MMI, as well as monetary damages.

The Group disputed the allegations stated therein and is considering its legal options.

In September 2017, certain subsidiaries of MMHL as well as certain representatives of these subsidiaries filed jurisdiction challenge to argue that the Court has no jurisdiction to examine the Jakarta Proceedings. The Court is expected to hold a hearing in late November 2017 to issue a decision on jurisdiction challenge.

19. EVENT AFTER REPORTING PERIOD

Subsequent to the end of the reporting period, the Group had no significant events occurred, which may have a significant effect, on the assets and liabilities of future operations of the Group.

FINANCIAL REVIEW

For the Review Period, the Group recorded a turnover of approximately HK$984.8 million (2016: HK$651.6 million), representing an increase of approximately 51.1% as compared to the same period in 2016. The significant increase is mainly due to the improved performance of the Group's mining operation with the recovery of coal price since the last quarter of 2016 and the increase in export sales of coal, as well as the additional revenue contribution from the third VLCC that was acquired by the Group in January 2017. The Group recorded an increase in both the gross profit to HK$369.6 million (2016: HK$220.6 million) and the gross profit margin to 37.5% (2016: 33.9%) for the Review Period. The increase is mainly attributable to the recovery of global coal price as well as the increasing contribution by the Group's VLCC business for the Review Period, in which the profit margin is comparatively higher than that of the mining business. Accordingly, the Group's consolidated profit attributable to owners of the Company for the Review Period increased to HK$147.6 million (2016: HK$143.2 million) as compared to the corresponding period in 2016.

For the Review Period, the administrative expenses incurred by the Group were increased to HK$59.0 million (2016: HK$50.8 million) mainly due to share-based payment expenses of HK$7.6 million (2016: HK$ Nil) were recognised for the Review Period in relation to the grant of share options. Other income and gains recognised by the Group have significantly decreased to HK$2.4 million (2016: HK$39.1 million) which was mainly attributable to the significant decrease in the fair value gain recognised for its financial instruments to HK$2.1 million (2016: HK$30.3 million). The increase in the Group's finance costs to HK$46.2 million (2016: HK$20.1 million) is in line with the increase in the average balance of bank loan for the Review Period.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

On 27 April 2017, the Company granted 15,000,000 share options to an advisor and a consultant of the Company to subscribe for a total of 15,000,000 shares of the Company at an exercise price of HK$1.382 per share during the period from 27 April 2017 to 26 April 2027 pursuant to the share option scheme adopted by the Company on 12 October 2012. Upon the grant of share options, related share-based payment expenses of HK$7,633,000 were recognised in the condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 September 2017. As at the date hereof, none of such 15,000,000 share options was exercised or lapsed or cancelled.

During the Review Period, a total of 200,000 share options were exercised by an option holder. Accordingly, 200,000 new shares of the Company were allotted and issued by the Company to such option holder with a cash consideration of HK$224,000 received by the Company.

As at 30 September 2017, the Group's convertible bonds with a principal amount of US$20,000,000 would be matured within the next 12 months from the end of reporting period on 13 July 2018. Pursuant to the terms of the convertible bonds, any convertible bonds not converted will be redeemed on maturity at the outstanding principal amount and the accrued interest in United States dollars. Therefore, the liability component of the convertible bonds of HK$122,787,000 (as at 31 March 2017: HK$119,636,000 as non-current liability) is reclassified from non-current liability to current liability in the condensed consolidated statement of financial position during the Review Period.

As at 30 September 2017, the Group's equity attributable to owners of the Company amounted to HK$3,062,725,000 (as at 31 March 2017: HK$2,935,678,000), while total bank indebtedness amounted to HK$823,614,000 (as at 31 March 2017: HK$800,536,000) and cash on hand amounted to HK$291,840,000 (as at 31 March 2017: HK$395,469,000). The Group's bank indebtedness to equity ratio is 0.27 (as at 31 March 2017: 0.27) and the current ratio is 1.18 (as at 31 March 2017: 1.26). 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.

FUNDING POLICIES AND MANAGEMENT

The Group firmly adhered to sound and prudent financial policies and stringent fund management systems. The Group strived to maintain a healthy cash flow level to ensure the safety and integrity of its funds and financial position.

For the purpose of financing the Group's current operations in the mining business, the shipping business and the energy business, as well as for any potential mergers and acquisitions activities, the Group is continuously and actively seeking opportunities for any potential fund raising activities that is beneficial to the Company and its shareholders as a whole, including but not limited to the issuance of long-term debt securities, the allotment and issue of new shares and/or convertible securities of the Company, the arrangement of swap-related loans and financing and/or by other means or otherwise as may be considered to be effective and appropriate. The fund raising activities can provide additional working capital and flexibility for the Group's operation and for the settlement of the consideration of any potential mergers and acquisitions. Any potential debt financing arrangement is expected to be long-term in nature, ranging from three to five years.

The Group believes that its sound funding policies is essential to maintain a healthy and sustainable financial position of the Group for its long-term growth and development.

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 condensed consolidated statement of financial position, including secured bank borrowings, amounts due to related parties, obligation under finance leases, derivative financial liabilities and convertible bonds. Total capital is calculated as the aggregate of the equity attributable to owners of the Company as shown in the condensed consolidated statement of financial position and the total borrowings. The gearing ratio of the Group as at 30 September 2017 is 26% (as at 31 March 2017: 26%).

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 Review Period, 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 the United States dollars.

PLEDGE OF ASSETS

As at 30 September 2017, net carrying value of the Group's motor vehicles and plant and machinery held under finance leases amounted to HK$5,646,000 (as at 31 March 2017: HK$6,761,000) and HK$116,716,000 (as at 31 March 2017: HK$124,473,000) respectively. The Group's obligation under finance leases is secured by the lessor's charge over the leased assets.

As at 30 September 2017, the Group's mining-related plant and machinery and vessels with carrying value of HK$11,636,000 (as at 31 March 2017: HK$11,583,000) and HK$745,836,000 (as at 31 March 2017: HK$768,676,000), respectively, were pledged to secure bank borrowings of the Group.

OTHER INFORMATION

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

As at 30 September 2017, the interests and short position of the Directors and chief executives of the Company and each of their respective associates in the shares (the "**Shares**") of the Company, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (Cap. 571 of the Laws of Hong Kong) (the "**SFO**")) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were deemed or taken to have under such provisions of the SFO); or (b) to be and were recorded in the register required to be kept pursuant to Section 352 of the SFO; or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") in Appendix 10 of the Listing Rules adopted by the Company were as follows:

Long position in Shares/underlying Shares

	Ordinary Shares		Interest in underlying Shares		Percentage of the issued share capital of the Company
Name of director	Personal interest	Corporate interest	Personal interest	Aggregated interest	
Mr. Ng Say Pek (Note 1)	–	860,533,333	3,000,000	863,533,333	56.76%
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 (Note 4)	–	45,966,667	1,500,000	47,466,667	3.12%
Mr. Chong Lee Chang	3,760,000	–	–	3,760,000	0.25%

Notes:

(1) This represents (i) 860,533,333 Shares held by Agritrade International Pte Ltd. ("**AIPL**") and its associates, in which as at 30 September 2017, AIPL was owned as to 66.57% by Mr. Ng Say Pek and 16.64% 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 the number of share options granted to Mr. Ng Xinwei.

(3) This represents 48,854,000 Shares held by Mr. Ashok Kumar Sahoo through his controlled corporation Berrio Global Limited. Berrio Global Limited was wholly owned by Mr. Ashok Kumar Sahoo.

(4) This represents (i) 45,966,667 Shares held by Ms. Lim Beng Kim, Lulu through her controlled corporation Harvest Jade International Limited. Harvest Jade International Limited was wholly owned by Ms. Lim Beng Kim, Lulu; and (ii) 1,500,000 share options granted to Ms. Lim Beng Kim, Lulu.

Save as disclosed above, as at 30 September 2017, none of the Directors and chief executives of the Company and each of their respective associates had or was deemed to have any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO); or (b) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) which were required, pursuant to the Model Code contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

SHARE OPTION SCHEME

The following table discloses movements in the Company's share options during the Review Period:

Category	Date of grant	Exercisable period	Exercise price per share (HK$)	Number of share options At 31/3/2017	Granted	Exercised	At 30/9/2017
1. Directors							
Mr. Ng Xinwei	30/8/2010	30/8/2010 to 29/8/2020	1.120	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
				4,250,000	–	–	4,250,000
2. Associate of shareholder							
Ms. Lim Chek Hwee (Note)	30/8/2010	30/8/2010 to 29/8/2020	1.120	3,000,000	–	–	3,000,000
3. Employees in aggregate	30/8/2010	30/8/2010 to 29/8/2020	1.120	400,000	–	–	400,000
	24/10/2016	24/10/2016 to 23/10/2026	1.520	10,000,000	–	–	10,000,000
				10,400,000	–	–	10,400,000
4. Consultants in aggregate	30/8/2010	30/8/2010 to 29/8/2020	1.120	12,450,000	–	(200,000)	12,250,000
	18/3/2011	18/3/2011 to 17/3/2021	1.122	500,000	–	–	500,000
	27/4/2017	27/4/2017 to 26/4/2027	1.382	–	15,000,000	–	15,000,000
				12,950,000	15,000,000	(200,000)	27,750,000
				30,600,000	15,000,000	(200,000)	45,400,000

Note: Ms. Lim Chek Hwee is the spouse of Mr. Ng Say Pek who held 66.57% equity interest of AIPL, a controlling shareholder of the Company. Ms. Lim Chek Hwee also held 16.64% equity interest of AIPL personally.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2017, so far as is known to any Director or chief executive of the Company, the following persons or corporations (other than the Directors or chief executive of the Company) had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who were directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at the general meetings of any other member of the Group:

Name	Capacity	Number of Shares/underlying Shares held	Approximate percentage of shareholding
AIPL (Note)	Interests of controlled corporations	860,533,333	56.57%
Amber Future Investments Limited	Beneficial owner	478,745,000	31.47%
Fortunella Investments Limited	Beneficial owner	381,788,333	25.10%

Note: This represents 478,745,000 Shares held by Amber Future Investments Limited and 381,788,333 Shares held by Fortunella Investments Limited, both were wholly-owned subsidiaries of AIPL.

Save as disclosed herein, as at 30 September 2017, there was no other person or corporation so far as is known to the Directors and the chief executive of the Company, other than the Directors or chief executive of the Company, has an interest or a short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

INTERIM DIVIDEND

The Board does not propose the payment of interim dividend for the six months ended 30 September 2017 (2016: HK$ Nil).

STAFF AND REMUNERATION POLICIES

As at 30 September 2017, the Group had 732 employees (2016: 507 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.

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

During the six months ended 30 September 2017, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CHANGES IN DIRECTORS' INFORMATION

Changes in Directors' information since the date of the annual financial statements of the Company for the year ended 31 March 2017 up to the date of despatch of this interim report which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules are set out below:

Mr. Ng Xinwei, the executive Director, became a controlling shareholder of the Company (within the meaning of the Listing Rules) on 7 December 2017 as a result of his deemed interests in the Shares effective held by AIPL and its associates pursuant to the SFO following his acquisition of further equity interests in AIPL. Mr. Ng Say Pek, the executive Director and another controlling shareholder of the Company, is the father of Mr. Ng Xinwei.

Mr. Siu Kin Wai, the independent non-executive Director, was appointed as an independent non-executive director of Orient Securities International Holdings Limited, a company listed on the Stock Exchange, on 29 September 2017. He was also appointed as an executive director of MillenMin Ventures Inc., a company listed on the TSX Venture Exchange in Canada.

Mr. Terence Chang Xiang Wen, Mr. Siu Kin Wai and Mr. Cheng Yu, all are independent non-executive Directors, entered into service contracts with the Company on 1 August 2017, 24 August 2017 and 1 December 2017, respectively, and their 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. Phen Chun Shing Vincent was appointed as the independent non-executive Director with effect from 12 December 2017.

CORPORATE GOVERNANCE

The Board is of the view that the Company has applied the principles and complied with the applicable code provisions as set out in the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 of the Listing Rules during the six months ended 30 September 2017. The Directors are not aware of any information that reasonably reveals that there is any non-compliance with or deviation from the CG Code by the Company any time during the period.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by Directors. Having made specific enquiries of all Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 September 2017.

AUDIT COMMITTEE

The Company has formed an audit committee (the "**Audit Committee**"), of which terms of reference are formulated in accordance with the requirements of the Listing Rules. Its current members comprise of three independent non-executive Directors, namely Mr. Siu Kin Wai (the chairman of the Audit Committee), Mr. Chong Lee Chang and Mr. Terence Chang Xiang Wen. The primary responsibilities of the Audit Committee include reviewing and overseeing the financial reporting system and internal control procedures, risk management and the effectiveness and objectivity of the audit process.

The unaudited condensed consolidated interim results for the six months ended 30 September 2017 have been reviewed by the Audit Committee and were approved by the Board on 16 November 2017.

REVIEW ON INTERIM FINANCIAL STATEMENTS BY AUDITORS

HLB Hodgson Impey Cheng Limited, the auditors of the Company, has reviewed the unaudited condensed consolidated financial statements for the six months ended 30 September 2017 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

By order of the Board
Agritrade Resources Limited
Ng Xinwei
Chief Executive Officer

Hong Kong, 16 November 2017