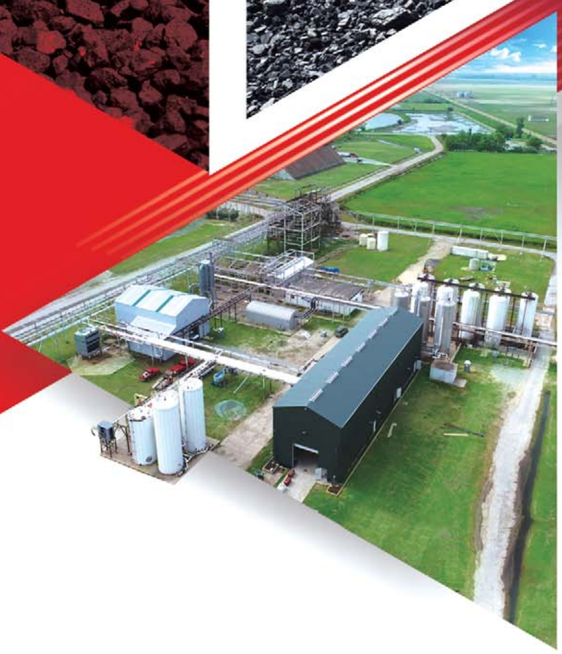
鴻寶資源有限公司

AGRITRADE RESOURCES LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 1131.H.K.)



Delivering Growth

Annual Report 2018

CONTENTS

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 energy solutions provider, handling coal, renewables and providing shipping solutions. Headquartered in Singapore and listed in Hong Kong, we provide value by bringing affordable energy to Asia.

Agritrade Resources' largest shareholder with a 55.74% stake is 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.

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 while providing contract mining for another 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 pit-to-port integrated supply chain 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 production and hedge against price volatility.

RENEWABLES

Agritrade Resources responded to the growing global need for renewable energy sources with our investment in a biodiesel plant in Arkansas, United States. Strategically located near Memphis, a major biofuel refining and distribution centre, the biodiesel plant caters to the increasing demand for renewable energy in the United States.

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 three 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.

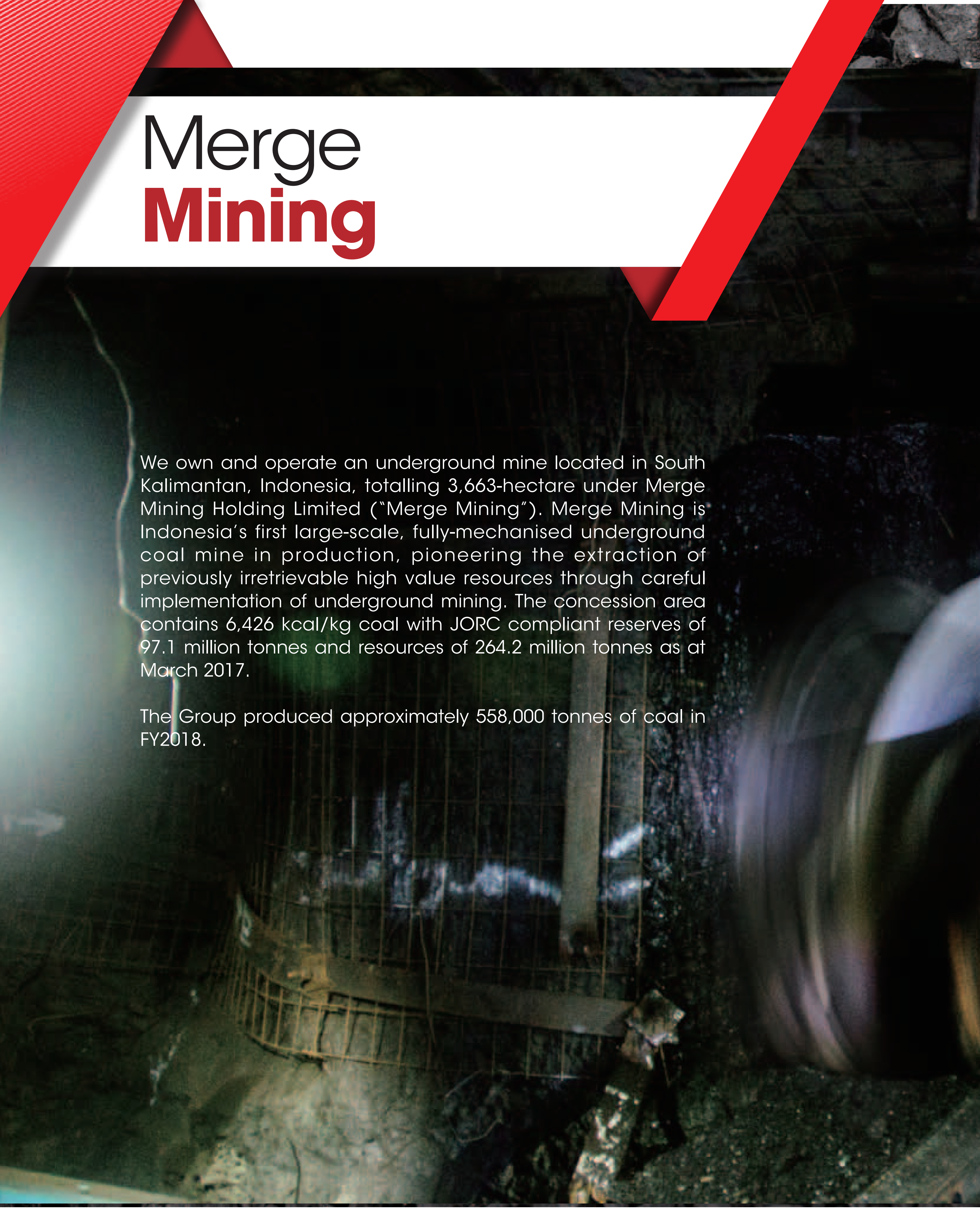
Financial year ended (HK$ Millions)	**31 March 2018**	31 March 2017	31 March 2016
Revenue of Mining Segment	**1,934.3**	1,180.8	986.2
Revenue of Shipping Segment	**276.1**	260.7	166.3
Revenue of Energy Segment	**26.9**	–	–
Total Revenue	**2,237.3**	**1,441.5**	**1,152.5**

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 Joint Ore Reserves Committee ("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 4.7 million tonnes of 3,800 kcal/kg coal in FY2018.

Merge **Mining**



We own and operate an underground 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-mechanised underground coal mine in production, pioneering the extraction of previously irretrievable high value resources through careful implementation of underground mining. The concession area contains 6,426 kcal/kg coal with JORC compliant reserves of 97.1 million tonnes and resources of 264.2 million tonnes as at March 2017.

The Group produced approximately 558,000 tonnes of coal in FY2018.

Biodiesel

Agritrade Resources expanded the energy segment of our business with the investment in a biodiesel plant in Arkansas, United States. The plant is strategically located near Memphis, a major biofuel refining and distribution centre.

The biodiesel plant sits on a wide area of 38.2 acres of land and is conveniently accessible by water, road and rail transportation. The plant has been retrofitted to accommodate multi-feedstock including yellow grease, rendered animal fats, inedible corn oil and refined vegetable oil. This decreases the cost of production as the Group can select the most cost competitive feedstock to maximise profitability.

The biodiesel plant commenced production in June 2017 and has an expected production capacity of 40 million gallons annually.

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
Latitude

Sea Latitude is a Korean-built VLCC-grade oil tanker, with a capacity of 300,000 DWT. Built in December 2001, the ocean-going VLCC has heating and blending capabilities on board. Anchored at the Malaysia Linggi port, the vessel is used as a floating storage. Sea Latitude has been classified by Lloyd's Register.

The vessel has been leased to a global energy player since March 2017.

Andhika **Kanishka**

Andhika Kanishka is a Japanese-built dry bulk Panamax vessel, with a capacity of 73,000 DWT. The 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, Andhika Kanishka 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 until March 2020.

CHAIRMAN **STATEMENT**

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

Dear Shareholders,

Over the years, Agritrade Resources has gradually developed into an energy solutions provider that has vertically integrated and diversified business, including coal, renewable energy and providing shipping solutions. We are now seeking for more energy opportunities to adhere to our vision of "to be the leading quality energy solutions provider in Asia".

As an energy solutions provider, we have expanded market span and broadened client base. Riding on prevailing favourable coal market conditions, we are poised to achieve robust production growth in its core coal mining operations. During the current financial year, our mining segment delivered strong performance. The revenue of the Group's mining segment for the current year increased by 64% which resulted in the profit (before interest and tax) for the mining segment more than double of last financial year.

ENHANCING ALL-ROUND COAL MINING

Benefitting from the stable coal demand in China as well as rising coal demand in India, Indonesia's benchmark thermal coal price (Harga Batubara Acuan, or HBA) touched a multi-year high in March 2018. We have managed to increase the coal production and quantity of coal sold to capture such opportunity. On 14 May 2018, the Group acquired one more complete set of longwall system to ramp up its production capacity in line with its initial production target. After the Acquisition, the Merge Mine will be operated with two longwall systems, which will significantly increase the output of our higher grade of coal as well as our overall mining production capacity.

We also have announced in February 2018 that we planned to acquire an India thermal power plant. In the future, in addition to the potential acquisitions of thermal power plants in India, we will continue to identify suitable projects and continue to strengthen our own advantages to provide better services to clients.

OPERATING THE NEW BIODIESEL PLANT

Agritrade Resources responded to the growing global need for alternative energy sources with our investment in a biodiesel plant in Arkansas, United States of America (the "USA"). Strategically located near Memphis, a major biofuel refining and distribution centre, the biodiesel plant caters to the increasing demand for renewable energy in the USA. Currently, the US government is rewarding cash subsidies on every gallon of diesel produced.

GROWING OUR FLEET

Alongside our coal business division, our shipping division provides a steady income stream for the Group. During FY2017, we expanded our fleet to three Very Large Crude Carriers ("VLCCs"). As compared to other vessels, our VLCCs have been installed with heating and blending capabilities on board, giving us more flexibility to store a wider range of oil products.

Beyond the VLCCs, we also have one Panamax Vessel and Tug and Barge Vessels. Each of which have long-term contracts attached to it, ensuring stability to the group earnings. Together with our trained professionals who respond around the clock, we strive to be the preferred partner of our valued clients. Our distinctive offering and strong relationship with global energy and resources partners are our key strategy in differentiating us from competitors.

BUILDING ON OUR GROWTH

In the next financial year, we strive to put more resources on our energy business and endeavour to meet the evolving client's needs. We will leverage on our good financial health to expand the business and build long-term value for our company and our shareholders.

Ng Say Pek
Chairman

CEO **STATEMENT**

Dear Shareholders,

Thermal coal prices remained at the relatively high levels in the last financial year. Having benefited from good coal demand in the People's Republic of China and India, both the Indonesian and international coal prices have demonstrated a positive upward trend on average. Under the support of the global coal market, the revenue of the Group's mining segment for the current financial year increased by 64%, which resulted in an expected profit (before interest and tax) for the mining segment more than double of last financial year. The Group's gross profit sharply increased by 69% yoy to HK$876.4 million (2017: HK$518.3 million) in the financial year. The turnover has increased by 55% to HK$2,237.3 million (2017: HK$1,441.5 million). The significant increase was mainly due to the improved performance of the Group's mining operation due to the increase in annual coal production and the surge in coal price.

We are actively seeking investment opportunities that will bring long-term benefits to the Group. We have 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.

In early 2018, we saw some exciting progress. On 23 February 2018, the Group just announced that we were negotiating for a potential acquisition of a thermal power plant which is currently under commercial operation in India, which is expected to generate revenue stream on a long-term basis.

CEO **STATEMENT**

CONTINUED TO CONSOLIDATE THE STATUS IN THE GLOBAL COAL MARKET

As global coal prices have surged recently, we will take advantage of the opportunities arising from the recent market rebound and maximize our production capacity of the three operating coal mines. The Group will also keep its focus on export sales and further explore new markets and customers in different Asian countries. Agritrade Resources expects that it will eventually achieve the annual coal production of 6 million tonnes for all its three operating mines.

During the financial year, the Group's mining segment recorded a sharp increase in both the turnover to nearly HK$1,934.3 million and operational profit to HK$676.1 million. The annual coal production has reached approximately 5.7 million tonnes for the current year. 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 called the Bunda Kandung mine (the "Bunda Kandung Mine"), under the mining contracts.

SEM coal is a sub-bituminous, low-sulphur, low-pollutant thermal coal produced from the SEM Mine. During the financial year, the Group achieved a production level of 4.7 million tonnes of coal for its SEM Mine. On the other hand, the Merge Mine is the only large-scale, mechanized longwall underground coal mine in Indonesia, which enables the Group to tap into the underground coal mining opportunities present in Indonesia. The 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 Calorific Value ("CV"). To further enhance the production capacity for the Merge Mine, on 14 May 2018, the Group acquired one more complete set of longwall system. After the Acquisition, the Merge Mine will be operated with two longwall systems.

Additionally, The Group utilises Bunda Kandung Mine's own mining equipment and labour force throughout the process of coal production and extraction. The CV quality of the coal produced 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 demands.

EXPANSION OF 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 two VLCCs, one Panamax Vessel and Tug and Barge Vessels.

In the financial year, the revenue from external customers was HK$276.1 million and the segment profit was HK$135.1 million, maintaining at a stable level as FY2017.

Currently, all of the vessels owned by Agritrade Resources are being operated under long-term time charters leased to various parties based globally. These long-term contracts are consistent with our strategy of securing stable earnings and will complement our core coal mining and logistics business.

Our Group managed to enter into long-term transportation and shipping freight contracts for the vessels which can secure stable cash flows and profitability for Agritrade Resources' shipping business. We will capitalise on the long-term relationships with international energy companies and other customers of the shipping business, and believe that our reputation and proven track record for safe, reliable and efficient operations has positioned us favourably in capturing additional opportunities to meet our customers' future chartering needs.

In response to the prevailing market conditions, On 10 April 2018, the Group entered into a memorandum of agreement in relation to the disposal of MT Sea Equatorial, a Korean-built VLCC-grade oil tanker built in 1997, to strike an optimal balance between costs and benefits and to consolidate and reallocate the Group's financial resources across its various business segments.

LAUNCHING THE RENEWABLE ENERGY BUSINESS

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

Agritrade Resources launched the renewable energy business with Solfuels Holdings to own and operate the Biodiesel Plant located in Arkansas, USA. 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. The expected production capacity of the Biodiesel Plant is 40 million gallons annually.

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$27.0 million of revenue to the energy business segment of the Group.

ACKNOWLEDGEMENT

Agritrade Resources is becoming an energy solutions provider that has vertically integrated and diversified business. Owing to stable demand from China and increasing consumption in India, Global coal prices are expected to remain healthy throughout 2018. Riding on the waves, we are actively seeking investment opportunities to conduct vertical integration through strategic mergers and acquisitions with the objective of diversifying and expanding our business and customer base into new emerging markets and has been actively seeking investment opportunities through mergers and acquisitions in, including but not limited to, various energy projects.

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 65, 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 40 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 37 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 a director of certain subsidiaries of the Company.

EXECUTIVE DIRECTORS

Mr. Ng Xinwei, aged 32, 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 Board 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 40, 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 18 years of 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 58, 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chong Lee Chang, aged 59, Malaysian, was appointed as independent non-executive Director on 25 June 2010 and is the chairman of the nomination committee (the "Nomination Committee") of the Company and a member of the audit committee (the "Audit Committee") and the remuneration committee (the "Remuneration Committee") of the Company. Mr. Chong has more than 31 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 GEM of The Stock Exchange of Hong Kong Limited (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 People's Republic of China (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 mainboard 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 practicing certificate to practice law in Malaysia.

Mr. Siu Kin Wai, aged 49, was appointed as independent non-executive Director on 24 August 2010 and is the chairman of the Audit Committee and a 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 and Beijing Enterprises Medical and Health Industry Group Limited, both companies are listed on the Stock Exchange. He is also an executive director of MillenMin Ventures Inc., a company listed on the TSX Venture Exchange in Canada, a non-executive director of CAQ Holdings Limited, a company listed on the Australia Stock Exchange, and an independent non-executive director of Orient Securities International Holdings Limited, a company listed on GEM of the 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 31, Singaporean, was appointed as independent non-executive Director on 1 August 2013 and is the chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination 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.

Mr. Cheng Yu, aged 45, was appointed as independent non-executive Director on 1 December 2016. Mr. Cheng graduated from Party School of the Central Committee of C.P.C. in the PRC with major in foreign economics and from the post-graduate program in technical economics and management of Hohai University in the PRC. Mr. Cheng has extensive experience in the trading of and investment in non-ferrous metal commodities and related minerals, mineral production and processing, futures brokerage, logistics and freight forwarding industries in the PRC. Mr. Cheng held various directorships and senior executive positions with non-ferrous metal trading and investment corporations both in the PRC and Hong Kong, including Lianyungang E&T International Trade Corp. and 上海正瀛投資發展有限公司 (literally translated as Shanghai Gene Investment Development Company Limited).

Mr. Phen Chun Shing Vincent, aged 41, was appointed as independent non-executive Director on 12 December 2017. Mr. Phen holds a bachelor degree in business administration from the University of North Texas. Mr. Phen is currently an executive director of China Partytime Culture Holdings Limited and an executive director of Taung Gold International Limited ("Taung Gold"), both companies are listed on the mainboard of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Prior to the re-designation of Mr. Phen as the executive director of Taung Gold in May 2017, he has been the non-executive director of Taung Gold since July 2015. Mr. Phen was also the non-executive director of EPI (Holdings) Limited, a company listed on the mainboard of the Stock Exchange, from February 2016 to October 2016.

Mr. Phen has over 15 years of experience in direct investment and corporate banking. He was an executive director of China Merchants Capital Management (International) Limited from 2012 to 2015, a non-executive director of Comtec Solar Systems Group Limited, a company listed on the mainboard of the Stock Exchange, from 2010 to 2012 and a director of CMS Capital (HK) Co., Limited (formerly known as CMTF Asset Management Limited) from 2009 to 2012. Mr. Phen also worked for CLSA Capital Partners from 2007 to 2009 and has worked in the international corporate banking divisions of various financial institutions for seven years.

Peter Park

Chief Operating Officer

Mr. Peter Park joined the Agritrade group in 2014, is currently the Chief Operating Officer of the Company. He has over 20 years of experience in management, trading and business development in various commodity industries.

Mr. Park started his career as a broker for animal feed commodities in the mid 1990's before moving to trading industry from the year 2000 when he joined an established palm oil trading company in Singapore and where he started involving in various trading and business development activities relating to palm and its derivative products.

In 2011, he took the challenge of transferring to the coal industry when he moved to Indonesia to join a coal mining company where he gained invaluable insights into Indonesia and the coal industry.

Mr. Park graduated with a Bachelor's Degree in Business Administration from the National University of Singapore in 1994.

Benjamin Chay

Chief Marketing Officer

Mr. Chay is the Chief Marketing Officer of the Company. He is responsible for various divisions from Group Trading and Marketing, Human Resources, Legal to Operations.

He has more than 6 years of experience in the commodity sector at multi-national corporations. Having honed his experience in top commodity companies, Mr. Chay brings to the Group best practices to ensure continued improvement of the Group's operations.

Mr. Chay holds a Bachelor Degree of Economics and Management (Honours).

Sandjaja Ongsono

Head of Indonesia Coal Operations

Mr. Ongsono, aged 62, has more than 40 years of experiences in various industry with exposure to mining and cement engineering and manufacturing company in Taiwan. He has extensive experience managing a variety of businesses as an owner and partner, including in the building materials and coal mining sectors and has delivered on all project requirements to date. He was the team leader of the Kalteng I 2x100 mw IPP project, negotiations with PLN and local Indonesia Government entities.

Mr. Ongsono graduated from National Cheng Kung University, Tainan, Taiwan with a degree of B.E. in Mechanical Engineering in 1977.

Suka Waluya

Head of Mining Operations — SEM

Mr. Waluya 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, specialising 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 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).

MANAGEMENT **TEAM**

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, Winston 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.

OUR COAL **PRODUCTS**

Introducing 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 represents 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 an 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 supply chain. 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 4.7 million tonnes of coal production. We will continue to optimise our coal production in response to prevailing market demand.

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.

OUR COAL **PRODUCTS**

Introducing Our Merge Mining Coal Mine

Merge Mining uses longwall mining technique that recovers 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 6,426 kcal/kg raw coal mined from the Merge Mining is at a much higher grade than typical Indonesian coal and is well-sought after internationally, due to the high gross calorific value and superior quality.

Merge Mining is strategically located approximately 2 hours drive from Banjarmasin airport and 84 km from Talenta Jetty. The ease of transportation to the port ensures that we are able to produce the coal at an affordable price.

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 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 INTEGRATED **COAL SUPPLY CHAIN**

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

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 SEM mine to Telang Baru port via hauling trucks. The exclusive 10+10 years tender, awarded by Pertamina, has enhanced the productivity of the mine.

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 utilisation and effectiveness.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL **REVIEW**

For the financial year ("**FY**") ended 31 March 2018, both the Indonesian and international coal prices have demonstrated a generally upward trend which were mainly attributable to the strong coal demand from the People's Republic of China ("**China**") and India. By taking advantage of such favourable market condition, Agritrade Resources Limited (the "**Company**") and its subsidiaries (collectively the "**Group**") have managed to increase its coal production which has reached 5.7 million tonnes for FY 2018 (2017: 5.0 million tonnes). Due to the strong performance of the Group's mining business, both of the Group's turnover and the consolidated profit attributable to owners of the Company recorded a significant increase, to HK$2,237.3 million (2017: HK$1,441.5 million) and to HK$424.5 million (2017: HK$233.9 million) respectively, representing a respective increase of approximately 55.2% and 81.5% as compared to FY 2017. As a result of the generally better coal pricing in FY 2018, the Group has also recorded an increase in both the gross profit to HK$876.4 million (2017: HK$518.3 million) and the gross profit margin to 39.2% (2017: 36.0%).

During the year, the Group has incurred more legal and professional expenses and therefore the administrative expenses recorded for the current year increased significantly to HK$139,934,000 (2017: HK$114,071,000). Other income and gains also significantly increased to HK$87,332,000 (2017: HK$26,443,000) which was mainly attributable to a write-back of a consideration payable of HK$77,400,000 during the year, which was one-off in nature and was recognised by the Group as other income. The increase in the Group's finance costs to HK$58,284,000 (2017: HK$42,776,000) is in line with the increase in the average bank loan and convertible bonds balances for the current year.

Capital structure, liquidity and financial resources

On 12 January 2018, the subdivision of the Company's ordinary shares (the "**Share Subdivision**") became effective whereby every one issued and unissued ordinary share (the "**Share(s)**") of par value of HK$0.10 each in the share capital of the Company was subdivided into four subdivided shares (the "**Subdivided Share(s)**") of par value of HK$0.025 each.

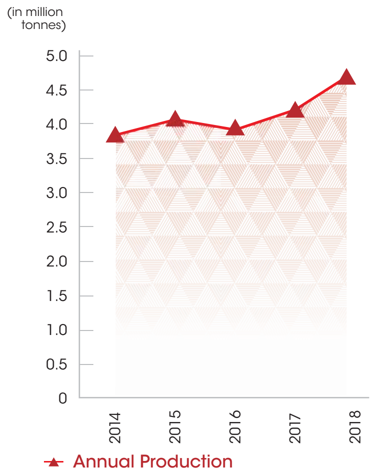
On 27 April 2017, the Company granted 15,000,000 share options to an advisor and a consultant of the Company to subscribe for a total of 15,000,000 Shares at an exercise price of HK$1.382 per Share during the period from 27 April 2017 to 26 April 2027 pursuant to the share option scheme adopted by the 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 consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2018. As at the date hereof, none of such 15,000,000 share options was exercised or lapsed or cancelled.

FINANCIAL **REVIEW**

During the year, prior to the Share Subdivision became effective, a total of 450,000 share options were exercised by option holders. Accordingly, 450,000 new Shares were allotted and issued by the Company to those option holders with a cash consideration of HK$504,000 received by the Company. Subsequent to the Share Subdivision became effective, a total of 400,000 share options were exercised by an option holder with 400,000 new Subdivided Shares were allotted and issued by the Company to such option holder with a cash consideration of HK$112,000 received by the Company.

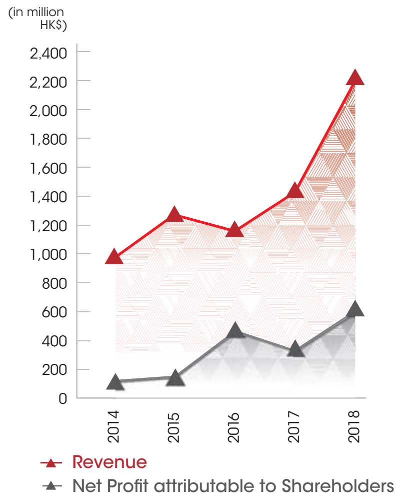
On 26 February 2018, the Company received a conversion notice from Eagle Eye Group Limited (the "**Bondholder**") in relation to the exercise of the conversion rights attached to the convertible bonds (the "**Convertible Bonds**") issued by the Company to the Bondholder on 14 July 2015, to convert the Convertible Bonds in the principal amount of US$20,000,000 at the conversion price of HK$0.55 per conversion share (the "**Conversion**"). Accordingly, 281,818,181 Subdivided Shares were issued and allotted to the Bondholder on 28 February 2018 upon Conversion pursuant to the terms and conditions of the Convertible Bonds. After the Conversion, all Convertible Bonds of the Company were fully converted into conversion shares and no convertible bond was outstanding as at 31 March 2018.

PRODUCTION



REVENUE BREAKDOWN

REVENUE & NET PROFIT



As at 31 March 2018, the Group's equity attributable to owners of the Company amounted to HK$3,480,616,000 (2017: HK$2,935,678,000), while total bank indebtedness amounted to HK$635,457,000 (2017: HK$800,536,000) and cash on hand amounted to HK$464,865,000 (2017: HK$395,469,000). The Group's bank indebtedness to equity ratio is 0.18 (2017: 0.27) and the current ratio is 1.29 (2017: 1.26). The board (the "**Board**") of directors (the "**Directors**") of the Company 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 its sound and prudent financial policies and stringent fund management systems and strived to maintain a healthy cash flow level and thereby ensuring the safety and integrity of its funds and financial position.

For the purpose of financing the Group's current operations as well as for any potential mergers and acquisitions activities, the Group 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, 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 to the Group and for the settlement of the consideration for any potential mergers and acquisitions. Any potential debt financing arrangement is expected to be long-term 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 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 consolidated statement of financial position and the total borrowings. The gearing ratio of the Group as at 31 March 2018 is 17% (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 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 the United States dollars.

Pledge of assets

As at 31 March 2018, the net carrying values of the Group's motor vehicles and plant and machinery held under finance leases amounted to HK$3,825,000 (2017: HK$6,761,000) and HK$66,783,000 (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 31 March 2018, the Group's mining-related plant and machinery and vessels with carrying value of HK$9,076,000 (2017: HK$11,583,000) and HK$723,373,000 (2017: HK$768,676,000), respectively, were pledged to secure bank borrowings of the Group.

CONTINGENT LIABILITIES AND LITIGATIONS

There is no significant contingent liability of the Group as at 31 March 2018. Details of certain of the Group's legal proceedings are set out in the "Major Events" section of this annual report under the heading of "Litigation".

DIVIDEND

The Board recommended a payment of a final dividend of HK0.5 cent (2017: HK1.0 cent) per ordinary share of HK$0.025 (2017: HK$0.1) each, amounting to a total final dividend of approximately HK$31,847,000 (2017: HK$15,211,000) for the year ended 31 March 2018. No interim dividend (2017: HK$ Nil) was proposed during the financial year ended 31 March 2018.

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

For FY2018, the Group has primarily three (2017: 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 FY2018, 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 to Asian countries.

In FY2018, as having benefited from the strong coal demand in China and India, the global thermal coal market remained robust and coal price continued to demonstrate an upward trend. The Indonesia's benchmark thermal coal price has touched its recent high in the first quarter of 2018 and the Newcastle coal price index was persistently positioned at a high level above US$90 per tonne in the second half of FY2018. Under such favourable market condition, the Group was eager to capture such opportunity by increasing its coal production. The annual coal production of the Group's mining segment has reached its historical high of approximately 5.7 million tonnes (2017: 5.0 million tonnes) for FY2018. Accordingly, a substantial increase was recorded for both the turnover of the Group's mining segment to HK$1,934.3 million (2017: HK$1,180.8 million) and its operating profit to HK$676.1 million (2017: HK$301.6 million), representing an increase of approximately 63.8% and 124.2% respectively as compared to FY2017.

SEM mining and coal trading activities

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. 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.

In FY2018, the SEM Mine recorded an annual coal production of 4.7 million tonnes (2017: 4.2 million tonnes), which represents a remarkable peak since commencement of its operation in 2010. Coupled with the stronger coal pricing during the year, the Group's SEM mining and coal trading segment recorded an increase in both the turnover to HK$1,555.5 million (2017: HK$1,036.9 million) and the operational profit to HK$602.2 million (2017: HK$264.0 million) for FY2018, representing an increase of 50.0% and 128.1% respectively as compared to FY2017.

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 for the SEM Mine's operation.

Merge mining operation

The Merge Mine is located in South Kalimantan, Indonesia and 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. During FY2018, the Merge Mine was mainly operated with one set of longwall system, and until the second quarter of 2018, the Group has further acquired another set of longwall system from a leading mining equipment manufacturer in China, with which the Company believes that the production capacity of the Merge Mine can be largely enhanced.

OPERATIONS **REVIEW**

During the current financial year, the Merge Mine produced approximately 558,000 tonnes of coal (2017: 361,000 tonnes), which contributed a turnover of HK$268.7 million (2017: HK$109.2 million) and an operational profit of HK$52.4 million (2017: HK$32.5 million) to the Group's mining segment in FY2018. 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 expand and develop the Merge Mine operations through ongoing investment in mining equipment, including the longwall systems, in order to ramp up its production capacity in line with its annual production target.

Contract mining operation

The Group's contract mining business is conducted through the Bunda Kandung Mine, which is located in Central Kalimantan, Indonesia. 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 FY2018, the Group has produced approximately 461,000 tonnes (2017: 448,000 tonnes) of coal from the Bunda Kandung Mine, which contributed a turnover of HK$110.1 million (2017: HK$34.7 million) and an operational profit of HK$21.5 million (2017: HK$5.1 million) to the Group's mining business for the year.

MINING EXPENDITURE, ESTIMATED COAL RESOURCES AND RESERVES

For the year ended 31 March 2018, the mining expenditure incurred for all the Group's operating mines, including the SEM Mine, the Merge Mine and the Bunda Kandung Mine, was approximately HK$1,225.3 million (2017: HK$982.1 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 2018 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	As at 31 March 2017	**As at 31 March 2018**
Coal Resources (in million tonnes)	Measured	86.61	84.87	81.01	76.93	72.95	68.71	**64.00**
	Indicated	51.26	51.26	51.26	51.26	51.26	51.26	**51.26**
	Inferred	14.83	14.83	14.83	14.83	14.83	14.83	**14.83**
	Total	152.70	150.96	147.10	143.02	139.04	134.80	**130.09**
Coal Reserves (in million tonnes)	Proved	83.38	81.64	77.78	73.70	69.72	65.48	**60.77**
	Probable	34.47	34.47	34.47	34.47	34.47	34.47	**34.47**
	Total	117.85	116.11	112.25	108.17	104.19	99.95	**95.24**

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 on the Merge Mine in November 2015 and subsequently a JORC update reporting on the coal resources and reserves on the Merge Mine as of 31 March 2017 in April 2017, which are collectively known as the Merge JORC Reviews. The estimated coal resources and reserves of the Merge Mine based on the Merge JORC Reviews are summarised as follows:

	Coal Resources (in million tonnes)					Coal Reserves (in million tonnes)		
	Measured	Indicated	Inferred	Total		Proved	Probable	Total
As at 30 June 2015	55.3	88.4	120.8	264.5	As at 30 September 2015	0	92.0	92.0
As at 31 March 2017	66.3	99.5	98.4	264.2	As at 31 March 2017	36.9	60.2	97.1
As at 31 March 2018	**65.7**	**99.5**	**98.4**	**263.6**	**As at 31 March 2018**	**36.3**	**60.2**	**96.5**

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.

OPERATIONS **REVIEW**

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 year, 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**"). During FY2018, the Group's shipping business has managed to maintain a stable revenue and segment profit of HK$276.1 million (2017: HK$260.8 million) and HK$135.1 million (2017: HK$117.5 million) respectively.

VLCC storage and logistic services

For the current financial year, the vessel storage and logistic services were provided by the three sets of VLCCs owned by the Group. Each of the Group's VLCCs was secured by vessel storage service agreements entered into with an international petroleum trading company for leasing out the VLCCs for storage and transportation of crude oil with option to renew. During the year, the Group's VLCCs contributed HK$250.2 million (2017: HK$193.9 million) of revenue and HK$139.3 million (2017: HK$107.4 million) of profit to the Group, both of which show a significant increase mainly due to the additional contribution by the third VLCC acquired by the Group in January 2017. In April 2018, the Group entered into a memorandum of agreement to dispose of an aged VLCC, namely MT Sea Equatorial. Accordingly, it is expected that the VLCC storage income may go downward for coming years should there be no acquisition of additional VLCCs by the Group. However, the Group remains optimistic that the existing two sets of VLCCs would continue to bring stable and sustainable income and cash flows to the Group on a long-term basis.

OPERATIONS **REVIEW**

Vessel transportation, shipping freight services and other shipping related services

The Group's vessel transportation and shipping freight services are provided by its Panamax Vessel and Tug and Barge Vessels, which generated a revenue of HK$25.9 million (2017: HK$66.9 million) for FY2018. The significant decrease is mainly attributable to the lower freight rates charged to customers for its Tug and Barge Vessels for the year. In addition, the Group was also providing other shipping related services to certain sizeable trading and shipping companies, which could contribute a diversified income to the Group's shipping business.

ENERGY BUSINESS

During the current financial year, the Group started a new business in the energy segment, which involves the production of biodiesel in the United States of America (the "**U.S.**").

In December 2016, the Group completed the acquisition of the 51% interest in a biodiesel plant (the "**Biodiesel Plant**") located in Arkansas, the U.S.. 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 commercial sales of biodiesel to major oil and gas trader customers located in the U.S.. The operation of the Biodiesel Plant has contributed a revenue of HK$27.0 million to the energy business segment of the Group for FY2018 with approximately 1.9 million gallons of biodiesel produced.

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.

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 U.S.

The Group completed the acquisition of the 51% interest in the Biodiesel Plant located in Arkansas, the U.S. 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 U.S.. The Group believes that the Biodiesel Plant will cater to the increasing demand for renewable energy in the U.S. market and lead to the creation of a new business vertical for the Group.

MAJOR **EVENTS**

SHARE SUBDIVISION

On 12 December 2017, the Board proposed the Share Subdivision, whereby every one issued and unissued ordinary share of par value of HK$0.10 each in the share capital of the Company to be subdivided into four subdivided shares of par value of HK$0.025 each. The Share Subdivision would become effective upon fulfilment of certain conditions, including the passing of the ordinary resolution (the "**Resolution**") approving the Share Subdivision by the shareholders of the Company at the special general meeting.

The Resolution was duly passed at the special general meeting held on 11 January 2018 and all of the conditions for the Share Subdivision were fulfilled. Accordingly, the Share Subdivision became effective on 12 January 2018.

LAPSE OF SECOND COMPLETION FOR THE MERGE ACQUISITION

On 28 October 2015, the Company entered into the share sale and subscription agreement (the "**SSSA**") with Sino Island Limited ("**SIL**") and Merge Mining Holding Limited ("**MMHL**") in relation to the Merge Acquisition (as defined hereafter). Pursuant to the terms and conditions of the SSSA, one of the conditions precedent (the "**Second Conditions**") to the second completion (the "**Second Completion**") for the Merge Acquisition is the Ministry of Energy and Mineral Resources of the Republic of Indonesia (the "**Ministry**") having re-issued the mining business licence (the "**MESD IUP**") for PT Merge Energy Sources Development ("**MESD**"). As the Ministry did not re-issue the MESD IUP on or before 23 December 2017, being the second long stop date as set out in the SSSA, the Second Completion did not and will not take place. Accordingly, pursuant to the SSSA, no further Class A convertible preference shares ("**Class A CPSs**") of the Company and no Class B convertible preference shares of the Company will be issued, and no additional payment of consideration for the Merge Acquisition related to the Second Completion will be made by the Company and therefore a contingent consideration payable for the Merge Acquisition of US$10 million was reversed and written-back by the Group as other income during the year. There was no effect on the 51% interest in MMHL held by the Group or the 63,265,306 Class A CPSs that have already been issued by the Company upon the first completion of the Merge Acquisition. The Group will continue to explore the possibility of obtaining the MESD IUP.

FULL CONVERSION OF CONVERTIBLE BONDS

On 26 February 2018, the Company received a conversion notice from the Bondholder in relation to the exercise of the conversion rights attached to the Convertible Bonds, to convert the Convertible Bonds in the principal amount of US$20,000,000 at the conversion price of HK$0.55 per conversion share. Accordingly, 281,818,181 conversion shares were issued and allotted to the Bondholder on 28 February 2018 pursuant to the terms and conditions of the Convertible Bonds.

After the Conversion, all Convertible Bonds of the Company were fully converted into conversion shares and no convertible bond was outstanding as at the financial year end date.

DISPOSAL OF VLCC

Subsequent to the financial year end date, on 10 April 2018, Sea Equatorial Limited, an indirect wholly-owned subsidiary of the Company, as seller, entered into a memorandum of agreement with an independent third party, as buyer which was a leading global oil trader, in relation to the disposal (the "**Disposal**") of a VLCC owned by the Group, namely MT Sea Equatorial, at a consideration of US$18.5 million (approximately equivalent to HK$145 million).

MT Sea Equatorial was a Korean-built VLCC-grade oil tanker with capacity of approximately 300,000 DWT (deadweight tonnage) built in 1997 and was classified by Lloyd's Register. The Disposal constituted a disclosable transaction for the Company under the Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the transaction was completed as at the date hereof.

ACQUISITION OF ADDITIONAL LONGWALL SYSTEM

Subsequent to the financial year end date, on 14 May 2018, Agritrade Mine Holdings Limited ("**AMHL**"), a direct wholly-owned subsidiary of the Company, entered into an equipment supply contract to acquire (the "**Longwall Acquisition**") a complete set of longwall system from a leading comprehensive coal mining and excavating equipment manufacturer in China at a consideration of RMB139,400,000 for the Group's mining operation at the Merge Mine. After the Longwall Acquisition, the Merge Mine will be operated with two longwall systems. The Board expects that the production capacity of the Merge Mine will be increased by approximately 2.5 million tonnes annually following the Longwall Acquisition, reaching a total annual production capacity of approximate 3.5 million tonnes.

LITIGATION

In December 2015, the Group acquired (the "**Merge Acquisition**") 51% indirect equity interest in MMHL through its wholly-owned subsidiary AMHL from the previous 100% owner of MMHL, SIL, which is owned and controlled by Mr. Jing Yu ("**Mr. Yu**"). Upon completion of the Merge Acquisition, SIL continued to own 49% of the equity interest in MMHL. Subsequent to the Merge Acquisition, the Group acquired management control with respect to MMHL and its subsidiaries pursuant to the terms of the shareholders' agreement between AMHL, SIL and MMHL (the "**MMHL Shareholders Agreement**") by appointing its nominees to the relevant boards of directors and boards of commissioners, as well as into key management positions. However, contrary to the terms of the MMHL Shareholders Agreement, SIL and its related persons including Mr. Yu have opposed such actions by the Group and its representatives. As a result of this disagreement, the Group is involved in the following legal proceedings:

MAJOR **EVENTS**

Hong Kong Arbitration Matter

In June 2016, AMHL initiated arbitration proceedings in the Hong Kong International Arbitration Center against SIL (the "**Hong Kong Arbitration Matter**"). AMHL alleged, amongst other things, that SIL, through its related parties, including Mr. Yu, breached the MMHL Shareholders Agreement, and that SIL has attempted to frustrate the corporate governance framework envisaged under the MMHL Shareholders Agreement and the Group's management rights over MMHL and its subsidiaries. AMHL sought remedies to enforce its rights under the MMHL 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 proceedings are ongoing and the arbitral hearing was scheduled to take place in September 2018.

Jakarta Proceedings

In September 2016, Mr. Yu and a related person (the "**Plaintiffs**") initiated proceedings in South Jakarta District Court against certain of MMHL's subsidiaries, including MESD and PT Merge Mining Industry ("**MMI**"), certain of their directors, commissioners and officers and other parties (the "**Jakarta Proceedings**"). 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 sought 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. As at the date hereof, the Jakarta Proceedings are ongoing and are currently in the evidentiary stage of the proceedings.

STAFF **AND REMUNERATION POLICIES**

As at 31 March 2018, the Group had 589 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 for mining operations**
  The Group's mining management will continue to work closely with mining experts and technical consultants to plan, model and strategies 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.

GROWTH STRATEGY **AND OUTLOOK**

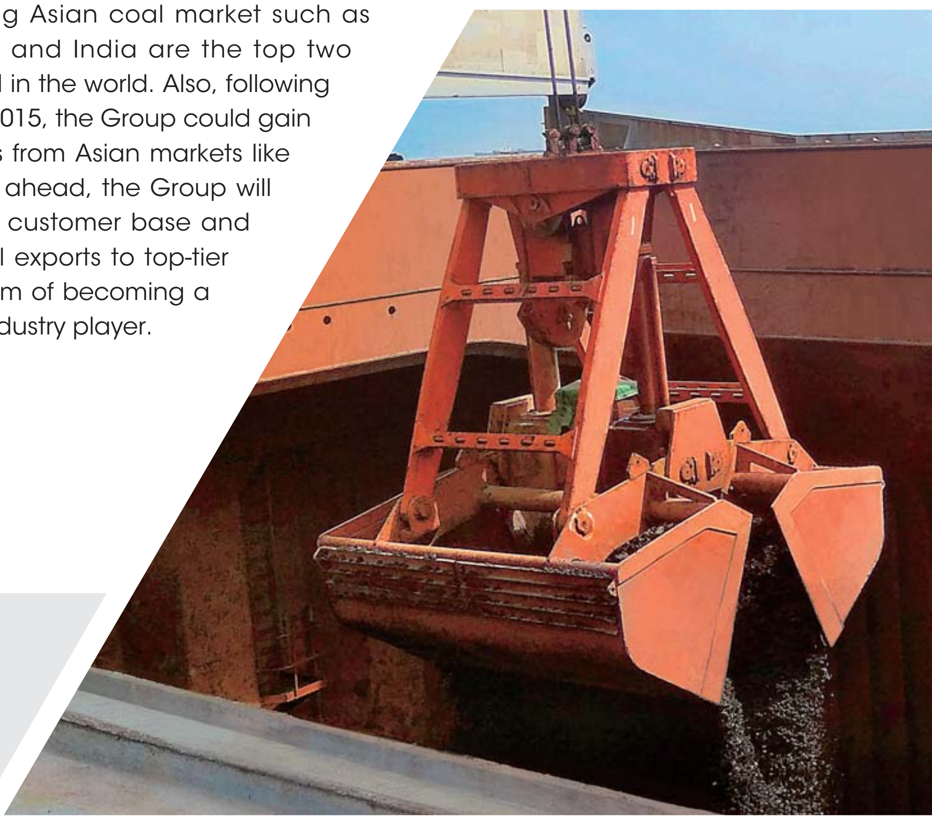
- **Market and business diversification**
  The Group strongly believes that the strategy of market and business diversification will minimise its business risk, especially in volatile market conditions.

  Regarding the coal mining business, the Group has kept expanding its coal mine portfolio for the past few years through an acquisition of the Merge Mine and starting of the contract mining operations at the Bunda Kandung Mine. 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. As at the date hereof, the Group owns a fleet of vessels comprising two sets of VLCCs, one Panamax Vessel and Tug and Barge Vessels. These can provide a wide range of variety in both vessel type and size which allow the Group to provide customised and value-added solutions catering to different needs of its customers.

  In 2016, the Group penetrated into the renewable energy business through an acquisition of a biodiesel plant located in the U.S.. Such acquisition has 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.

- **Strong customer base in top international coal markets**
  The Group has established a strong customer base within the domestic Indonesian market and fast growing Asian coal market such as China and India. Currently, China and India are the top two countries with strongest coal demand in the world. Also, following the acquisition of the Merge Mine in 2015, the Group could gain access further to high-end customers from Asian markets like Japan and South Korea. In the year ahead, the Group will continue to expand its international customer base and will continue to put its focus on coal exports to top-tier international coal markets with the aim of becoming a more international and global coal industry player.



GROWTH STRATEGY **AND OUTLOOK**

OUTLOOK

Prospect on the mining business

The Group mainly sells and markets its coal products to major markets in China, India and Indonesia which are all developing economies showing a rising demand for coal as most of their power plants are fueled by coal. In light of such strong coal demand from these economies, the Group expects that the global and Indonesia coal prices will remain robust and will sustain at the recent high levels. The Group will continue to take advantage of the opportunity arising from such favourable market conditions, by maximising the production capacity of all of its three operating coal mines. The Group will also put more focus on export sales and further explore new markets or customers in different Asian countries.

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 is expected to be maintained at a sustainable and stable level as FY2018. The Group will make adjustment to the annual coal production in response to prevailing market demand and conditions in order to optimise its returns. For the Merge Mine, the Group has recently acquired a new longwall system from a renowned Chinese equipment manufacturer to be installed at the Merge Mine site. After construction, the Merge Mine operations will be fully equipped with two longwall systems. The production capacity of the Merge Mine is expected to increase by approximately 2.5 million tonnes annually with the additional longwall system, reaching a total annual production capacity of approximate 3.5 million tonnes. 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 intends to expand its fleet of mining equipment for use at the Bunda Kandung Mine by acquiring additional dump trucks and excavators in order to improve its operating efficiencies and equipment productivity. In addition, the Group plans to establish on-site workshop facilities for effective maintenance and overhaul of its on-site mining equipment and machinery. The Company expects that the annual production of the Bunda Kandung Mine will grow in a stable manner.

The Group expects that it can finally achieve an aggregate annual coal production of 6 million tonnes for all of its three operating mines in the near future. In view of the current favourable conditions in the coal market, the Company is optimistic about its mining business and believes that its performance will remain promising in the coming year.

Prospect on the shipping business

The Group operates an international shipping business primarily servicing the energy sector in Southeast Asia as well as the Middle East construction sector. Our shipping business mainly comprises vessel storage services and vessel charter services for the transportation of oil and bulk cargo as well as the charter of our Tug and Barge Vessels. As at the date hereof, the Group owns two sets of VLCCs providing the storage services, and one set of Panamax Vessel and six sets of Tug and Barge Vessels providing vessel charter services.

For our VLCC business, all of our existing VLCCs are secured with long-term floating storage service agreements entered into with renowned international trading companies with original contract terms up to five years. Under these storage service agreements, VLCCs were chartered for fixed periods of time at fixed charter rates, with customer's option to further extend. As such, the Group believes that the VLCC business is highly secured, which can contribute stable, sustainable income and cashflows to the Group for coming years in the future.

Although the global vessel charter rates have shown a downturn recently, the Group is still optimistic about its shipping business as we will continue to capitalise on our relationships with international energy companies as our long-term customers. We believe 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. We will also regularly monitor and assess the utilisation and efficiency of our vessels, including a review on their ages and vessel conditions and on the prevailing market conditions, so that we can promptly react to the market and optimise our vessel portfolio by acquiring or disposing of vessels on an on-going basis.

Prospect on the energy business

The Group's energy business is conducted through its Biodiesel Plant located in Arkansas, the U.S., of which the commercial operation has commenced since September 2017. The operation of the Biodiesel Plant includes the processing, production and sale of biodiesel to sizeable companies located in the U.S.. The Biodiesel Plant has an expected maximum production capacity of 40 million gallons annually, and it is still undergoing the ramp-up process on its production capacity towards its 40-million-gallon target.

Biodiesel is a renewable, clean-burning diesel alternative strongly supported by the U.S. Government in the recent decade, with benefits of reducing the petroleum import, creating jobs vacancies and achieving environmental protection. The U.S. biodiesel market has expanded dramatically since the early 2000s with only approximately 25 million gallons annual production, jumping to approximately 2.6 billion gallons annually for the year 2017. However, this production scale is still significantly falling behind when compared to the total diesel market in the U.S.. As part of the revised United States Energy Independence and Security Act of 2007, the United States Renewable Fuels Standard came into effect in January 2018, which calls for the annual production of 36 billion gallons of biofuels, mainly comprising of ethanol and biodiesel, by 2022.

Our entry into the attractive North American renewable energy market reflects our strategic vision to become a leading energy-focused solutions provider and positions us to capture growth opportunities in the biodiesel market afforded by the global trend towards renewable and environmentally-friendly products. As the Group's biodiesel business is still in its early stage of operation, an operating loss from such advanced stage was recorded for FY2018. However, the Board believes that our biodiesel business will have a high growth potential and promising prospect in the future, which will cater to the growing demand for renewable energy in the U.S. market and capture the opportunities provided by the global trend towards bio-based, renewable and environmentally-friendly products.

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 to further diversify the 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 regard to 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 potential mergers and acquisitions activities and for the purpose of financing the Group's current businesses, 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 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**

Our group firmly believes in giving back to the community. The people and the environment are always factors that we consider the areas where we operate. We aim to improve their living conditions by engaging in various voluntary activities.

We install and upgrade common infrastructure in the vicinity like roads, power plants and water supplies. The mines are also a source of employment opportunities for the local residents.

The group reduces environmental impact by rehabilitating the back-filled lands around the mine ("re-vegetation"). We adopt proper water drainage and filtering systems to ensure that the water is safe and sanitised. We also monitor our back-filled lands to ensure that vegetation have taken root and if wildlife have returned.

Responsible mining will always be a key aspect of our business and we will continue to explore the viability of providing the local community with healthcare and educational benefits for the people that we touch.

INVESTOR **RELATIONS**

Agritrade Resources has always regarded investor relations as an important aspect of corporate governance and an effective way to maximise 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. The team also informs the senior management regularly of the latest industry developments, gathers market perceptions as well as provides 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, 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 and media releases posted on the Stock Exchange's online portal (www.hkex.com.hk).

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.

- Annual reports provide insights on the Group's full year performance and corporate developments. The report is mailed to all shareholders in hard copies, following the 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 July/August.

- 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.

- Corporate presentations serve as comprehensive repositories of Company-specific information. The presentations are used at meetings with the investment community and media. 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 Group'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

Independent Non-Executive Directors

Mr. Chong Lee Chang
Mr. Siu Kin Wai
Mr. Terence Chang Xiang Wen
Mr. Cheng Yu
Mr. Phen Chun Shing Vincent

COMPANY SECRETARY

Ting Kin Wai

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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Harcourt House
39 Gloucester Road
Wanchai
Hong Kong

AUDITORS

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31/F, Gloucester Tower, The Landmark
11 Pedder Street, Central
Hong Kong

SOLICITORS

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

Credit Suisse AG
Sumitomo Mitsui Banking Corporation
Standard Chartered Bank

WEBSITE

www.agritraderesources.com

STOCK CODE

1131.HK

COMPLIANCE CONTENTS

1. SCOPE

The information disclosed in this Environmental, Social and Governance (ESG) report covered the shipping operation at Sea Oriental Line Pte Ltd. and mining operation of the 2 coal mines at Central & South Kalimantan of Indonesia, during the period from 1 April 2017 to 31 March 2018.

The content of this report was prepared in accordance with the Environmental, Social and Governance Reporting Guide of The Stock Exchange of Hong Kong Limited, and the frequency of publication is once a year.

2. COMMUNICATION WITH STAKEHOLDERS

The Company convenes annual general meeting (AGM) which provides an effective platform for the Board of Directors to exchange views with shareholders. In addition to AGM, for maintaining close relationships with customers, suppliers and other stakeholders, the Company communicates from time to time with stakeholders and listen to their views and needs through visit, phone and video conference, etc. The Company's overall business performance is also reported to investors through the Annual Report.

3. ENVIRONMENTAL, SOCIAL AND GOVERNANCE PERFORMANCE

3.1 Environmental

3.1.1 Emissions

The Group actively responds to the global trend of emission reduction and is committed to minimising the emissions or discharges in its daily operations such as greenhouse gases, air-borne particulates, waste water, and solid wastes. The Group is seeking for innovative technology to improve environmental protection performance and has developed a series of environmental policies to strengthen control:

(a) *Waste Reduction/Management*

Mining operation

The Company has implemented waste management system to follow industry standards and environmental regulations to reduce and control the amount of waste produced during the mining operations. The wastes being generated by the mining operations mainly came from the process of extraction and processing of minerals. The Company's mining operations generated two types of wastes, overburden and mine development waste (development coal). Overburden resulted from the development of surface mines, while mine development wastes were by-product of coal extraction from the underground mine.

Scrap metal wastes from production were collected and sold off to scrap metal dealer. Company has contracts with qualified vendors that are registered within the Environmental Ministry for the collection and disposal of hazardous wastes. Those wastes harmful to the earth's surface were collected and disposed to avoid damage to the land around the mining concession. By contracting with approved vendors responsible for the removal of the hazardous wastes produced, the Company has fulfilled all environmental commitments to the government within the mining concession.

During the reporting period, overburden was in the majority of waste generation. In addition, other non-hazardous wastes including scrap metal and domestic wastes were also recorded as below. Hazardous wastes were also identified but the quantity was much less than those non-hazardous types, they included oil, grease, coolants, batteries, and cartridges.

Types of Wastes	Annual Emission
Overburden (tonnes)	10,056,482
Scrap metal (tonnes)	33
Other non-hazardous wastes (tonnes)	24
Total Non-hazardous waste (tonnes)	10,056,539

With reference to the annual shipment volume of mining products, the emission volume and intensity of both hazardous and non-hazardous wastes were illustrated as below:

	Hazardous wastes	Non-hazardous wastes
Emission volume (tonnes)	84.6	10,056,539
Annual shipment volume (tonnes)	5,905,152	
Emission Intensity (tonne per tonne of shipment)	Insignificant (<0.0001)	1.70

Shipping operation

The Company has developed waste management plan for collection, segregation, storage, and disposal of all shipboard generated garbage. According to the Waste Management Plan, the disposal of any waste overboard is strictly prohibited, and such wastes shall be retained on board and disposed to shore facilities. It also ensures that potentially harmful chemicals and other substances used in the operation of ships are stowed, handled and disposed off in a safe to environment manner.

Designated waste collection area is identified on board and this area is equipped with bins or receptacles with lids for segregating and storing each category of shipboard generated waste. These bins shall be painted in different colours and marked in bold to distinguish each category. The bins shall be properly stowed and adequately secured. Waste receptacles should be constructed of non-combustible materials with no openings in the sides or bottom and with lid covers.

Garbage collected from working and living areas throughout the ship should be delivered to designated processing or storage locations. All garbage would be stored in a manner which avoids health and safety hazards. Disinfection and both preventative and remedial pest control methods would be applied regularly in garbage storage areas. Shipboard training shall be provided for crew members who are involved in the handling of shipboard garbage.

Disposal of all plastics, including plastics mixed with other garbage is prohibited at sea. This category to be disposed off to shore facilities, all plastic garbage should be properly stored beforehand. Also, plastics should not be discharged into the sea in any state of ash or clinker or any other form. Company also prohibits the incineration onboard of certain products, such as contaminated packaging materials and polychlorinated biphenyls (PCBs). Plastics shall not be incinerated in un-approved incinerator and to be landed ashore.

Food waste intended for disposal in port should be stored in tight, securely covered bins to prevent pests breeding and outbreak of diseases. If food waste is being disposed overboard, there must be strict separation in the galley.

To ensure timely transfer of large quantities of ship generated garbage to port reception facilities, it is essential for ships or their port agents to make arrangements well in advance for garbage reception and disposal needs identified when requiring special handling requirements.

When taking delivery from suppliers, the Company is striving to take steps for waste reduction, such as by purchasing in bulk so as to reduce packaging volumes, endeavour to return the packing material to the supplier, encourage recycling initiatives.

In addition, the Company has developed the scrapping policy to ensure that any item to be disposed off should not damage the environment. Procedure is in place for scrapping of the vessel without jeopardizing the state of the environment or the health of scrap yard workers. Risk assessment is in place to Identify hazards or harmful factors associated with ship-breaking.

During the reporting period, various types of wastes were recorded for monitoring of the environmental impacts incurred from the shipping operation. Non-hazardous wastes included mainly shipboard generated wastes, plastic wastes, and food wastes, while a few of hazardous wastes was identified in the form of oil rags and used batteries.

Types of Non-hazardous Wastes	Examples
Shipboard generated garbage	used filters, paper, glass
Plastic wastes	food packaging bags, trash bags
Food wastes	used cooking oil, other food residues

Regarding the shipboard generated wastes, there was a total of 72 tonnes generated during the reporting period, and the amount was reduced as compared to 79 tonnes generated in the previous reporting period.

With reference to the annual shipment volume of shipping goods, the emission volume and intensity of both hazardous and non-hazardous wastes were not significant as illustrated from the table below:

Types of Wastes	Hazardous	Non-hazardous
Emission volume (tonnes)	1.2	276
Annual shipment volume (tonnes)	8,400,000	
Emission Intensity (tonne per tonne of shipment)	Insignificant (<0.0001)	Insignificant (<0.0001)

(b) *Minimization of Water Pollution*

Mining operation

Water was used during the production phase and consequently generated wastewater. Wastewater was pumped out to a settling pond near the entrance of the mine tunnel, then treated with chemicals and reused for the production phase. Surface run-off water was also collected within settling pond and recycled for production use.

Sewage was settled within the mining concession. Sewage was stored in multiple settling ponds where it was treated and filtered. Once the water has met all environmental standards, it was either released back into the stream or placed in a reservoir. Once the treated water has returned back to its natural state then it would be pumped and transferred to the surface run- off water settling pond for reuse in production. Wastewater management system has implemented to create a centralised water system for mining operations.

Mine water, which penetrated the mine, was usually removed by pumping. Such water often had a fluctuating low pH factor and carried with insoluble substances such as metals. Mine water was firstly treated in sedimentation ponds and then chemically treated according to oxidation-neutralisation principle for removal of iron, manganese and other insoluble substances.

Water deposited in sedimentation pond was neutralized by limestone until the acidity returned to normal before being released back into the natural water stream like river.

During the rainy season, open pit mining would generate large amount of surface water. Such water affected by coal and other minerals in the area would have to be pumped out of the pit into a settling pond. Within the settling pond, such water would then be treated chemically until it reached its natural state, before the Company would either use such water for mining purpose or coal washing. Prior to releasing water in the mining area back into the local water sources, approval was obtained from the water ministry department and water treatment followed the guidelines set by the Environment Ministry.

In addition, water flow was controlled by setting up reservoir pond in order to control the acidic aquifers caused by mining activities and to reduce acidic water from mine acid rock layers.

During the reporting period, the Company has processed water treatment by sowing alum and caustic soda, totally 436,968 cubic metre of water was neutralised before discharge to the environment.

Shipping operation
The discharge of sewage at sea is to be carried out in accordance with regulation and the relevant procedure. Procedures for Cargo operations, Bilge operation, Bunkering and Oil Transfer Operations are managed to mitigate the risk of pollution.

A sample of the ballast tanks should be visually checked for oil contamination on each occasion before de-ballasting. No bilges shall be pumped directly overboard and any bilges pumped overboard whilst at sea are carried out in accordance with the regulations to prevent pollution of any kind.

Moreover, the Company also avoids the use of anti-fouling paints containing tributylin compounds and considers the use of alternative anti fouling agents, having regards to their effectiveness and operational efficiency.

Sewage treatment facility is in place for assuring the discharged water compliant with the relevant regulations. During the reporting period, the volume of treated effluent was 59,130 litre in total, which was reduced as compared to 65,043 litre in the previous reporting period.

(c) *Mitigation of Air Pollution*
Mining operation
Dust pollution from the mining operations came from stockpiles, open areas, coal handling and general movement of vehicles. Dust management measures for coal handling would mainly comprise of enclosures for conveyors and transfer points. Spraying of water at dusty roads, stockpiles and uncovered areas were adopted to minimize particulates spreading into the air, especially along the coal hauling path during dry season.

Overburden produced at the open pit mine site would be stored in a separate stockpile and compacted to minimize air pollution. When the mine has been exhausted, overburden waste would be used to backfill the excavated area to start the land rehabilitation process. The Company has a policy that all exhausted pits have to be filled before the operations can move on to open a new mining pit within the concession. During the initial stage of the underground mine, there is a large amount of development coal generated. Such wastes were stockpiled and stored, then sold to another party for proper disposal or use for coal blending/treatment.

Shipping operation
The Company ensures that the use of key equipment, e.g. main engine, boilers and generators, etc. do not violate local and international regulations governing emissions to the atmosphere.

Sulphur content of fuel oil is controlled so as to mitigate the sulphur emission. Also Company has established fuel oil storage and change over requirements for fuels with sulphur content. For non-segregated storage/change over systems, care must be taken to ensure that the entire system is purged of any fuel oil with sulphur content above the regional requirement prior to entering that particular region.

Where appropriate, exhaust gas cleaning systems or other approved technological methods may be installed to reduce the total SOx emissions from both main and auxiliary engines and boilers to the criteria set by port state controls.

Also, the Company prohibits deliberate emission of ozone depleting substances (ODS), which include halons and chlorofluorocarbon (CFCs). This includes the prohibition of incineration onboard of certain products, such as contaminated packaging materials and polychlorinated biphenyls (PCBs). All Plastics shall not be incinerated and to be landed ashore.

In addition to ODS, the Company's managed fleet is scheduled not to have Halon fire extinguishing system, and Company ensure that existing Halon fire extinguishing systems are maintained to the highest standard to minimise leakage and that, where possible, system test procedures do not require the release of halons in the atmosphere. Moreover, adequate precautions are adopted in the removal and appropriate disposal of halons during system scrapping.

Since leakage of refrigerant gases could cause significant impact on total greenhouse gas (GHG) emissions, Company's managed vessels are using Freon 22 for Air Conditioning System Domestic Fridge System. Regular inspections of the entire refrigerant systems onboard are in place to detect leakage and improve system efficiency.

Where practicable, programme is developed to conduct tank cleaning, cargo measurement, sampling and gas freeing operations so as to minimise the release of cargo vapour which may attribute to air pollution.

Greenhouse Gas emission from both operations

In shipping operation, the emission sources of greenhouse gases mainly come from the fuel consumption of vessels, while the mining operation has a wider range of sources which include various types of energy consumption and the associated fugitive emission from their operation.

Below is the list of the GHG emission sources from both operations of the Group and the total GHG discharged to the environment during the reporting period.

GHG Emission Sources	Total Annual Consumption Mining operation	Shipping operation
Fuel oil 380 cst (litre)	n/a	33,600,000
Diesel oil (mobile source) (litre)	12,760,000	1,800,000
Diesel oil (stationary source) (litre)	498,776	n/a
Gasoline (mobile source) (litre)	12,523	n/a
Gasoline (stationary source) (litre)	1,190	n/a
Natural gas (cubic metre)	601	n/a
Acetylene (kilogram)	n/a	720
Refrigerant (R-134a) consumption (kilogram)	165	n/a
Carbon Dioxide fire extinguisher consumption (kilogram)	929	n/a
Electricity consumption (kWh)	204,775	n/a
Annual shipment volume (tonne)	5,905,152	8,400,000
Total GHG emissions (tonne carbon dioxide equivalent)	**35,704**	**116,035**
GHG emission Intensity (kg carbon dioxide equivalent/tonne of shipment)	**6.05**	**13.81**

Overall, the Group did not identify nor receive any legal violation or complaint pertaining to the environment pollution in the reporting period.

3.1.2 Use of Resources

Apart from the control of emissions/wastes, the Company is also well aware of resource saving could contribute to environmental protection, and consequently has established various strategies on utilisation of energy, water and office resources.

(a) *Energy Conservation*

Mining operation

The Company has a strict policy to turn off machinery and equipment when they are not in use in order to conserve energy during the mining operations.

For procurement at mining operation, the Company is striving to find the environmentally friendly machinery and equipment. Energy efficiency is one of the key criteria in the selection of such equipment.

For energy saving by effective consumption of diesel oil and gasoline, relevant department would perform regular maintenance on the vehicles and avoid unnecessary weight in transportation as well as unnecessary trips.

Moreover, the Company constantly remind every employee at head office and mine sites to save energy in the daily operations.

Shipping operation

Management plans have been established to assure the vessels' energy efficiency. Following procedures/practices have been in place:

(1) Use of Weather Routing to take advantage of favourable weather and avoid adverse weather in order to obtain the best performance in speed or consumption.

(2) Use of Virtual Arrival concept in voyage planning to manage unexpected delays and waiting time. The concept is about identifying delays at discharge ports so as to better manage the vessel's arrival time at that port by managing/reducing the vessel's speed, resulting in reduced fuel consumption and emissions but not reduced capacity.

(3) Regular cleaning (polishing) of hull and propeller to reduce hull resistance and improve overall efficiency.

(4) Energy optimization program for the main engines and generators through visual inspection and performance monitoring with the designated monitoring system and/or equipment.

(5) Improvement of overall boiler efficiency by new techniques, such as air modelling, improved steam controls, oxygen trim combustion controls.

(6) Voyage-specific cargo heating plan to enable cargo and bunker being heated in the most economical way.

(7) Operation of the vessels at the optimum trim and draft to assure the most fuel efficiency.

Besides the aforesaid systems in place, all ship personnel are to be provided with regular training for energy conservation. As part the of initial vessel familiarization, each crew member is trained on complete understanding of the specific vessel's operations and how the crew's interactions with the particular equipment on energy saving. The crew of vessel are trained to be conscious of the high electrical consumers and they would try to reduce their use as much as possible for saving consumption of power onboard. Also, they are trained to switch off all electronic equipment before leaving the operations in order to save power energy.

During the reporting period, diesel oil and fuel oil 380 cst were the only fuels that supported the operation of the Group's shipping business. Consumption of these fuels could provide all the energy required for the operation of facilities and equipment on the vessels. No electricity, natural gas nor other energy source is required to procure for the business.

(b) *Water Conservation*

Mining operation

Water used during the process of the underground mining would be pumped out into a settling pond for treatment and reuse. This allowed the mining operations to conserve more water and reduce the amount of fresh water required for mining.

Rain water was collected and stored in nearby reservoirs and streams, then was filtered and pumped up to be used for washing, flushing and showering. This enabled the mining operations to recycle rain water in order to save the amount of fresh water used. Moreover, rain water used after washing would then be pumped to the sewage waste pond where water was treated and then reused for mining process. Around 5% of water was saved through the installation of water treatment facility during the reporting period,

In addition, the Company reminds every employee at head office and mine sites to save water in daily operation.

Shipping operation

Fleet fresh water consumption are daily monitored as per industry practice, Company will take immediate actions against any abnormal consumption.

Water consumption is mainly allocated for the operation of boilers. Water supply is restricted during the vessel's journey and crew strictly follow the defined practices for conserving water in their daily operations on vessels.

Where appropriate, rain water would be collected for general washing and toilet flushing. Through this practice, it was estimated 5% saving of water during the reporting period.

(c) *Resource Conservation*

Mining operation

For mining activities at the current sites, the Company only operated with digging tool after reviewed the hardness of rock types. Consequently the Company did not arrange any blasting activity and this approach avoided the use of explosives (peledak) as well as protected the environment from the use of these dangerous materials.

Moreover, the Company encourages personnel to reduce paper usage in the office by use of computer and electronic documents.

Principal product of the mining operation is coal and the delivery of coals and other mining products to the customers is transporting by trucks, hence the operation generally would not require product packing and there was no significant consumption of packaging material in the reporting period.

Below is the list of major resources consumed by the mining operation during the reporting period:

Resources	Total Annual Consumption	Consumption Intensity per tonne of shipment
Diesel oil (mobile source) (litre)	12,760,000	2.1608
Diesel oil (stationary source) (litre)	498,776	0.0845
Gasoline (mobile source) (litre)	12,523	0.0021
Gasoline (stationary source) (litre)	1,190	0.0002
Natural gas (cubic metre)	601	0.0001

Shipping operation

Electronic system is in place to save the paper consumption. Ship's common drive is created to allow teams to share work information from other teams for efficient work process. Application for approval and IT authorization is required prior to granting the access to common drive, either read only or read-write accessibility.

Company encourages both internal and external information, instructions and notices to be sent by e-mail and copy to relevant teams, and not in paper printout unless for essential circumstances.

The Company's operation provides service of transporting goods to customers, while the goods on vessels are generally crude oil and stored in cargo tanks, consequently no packing activity is required and there was no consumption of packaging materials in the reporting period.

Below is the list of major resources consumed by the shipping operation during the reporting period:

Resources	Total Annual Consumption	Consumption Intensity per tonne of shipment
Fuel oil 380 cst (litre)	33,600,000	4.0000
Diesel oil (litre)	1,800,000	0.2143
Water (cubic metre)	10,800	0.0013

3.1.3 The Environment and Natural Resources

In response to the public concerns about environmental protection topics, the Group aims to satisfy the requirements of communities and customers by upholding green principles in operations.

Mining operation

Systematic attention is being paid to objective assessment of the real impacts from mining operations on the environment and the effectiveness of the implemented measures.

Company has established strategies (e.g. sample taking) in identification of pollution and the areas of contamination. Also it has established practices/procedures for deployment of actions against contamination and determination of appropriate tools to reduce environmental pollution.

At the operation, the Company has put practices to mitigate the possible pollutions and impacts to the environment, such as treatment of water before discharge into the river, backfilling of overburden into mined out areas, erosion control by making water drains, monitoring of maximum slope while stripping of the overburden layers to avoid landslide. Moreover, in clearing the land, peeling of top soil in disposal area was carried out with maximum 2 meters height. Top soil hoarding was done with equipment to avoid compaction so that seedlings could grow to cover it.

Noise pollution from the vehicles and machinery used was also controlled within the mining concession by enclosing off the whole area with fencing to limit the propagation of noise.

Apart from the practices of minimizing pollution, the Company has also invested in reforestation program to devote positive impact to the environment. The program objective is to resume the land back to natural and even better than before. Also the particulate matters and hazardous wastes from coal mines would be cleaned up when preparing for reforestation. Through the reforestation program, the Company planted trees that support the reduction of greenhouse gases to the environment and hence offset to the environmental pollution.

Furthermore, land carried out by mining activities had no plantation of either oil palm or timber. The Company's concession, CV Bunda Kandung, also has no overlap with other coal or mineral permits. In addition, the mining sites were not included in protected forest areas.

During the reporting period, the Company continued to prevent the air pollution by adopting dust removal tools and vacuum cleaners, upgrading equipment, spraying water on cutting surfaces, as well as providing EHS training to workers on topics of environmental protection, which amounted to 800 training hours during the period. In the same period, new reforestation programmes were in place in order to minimise the environmental impacts incurred from the mining activities. The programmes included area planning, reforestation per 1:1 ratio, browse protection by fencing, and organisation of seminars for raising the awareness of local community on environmental protection.

Shipping operation

The Company has established Environment Protection System for identification, evaluation and assessment of the aspects that have or may have significant impact on the environment.

The system has included Environmental Policy that demonstrated sound environmental practices and is committed to achieve zero spill and pollution incident, as well as compliance with relevant environmental legislations and other applicable legal requirements.

Moreover, the Company has in place appropriate environmental measures from operational to scrapping stages, which include:

i. To ensure engine room and pump bilges are clean, dry and free of oil.

ii. To ensure cargo and ballast tanks are clean and gas free for hot work.

iii. To ensure that chemicals and paints quantities are at the very minimum, also there should not be any paint which has lead contents.

iv. To minimize the quantity of bunkers both fuel and diesel oil on scrapping.

v. To ensure that Lubes and Chemicals remaining on board at scrap will be minimum.

vi. The disposal of engine room oily water or sludge to a cargo or slop tank is prohibited without prior notification/authorization.

3.2 Social

3.2.1 Employment

In addition to complying with the requirements of local employment regulations, the Group has also formulated a series of employment policies to ensure that employees are treated in a fair and reasonable manner.

(a) Recruitment and Promotion

Mining operation

Every job applicant has the same right of application. The company would not reject the applicants based on race, religion, etc. Apart from local people, the Company would also employ other racial people, such as ethnic minority groups. Also, the Company would not discriminate any disabled person. Instead, the healthy status of the applicants would be assessed prior to employment in order to assure the appropriateness in working at mines. People with disabilities would be assessed and those jobs not affected by their disability would be assigned to them, i.e. administrative work at mine sites.

The Company will promote the employees based on their performance, experience, personal abilities and not consider other irrelevant factors such as race, religion, etc.

Working hours of miners are arranged on 8 hours per shift and would have rest for 16 hours after each shift.

Shipping operation

Procedures are established such that seafarer's are provided with a minimum of 10 hours of Rest in any 24 — hour period.

(b) Wages and Benefits

Mining operation

The Company would compensate fairly to employees and their families for every incident of work injury and fatality. Company pays salaries to all employees based on the regulations from the local government.

Company provides medical & insurance to staff, and always require all employees to participate in Government Insurance (Ind: BPJS).

Shipping operation

Company will arrange the wages and crew paid at no greater than monthly intervals and in accordance with the seafarer employment agreement and where applicable, any collective bargaining; Seafarers are given a monthly account of the payments due. The Company has established standard salary structures which follow the current market rate for all seafarers regardless of the working areas/or countries (international voyage). All crew are covered under protection and indemnity insurance (P&I).

During the reporting period, the Group did not discover or receive any violation or complaint pertaining to discrimination or employment.

Employee distribution and Turnover rate

As of 31 March 2018, the Group's mining and shipping operations have a total of 543 employees, with most of them allocated to the mining operation. The table below illustrated the distribution of employees in accordance to gender, employment type and age group.

	Number of Employees	
	Mining operation	Shipping operation
Gender		
Male	454	6
Female	80	3
Employment type		
Full-time	481	9
Part-time	53	0
Age group		
18–30	348	1
31–45	112	3
46–60	53	4
> 60	21	1
Total	534	9

During the reporting period, only 1 male employee in shipping operation resigned from the company and this accounted for a low turnover rate (less than 1% average monthly turnover rate of all shipping employees). While for the mining operation, there was a total of 6 male employees leaving in the period, and the employee turnover rate was insignificant (less than 0.1% average monthly turnover rate of all mining employees).

Gender	Mining operation		Shipping operation	
	No. of resigned employee	Average Monthly Turnover Rate (%)	No. of resigned employee	Average Monthly Turnover Rate (%)
Male	6	0.08	1	1.39
Female	0	0	0	0
Total	**6**	**0.07**	**1**	**0.93**

3.2.2 Health and Safety

The Group has an occupational health and safety management system which uses different measures to minimize the occurrence of occupational disease and industrial injury.

(a) Mining operation

In mining operation, the Company is striving to achieve zero working accidents. Mining operation would designate personnel who are responsible for safety and health and possess certification from Manpower Department. All the miners should be provided with safe equipment during mining and designated staff is responsible for regular checking of their safety conditions. The Company also provides personal protective equipment (PPE) to staff, such as safety clothes, helmet, safety shoes, safety vest, mask, safety glass, ear plug, gloves, mine spot lamp. Safety equipment is provided based on the assessment of hazardous level.

Moreover, rehabilitation funds have been submitted and saved in a government bank account.

Employee Safety Training

Company provides safety trainings to introduce the hazardous areas at the workplace, and the classification of dangers at mine sites as well as other information that could equip workers with knowledge and skills to prevent or even protect themselves from the danger. Training content would enable their understandings of danger indication at underground, such as stone collapse, smell of gas, and explosions, etc., as well as the response plan such as evacuation from underground.

Emergency drill has been arranged and trained to employees in both open pit and underground mines on regular basis so that they were all aware of the safety policies and requirements that the Company has put in place.

Employee Health Management

Miners are arranged to work on a rotational 8 hour shift to ensure adequate rest. The Company would arrange health examination to miners to check if they suffer from any occupational illness. Moreover, the Company has arranged ambulance, medical personnel and medical supplies on site for taking any first aid or emergency actions when necessary. During the reporting period, all employees have gone through the relevant health examination.

(b) Shipping operation

In shipping operation, occupational health and safety policies are implemented, Company carry out risk assessment in both routine and non-routine jobs and establish safeguards against all identified risks. These include: maintaining high standards of safety awareness both ashore and on board the ships, providing training and resources, practicing and documenting the International Safety Management (ISM) Code, both ashore and across the fleet. Safety Committee Meetings are held monthly and Monthly Safety Inspections are carried out and discussed during Safety Committee Meeting.

Company ensures all relevant working permits are in place, e.g. Working Aloft Permit, Cold Work Permit, Electrical Isolation Permit. Also Material Safety Data Sheets (MSDS) are to be posted so that all Oils, Chemical and Detergents whether carried or for use (water treatment, cleaning, maintenance, dispersant) are handled safely in accordance with the instructions.

For handling of potentially harmful chemicals and other substances used, Company provides protective equipment including a face shield, apron, gloves and an eye-wash at the places where chemical are stored and/or handled. Flammable chemicals are to be stored inside spaces where a fixed fire fighting system is installed.

Also Company shall take precautions to ensure all staff in compliance with the relevant procedures and guidelines for the safety of their lives, cargoes and vessels. Company ensures that the crew use proper working gears, e.g. gloves, safety shoes, goggles, dust masks, helmets, welding goggles/shields, earmuffs, etc. Company ensures staff to strictly observe the safe instructions for working with enclosed/confined spaces, deck equipment and machinery etc. Furthermore, Company shall ensure that the air or steam supply to both the forward and aft whistles is kept on at all times. The ship's whistles are part of the safety equipment and must be working satisfactorily at all times.

Apart from the occupational health & safety policies, Company has also Drug and Alcohol Policy and Security Policy to ensure comprehensive safety of the shipping operation.

Drug and Alcohol Policy
Relevant practices are in place to ensure that no crew is under the influence of drugs and alcohol, or possess or consume drugs and alcohol (including inhalant substances) while on board or engaged in the execution of his duties. Company reserves the right to conduct searches for drugs in the crew cabins and any crew personal belongings at its discretion, as well as unannounced drug and alcohol test annually for all seafarers engaged onboard.

Security Policy
Security policy aims to provide a secure working environment on board ships by establishing and maintaining the required security measures to prevent unlawful acts against the ships which can endanger the safety and security of persons and property on board and ashore. These include establishment of:

i. Ship Security Assessment and Ship Security Plan specific to each individual ship ;

ii. Safeguards to reduce the risk to passengers, visitors, crew and port personnel on board the Company vessels ;

iii. Contingency measures for emergencies relating to possible security incidents ;

iv. Program to improve the security awareness and skills of the Company personnel ashore and onboard;

v. Regular documented reviews and internal audits of security procedures and plans for constant update and improvement.

Fire Preparedness
Company ensures staff to strictly observe the 'NO SMOKING' signs on deck and around the vessel. Watch keeping crew are assigned to carry out fire patrol of the unfrequented parts of the vessel to detect any outbreak of fire. Spaces not covered by a fire detection system would be covered by regular fire patrol. Spaces needs to be inspected during fire round include accommodation space, Engine room, and deck.

Risk assessment shall be carried out whenever there is a need to isolate a fire zone. Company establishes procedures to identify fire isolation zones generally when carrying out hot work in an area covered by fixed fire detection system, also when troubleshooting of individual fire detectors in the fire detection system.

On Board Hygiene and Medical provision
Company shall carry out a weekly inspection to ensure the clean and hygienic condition of the vessel. The refrigerated rooms shall be cleaned out at least once a month. Company ensures food of adequate quantity, nutritional value and quality is available on board ; Fresh water tanks are inspected and cleaned annually. Seafarers employed as Cooks have successfully completed training course or program, qualified and competent for the positions in accordance with the flag state requirements; Seafarers working in catering department are properly trained or instructed on their function.

Also, Company provides all seafarers working on board with prompt and adequate medical care free of charge. The maintenance of medicines chest and inventories as well as inventories of medical equipment are in place. The seafarers which provide medical care have completed medical care training in compliance with STCW requirements (The International Convention on Standards of Training, Certification and Watchkeeping for Seafarers).

During the reporting period, all crews in shipping operation had passed through health examination, which is the company policy of annual check of employees' status for detecting any occurrence of occupational disease.

(c) Safety performance of both operations
Supporting with the aforesaid policies and practices from both mining and shipping operations, the Group has demonstrated a satisfactory safety management system with the relevant performance figures as below. During the reporting period, no fatality was noted and only one working day was lost due to work injury.

Safety performance	Mining operation	Shipping operation
Number of work-related fatalities	0	0
Lost days due to work injury	1	0

(d) Work-Life Balance

Both mining and shipping operational units are striving to maintain psychological health of their employees, and are concerned on the balance of their working hours versus their private time. In mining sites, Company provides sport area for badminton and basket ball, etc. This facilitates employees could have sport activities to release their working pressure after finished their work.

In shipping operation, seafarers are also provided with recreational facilities on board. As a minimum, each ship is provided with the following as part of crew welfare: TV, music system, DVD players, sufficient Video Disc available for rotation by seafarers, Gym facilities including swimming pool. Moreover, such recreational areas would be inspected regularly to assure their health and safe conditions.

Apart from the provision of recreational facilities, religious and cultural practices of seafarers are also taken into account. Company has a documented onboard complaint procedures for seafarers for fair, effective and speedy handling of seafarer's complaints alleging breaches of requirements/procedures.

During the reporting period, the Group did not identify any legal violation pertaining to the relevant local occupational health and safety regulations, nor receive complaint from any parties.

3.2.3 Development and Training

Mining operation

Every new employee will be introduced an initial training to understand the safety requirement and hazardous environment at underground.

Generally Company would arrange senior staff to coach junior staff, this provides hands-on experience to support the new staff to be aware of the responsibilities and to carry out the tasks correctly. Whenever there is a rotation in job position, the previous employee would be arranged to directly train & explain the responsibilities and tasks to the new one. Every year Company will have a performance appraisal and will determine the promotion of individual staff based on their performance.

Apart from coaching by senior staff, Company set up staff training academy to organize soft skills courses to staff. Examples of training from Academy include: General training for safety and health, training for heavy equipment, training to miners for underground skills.

During the reporting period, a total of 135 employees has participated in the relevant training programmes and on average each employee has been trained 8 hours per month.

Shipping operation

All crews have been trained and holding valid certificates in accordance to STCW regulations. Ad-hoc training such as welding, BOSIET, H2S would be arranged upon client request in order to meet their operational requirements.

Generally, no technical training is required because every recruited crew was evaluated against the required years of working experience and other qualification where necessary. Once the crew's working experience is recognised in the recruitment evaluation, there is no specified requirement for regular training for maintenance of the professional qualification. As a result, there is no formal training programme in place and no formal training hour was tracked in the reporting period.

3.2.4 Labour Standards

The Company is committed to employ minimum 18 years old staff.

Mining operation

The Company is committed not to force staff to work over time, and not requesting staff to pay deposits upon recruitment, withhold worker's personal certificates, restrict worker movement, nor any other form of forced labour such as prison labours.

Shipping operation

The Company ensures all employed seafarers upon joining have valid medical certificates issued by a qualified and recognized medical practitioner in accordance with STCW and MLC 2006 convention within the seafarer's intended period on board. The manning agencies acting on behalf of the Company will check all required STCW certificates and will check their validity before joining a ship. Company also check during sign-on the STCW certificates that original certificates of all new joining seafarers on board the ship are available.

During the reporting period, the Group did not identify any violation of laws and regulations pertaining to employment of child labour or forced labour.

3.2.5 Supply Chain Management

Mining operation

Suppliers for mining operations are those for procurement of new equipment/machinery. Upon selection of a new supplier, Company will evaluate the supplier's performance, equipment reliability, and pricing. In additional to these operational requirements, Company will also pay attention to the environmental attributes such as energy saving functionalities and the impact to the environment from running the equipment/machinery.

For existing suppliers, Company will review their previous performance to determine the continued procurement from them. These reviews include their credibility and continued compliance with local regulations and Company's requirements.

During the reporting period, a total of 35 new suppliers has been engaged and evaluated by the Company before the formal procurement for the mining operation.

Shipping operation

Company has established purchasing procedure for selection and evaluation of suppliers.
Procedure includes the guideline for evaluation techniques, such as survey questionnaires, supplier audit, review of samples, and requisition of testing certificates.

Evaluation guidelines are designed to assure the vessel's sea worthiness, safety of the marine personnel and vessel, environmental friendly performance which do not infringe relevant environmental rules and regulations.

After supplier evaluation, report with approved or rejected result will be prepared and disseminated internally for taking the follow-up actions. Moreover the report will include documentary evidence that the supplier is in compliance with local regulations and Company's requirements. Under the same conditions, the local suppliers and sub-contractors are the priority of selection.

Based on the evaluation result, list of approved product and service is provided in an easily retrieval system for staff to make reference. There is an established interval to evaluate the products and services after its initial approval and subsequently evaluate at yearly interval. At the same time, an approved list of suppliers would be disseminated to the fleet. Also there would be a sampling annual review for assessment of suppliers.

20 suppliers were identified for shipping operation during the reporting period. The majority of suppliers was located in Singapore with a few in China. Every of these 20 suppliers had been evaluated at least once a year, while the evaluation for suppliers of diesel and lube oils were even conducted on quarterly basis. The evaluation practices varied depending on the types of supplies, for example, sample tests and license/certificate review for diesel & lube oil supplies, regular equipment check for spare part supplies. In addition, the evaluation also covered the aspects of environmental protection. Supplies of diesel and lube oils were tested on the composition of sulphur, ash, and water which would impose environmental impacts.

3.2.6 Product Responsibility

Mining operation

At the initial stage, coal produced would be sent for testing and analysis results would be used as reference in obtaining the coal contract specifications. Coal analysis from the previous shipments would also be taken into consideration in determining an accurate coal specification before each deal. Moreover, surveyor would also be appointed to provide testing and the Certificate of Sampling and analysis results would subsequently be used as a basis for settlement between both the buyer and seller.

For every batch of coal export/delivery, Company has maintained all required documentation such as proof of royalties payment, certificates of origin (Ind: SKAB), notifications of export (Ind: PEB), surveyor reports, proof of payment to PPh 22.

With the Certificate of Analysis (CoA), the Company reviewed the content to assure the coal quality in compliance with the requirement of government and/or customers.

In event of occurrence of any substandard goods, it would be resolved by the contract clauses which included the acceptance criteria and the compensation penalties if applicable.

Moreover, the Company has engaged in accident and mining insurance to manage the liability and any remedies required.

In case of customer complaint received, the Company would investigate the complaint details and review against the contract terms in order to propose the remedies. Where necessary, the Company would seek legal counsel to confirm the legal standing before offering remedies.

The Company updates the information on company website and brochure periodically in order to avoid any misleading from our shared information regarding the company and products.

The Company upholds the confidentiality regarding the product and customer information, contractual information and other technical information is protected using CITRIX program to prevent from leakage to other unauthorized third parties.

During the reporting period, the mining operation of the Group did not identify any legal violation relating to the product responsibility. In addition, none of sold products was recalled because of health and safety reasons. However, there were 2 cases of customer complaints regarding quality discrepancy between the loading and discharging ports, and eventually all those cases have been satisfactorily resolved in the period.

Shipping operation

Company has developed quality policy to assure meeting and exceeding all the contractual requirements of customers for enhanced customer satisfaction. The Company possessed own ship management licenses by which the Company has to adhere to the stipulated standards and regulations, and the compliance of regulations required by the Company was vetted by International Association of Classification Societies, i.e. Bureau Veritas.

The Company has maintained proprietary equipment in good conditions to assure smooth cargo operations and ship-to-ship transfer. Regular maintenance and replacement procedures have been put in place. Moreover, the Company personnel and customer representatives were both required on-site during each cargo operation onboard to witness and sign off on amount of cargo transferred into the Company's vessels.

The Company has engaged high security IT server and system to protect privacy of consumer information.

During the reporting period, the shipping operation of the Group did not discover any violation to the relevant regulations pertaining to product responsibility; out of all products sold/service delivered, none was found to be recalled for health and safety reasons.

3.2.7 Anti-Corruption

Mining operation

The Company emphasizes on preventing fraud and corruption, and has incorporated anti-bribery policies in employee handbook. Employees were also trained on the severity of receiving bribes or facilitating payments to government officials. Furthermore, the Company have set up channel for employees to report directly in event of any potential source of bribery/corruption in any business execution (e.g. procurement, sales). Periodic training would also be provided to the employees regarding the importance of anti-corruption and their roles to ensure compliance.

The Company is committed to operating ethically and in compliance with the laws of the countries where business are operating. The Company has policy to ensure no late payment in non-tax and tax obligations as well as payment of royalties.

The Company is striving to detect and minimize any conflict of interest in the operation. In the procurement process, the Company always requests quotation from at least 3 different suppliers for comparison in order to attain a fair and reasonable quotation for the tendered service. Similarly, there is also governance in the approval of service contract. Contract is only allowed to be signed by the Director and/or the Board of Directors (BOD); or the authorized employees who hold assignment letter from BOD.

The Company engages an independent third-party auditor to audit the financial accounts. This ensures that the accounts are clear and accurate, and strengthens internal financial control and supervision for protecting the interests of shareholders.

Shipping operation
The Company has established procedure to govern the contract review for charter fixture and vessel management services.

Moreover, semi-annual HR review was conducted to ensure that the Company personnel has declared any existing or potential conflict of interest that could impair their obligations as well as to identify any conflicts of interest in their departments.

The Company is in the review process of having a whistle-blowing option on the website that directs to top management of the Company for any bribery or corruption issue.

During the reporting period, the Group did not discover any legal violation or complaint relating to corruption.

3.2.8 Community Investment
Mining operation
The Company is striving to foster better community relationship with the local populations in the vicinity where the Company's mines are located. Various initiatives have been implemented and planned. Employment opportunities have been offered to the local villagers in the vicinity, who were employed and trained to work in the mine sites. To promote better cohesion, the Company also sponsored the local community's social and economic functions such as donations to build religious establishments, re-vegetation, planting cocoa trees in the Company's mine areas for villagers to use in making chocolate.

During the reporting period, the mining team has supported the local community with both donations and manpower. The activities included provision of volunteers for planting of trees for supporting the local Forestry Department, and provided donations for sponsoring various community facilities and activities, such as for MTQ (contest for reading the Holy Quran), Community Culture Festivals Kuda Lumping and Gamelan, and Sport Centre Building, etc., from which the nearby villages, e.g. Rantau Bakula and Rantau Nangka, would be benefited from the relevant sponsorship.

Shipping operation
Every year the Company actively reaches out to community groups for liaisons and collection of opinions. This enables decision on suitable donations and provision of other supporting resources. The Company has a dedicated department responsible for collecting community's suggestions and needs which are responded and followed up within a specific timeframe. The Company investigates the feasibility of converting those suggestions and needs into performance indicators. Also, the Company undertakes regular review and improvement, and responds to the relevant stakeholders whenever necessary.

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 2018.

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, the provision of shipping transportation, vessel storage and relevant logistics services for crude oil and petrochemical products under time chartering or long-term contracts, and the production, generation, provision and sale of fuel and energy and other energy-related operations.

Further discussion and analysis of the principal activities of the Group as regulated 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 2018 (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 29 to 53 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 2018 and the state of the Group's affairs as at the date are set out in the consolidated financial statements on pages 101 to 173 of the annual report.

The Board recommends the payment of a final dividend of HK$0.005 (2017: HK$0.01) per share of HK$0.025 (2017: HK$0.1) each for the year ended 31 March 2018, 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 consolidated financial statements and restated/reclassified as appropriate, is set out on page 174 of the annual report. This summary does not form part of the audited consolidated 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 17 to the consolidated 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 28, 29, 27 and 31 to the consolidated financial statements respectively.

RESERVES

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to members as at 31 March 2018 amounted to HK$390,477,000 (2017: HK$93,196,000), which comprised contributed surplus of HK$30,748,000 (2017: HK$30,748,000) and retained profits of HK$359,729,000 (2017: HK$62,448,000).

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

Independent non-executive Directors:
Mr. Chong Lee Chang
Mr. Siu Kin Wai
Mr. Terence Chang Xiang Wen
Mr. Cheng Yu
Mr. Phen Chun Shing Vincent (appointed on 12 December 2017)

In accordance with Bye-laws 101 and 110(A) of the Company's Bye-laws, Mr. Ng Say Pek, Mr. Ng Xinwei, Mr. Siu Kin Wai and Mr. Phen Chun Shing Vincent shall retire from office by rotation at the forthcoming annual general meeting of the Company. Being eligible, Mr. Ng Say Pek, Mr. Ng Xinwei, Mr. Siu Kin Wai and Mr. Phen Chun Shing Vincent shall offer themselves for re-election.

The term of office for independent non-executive Directors is one year or the period up to his retirement by rotation in accordance with the Company's Bye-laws.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographies of the Directors and the senior management of the Group are set out on pages 20 to 24 of the annual report.

Changes in Directors' information since the date of the interim financial statements of the Group for the six months ended 30 September 2017 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:

Mr. Chong Lee Chang, the independent non-executive Director, entered into a service contract with the Company on 25 June 2018 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.

DIRECTORS' SERVICE CONTRACTS

Mr. Siu Kin Wai and Mr. Phen Chun Shing Vincent have entered into service contracts with the Company for a period of one year commenced on 24 August 2017 and 12 December 2017 respectively and are subject to termination by either party giving not less than one month's written notice. 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, Singapore and the United States of America 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 2018, 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)	–	3,550,453,332	12,000,000	3,562,453,332	55.94%
Mr. Ng Xinwei (Note 2)	–	3,550,453,332	11,000,000	3,561,453,332	55.92%
Mr. Ashok Kumar Sahoo	–	195,416,000 (Note 3)	–	195,416,000	3.07%
Ms. Lim Beng Kim, Lulu (Note 4)	–	183,866,668	6,000,000	189,866,668	2.98%
Mr. Chong Lee Chang	15,040,000	–	–	15,040,000	0.24%

Note:

(1) This represents (i) 3,550,453,332 shares of the Company held by Agritrade International Pte Ltd. ("**AIPL**") and its associate, in which as at 31 March 2018, AIPL was owned as to 66.57% by Mr. Ng Say Pek; and (ii) 12,000,000 share options granted to Ms. Lim Chek Hwee, the spouse of Mr. Ng Say Pek. 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 (i) 3,550,453,332 shares of the Company held by AIPL and its associates, in which as at 31 March 2018, AIPL was owned as to 33.43% by Mr. Ng Xinwei. By virtue of SFO, Mr. Ng Xinwei was deemed to be interested in the shares held by AIPL; and (ii) 11,000,000 share options granted to Mr. Ng Xinwei.

(3) This represents 195,416,000 shares of the Company held by Berrio Global Limited, which was wholly owned by Mr. Ashok Kumar Sahoo.

(4) This represents (i) 183,866,668 shares of the Company 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) 6,000,000 share options granted to Ms. Lim Beng Kim, Lulu.

Save as disclosed above, as at 31 March 2018, 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 2018, 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. On 26 February 2018, the Company received a conversion notice from the CB Holder to fully convert the CB in the principal amount of US$20 million at the adjusted conversion price of HK$0.55 per conversion share. Accordingly, 281,818,181 conversion shares were issued and allotted to the CB Holder on 28 February 2018. After such conversion, all CB were fully converted into conversion shares and no convertible bond was outstanding as at 31 March 2018.

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. As at 31 March 2018, each of the CPS A shall be convertible into four ordinary shares of the Company of par value HK$0.025 each 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, 253,061,224 conversion shares of the Company would be allotted and issued. There was no conversion on the CPS A during the year ended 31 March 2018.

Save as disclosed above and the holdings of share options as disclosed in note 31 to the consolidated 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 55.75% of the issued share capital of the Company as at 31 March 2018, was interested in a coal supply agreement (the "**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.

As at 31 March 2018, Mr. Ng Say Pek, the executive Director, and Mr. Ng Xinwei, the executive Director and the son of Mr. Ng Say Pek, held as to 66.57% and 33.43% equity interests in AIPL respectively. 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 2018, 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 2018 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)	Interests of controlled corporations	3,550,453,332	55.75%
Amber Future Investments Limited	Beneficial owner	2,023,300,000	31.77%
Fortunella Investments Limited	Beneficial owner	1,527,153,332	23.98%

Note:

(1) This represents 2,023,300,000 ordinary shares of the Company held through Amber Future Investments Limited and 1,527,153,332 ordinary shares of the Company held through Fortunella Investments Limited, both were wholly-owned subsidiaries 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 31 to the consolidated 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

On 31 March 2015, the 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, the total amount of the transactions for the year ended 31 March 2018 is approximately HK$178,633,000, which does not exceed the annual cap for the year ended 31 March 2018 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 2018 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 auditors were 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 2018 in accordance with Hong Kong Standards 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 auditors have issued the unqualified letter containing their findings and conclusions in respect of the continuing connected transactions for the year ended 31 March 2018 as disclosed by the Group in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditors' 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 2018, including those disclosed as related party transactions elsewhere in the consolidated 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 2018, the Group had 589 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 31 to the consolidated 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 2018, the Group did not have forfeited contributions available to reduce the existing level of contributions to the pension schemes (2017: 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 operator of three 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 2018, 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 attributable to the major customers and purchases attributable to the major suppliers during the financial year is as follows:

	Percentage of the Group's total	
	Revenue	Purchases
The largest customer	28%	
Five largest customers in aggregate	57%	
The largest supplier		12%
Five largest suppliers in aggregate		36%

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 36 to the consolidated financial statements, 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 2018.

EVENTS AFTER THE REPORTING PERIOD

Details of significant events after the reporting period are disclosed in note 41 to the consolidated financial statements.

AUDITORS

On 31 March 2017, BDO Limited resigned as the auditors of the Company and HLB Hodgson Impey Cheng Limited ("**HLB**") was appointed as the auditors of the Company to fill the casual vacancy so arising. HLB shall hold office until the conclusion of the forthcoming annual general meeting of the Company. A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint HLB as the auditors of the Company. Save as disclosed above, there has been no other change of auditors in the past three years.

On behalf of the Board

Ng Xinwei
Director and Chief Executive Officer
Hong Kong, 26 June 2018

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 2018.

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 consolidated 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 nine Board members, including four executive Directors and five independent non-executive Directors. The non-executive Directors, including the independent non-executive Directors, were appointed for a specific term of one year 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 20 to 22 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 five 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)*	7/9	–	–	–	–	2/2
Mr. Ng Xinwei *(Chief Executive Officer)*	9/9	4/4	–	–	–	1/2
Mr. Ashok Kumar Sahoo *(Chief Financial Officer)*	9/9	4/4	–	–	–	2/2
Ms. Lim Beng Kim, Lulu	8/9	1/4	–	–	–	0/2
Independent Non-executive Directors:						
Mr. Chong Lee Chang	5/9	–	0/2	2/2	2/2	1/2
Mr. Siu Kin Wai	0/9	–	2/2	2/2	2/2	0/2
Mr. Terence Chang Xiang Wen	5/9	–	2/2	2/2	2/2	0/2
Mr. Cheng Yu	0/9	–	–	–	–	0/2
Mr. Phen Chun Shing Vincent (appointed on 12 December 2017)	0/2	–	–	–	–	1/1

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 9 meetings (including regular Board meetings) during the year ended 31 March 2018. 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 of bank account of the Group and handling share option matters.

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. Chong Lee Chang and Mr. Siu Kin Wai as at the date of this report. All of them 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 31 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 recommended on the remuneration package of a newly-appointed 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), Mr. Terence Chang Xiang Wen and Mr. Siu Kin Wai, all were independent non-executive Directors. 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 a newly-appointed Director and 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 auditors;

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

(c) reviewing the financial information of the Group including the monitoring of the integrity of the Group's consolidated 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 auditors and has reviewed and made recommendations in relation to the following matters:

(a) reviewed the consolidated financial statements and annual results announcement for the year ended 31 March 2017 and the interim report and interim results announcement for the six months ended 30 September 2017;

(b) reviewed and considered the report from the external auditors on the audit of the Group's consolidated financial statements for the year ended 31 March 2017;

(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 auditors' 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 2017.

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 2018, 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.

AUDITORS' REMUNERATION

During the year, the audit fees paid or payable to the auditors of the Company is HK$1,850,000. Non-audit services (mainly the service of independent review on interim financial information) were provided by auditors at total fees of approximately HK$700,000 for the year.

RESPONSIBILITIES IN RESPECT OF CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledged their responsibilities to prepare the consolidated 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 auditors of the Company about their reporting responsibilities on the consolidated financial statements is set out in the Independent Auditors' Report on pages 96 to 100 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	✔	✔
Independent Non-executive Directors:		
Mr. Chong Lee Chang	✔	✔
Mr. Siu Kin Wai	✔	✔
Mr. Terence Chang Xiang Wen	✔	✔
Mr. Cheng Yu	✔	✔
Mr. Phen Chun Shing Vincent (appointed on 12 December 2017)	✔	✔

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**

國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

TO THE SHAREHOLDERS OF AGRITRADE RESOURCES LIMITED
(Incorporated in the Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Agritrade Resources Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 101 to 173, which comprise the consolidated statement of financial position as at 31 March 2018, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS *(continued)*

The Key Audit Matter	How the matter was addressed in our audit
Carrying amount of property, plant and equipment	
Refer to Note 17 to the consolidated financial statements. As at 31 March 2018, the Group's property, plant and equipment amounted to HK$6,717,148,000, net of accumulated depreciation and impairment loss, if any. We identified the carrying amount of property, plant and equipment as a key audit matter because the balances are material to the consolidated financial statements and it involve significant judgements in determining the useful economic lives of items of property, plant and equipment and identification of indicators of impairment. Management determined the related depreciation charges for items of property, plant and equipment, which mainly comprised mining properties of HK$4,530,605,000, mining-related plant and machinery of HK$925,432,000 and vessels of HK$768,137,000. The Group reviews the estimated useful lives of the assets regularly based on the Group's historical experience with similar assets after taking into account the anticipated technological changes. In addition, the Group reviews internal and external resources of information to identify indicators that the property, plant and equipment may be impaired. The Group determines the depreciation and amortisation of mining properties by the units-of-production method utilising only proven and probable coal reserves in the depletion base. The coal reserves are estimates of the amount of products that can be economically and legally extracted from the Group's mining properties, with the consideration of recent production and technical information of each mine.	Our procedures in relation to the carrying amount of property, plant and equipment included: • Obtaining an understanding of the process in assessing indicators of impairment by management of the Group and evaluating whether there are any events that would give rise to indicators of impairment; • Evaluating management's assessment over the economic useful lives of key assets by considering internal and external available date and our knowledge of the business; and • Assessing the appropriateness of management assumptions including the future coal price, production costs and right to extract coal mines in estimating the production volume by reference to the Group's historical experiences and our knowledge of the coal mining industry. We found the key assumptions made by management to be reasonable based on available evidence.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditors' report thereon. ("Other Information").

Our opinion on the consolidated financial statements does not cover the Other Information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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 the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group' s financial reporting process.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 90 of Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

From the matters communicated with Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement director on the audit resulting in this independent auditors' report is Mr. Shek Lui.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Shek Lui
Practising Certificate Number: P05895

Hong Kong, 26 June 2018

CONSOLIDATED **STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

For the year ended 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
Revenue	7	**2,237,335**	1,441,539
Cost of sales and services		**(1,360,937)**	(923,235)
Gross profit		**876,398**	518,304
Other income, and gains and losses, net	8	**87,332**	26,443
Administrative expenses		**(139,934)**	(114,071)
Finance costs	13	**(58,284)**	(42,776)
Profit before income tax		**765,512**	387,900
Income tax	14	**(154,473)**	(75,382)
Profit for the year	9	**611,039**	312,518
Other comprehensive (loss)/income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(928)**	9,080
Total comprehensive income for the year		**610,111**	321,598
Profit for the year attributable to:			
— Owners of the Company		**424,452**	233,919
— Non-controlling interests		**186,587**	78,599
		611,039	312,518
Total comprehensive income for the year attributable to:			
— Owners of the Company		**426,434**	246,529
— Non-controlling interests		**183,677**	75,069
		610,111	321,598
Earnings per share (restated)	16		
— Basic		**HK 6.7 cents**	HK3.8 cents
— Diluted		**HK 6.5 cents**	HK3.7 cents
Proposed dividend per share	15	**HK 0.5 cent**	HK1.0 cent

Details of the dividends for the years are disclosed in Note 15 to the consolidated financial statements.

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED **STATEMENT OF FINANCIAL POSITION**

As at 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment	17	**6,717,148**	6,389,872
Prepaid lease payments	18	**145,955**	147,376
Exploration and evaluation assets	19	**13,472**	14,087
		6,876,575	6,551,335
Current assets			
Inventories	20	**124,844**	83,044
Trade receivables	21	**172,415**	206,563
Other receivables, deposits and prepayments	21	**304,073**	296,464
Derivative financial assets	22	**729**	–
Amounts due from related parties	36(b)	**145,177**	169,681
Pledged bank deposit		**7,740**	7,740
Bank balances and cash		**457,125**	387,729
		1,212,103	1,151,221
Current liabilities			
Trade payables	23	**161,496**	181,705
Other payables, accruals and deposits received	23	**165,212**	154,026
Provision for close-down, restoration and environmental costs	24	**5,349**	5,349
Secured bank borrowings	25	**322,354**	294,933
Amounts due to related parties	36(b)	**721**	1,150
Obligation under finance leases	30	**2,668**	47,695
Derivative financial liabilities	22	**13,565**	16,546
Tax payable		**269,372**	213,058
		940,737	914,462
Net current assets		**271,366**	236,759
Total assets less current liabilities		**7,147,941**	6,788,094

CONSOLIDATED **STATEMENT OF FINANCIAL POSITION**

As at 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current liabilities			
Other payable	23	–	77,400
Amounts due to related parties	36(b)	59,945	18,945
Obligation under finance leases	30	148	15,953
Secured bank borrowings	25	313,103	505,603
Convertible bonds	27	–	119,636
Deferred tax	26	1,091,715	1,121,061
		1,464,911	1,858,598
Net assets		5,683,030	4,929,496
Capital and reserves			
Share capital	28	159,207	152,107
Reserves		3,321,409	2,783,571
Equity attributable to owners of the Company		3,480,616	2,935,678
Non-controlling interests		2,202,414	1,993,818
Total equity		5,683,030	4,929,496

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 26 June 2018.

Ng Xinwei
Director

Ashok Kumar Sahoo
Director

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED **STATEMENT OF CHANGES IN EQUITY**

For the year ended 31 March 2018

	Attributable to owners of the Company										
	Share capital HK$'000 (Note 28)	Share premium HK$'000 (Note (i))	Convertible preference shares 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 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
Profit for the year	-	-	-	-	-	-	233,919	-	233,919	78,599	312,518
Other comprehensive income/ (loss) for the year:											
Exchange differences arising on translation of foreign operations	-	-	-	12,610	-	-	-	-	12,610	(3,530)	9,080
Total comprehensive income for the year	-	-	-	12,610	-	-	233,919	-	246,529	75,069	321,598
Lapse of share options	-	-	-	-	(9,377)	-	9,377	-	-	-	-
Recognition of equity-settled share-based payment	-	-	-	-	8,561	-	-	-	8,561	-	8,561
Exercise of share options	14	170	-	-	(27)	-	-	-	157	-	157
Non-controlling interests arising on business combination	-	-	-	-	-	-	-	-	-	444	444
Capital contribution from non-controlling interests (Note 34)	-	-	-	-	-	-	-	-	-	75,887	75,887
Dividends paid/declared	-	-	-	-	-	-	-	(15,211)	(15,211)	-	(15,211)
Proposed final dividend 2017	-	-	-	-	-	-	(15,211)	15,211	-	-	-
At 31 March 2017 and 1 April 2017	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 year	-	-	-	-	-	-	424,452	-	424,452	186,587	611,039
Other comprehensive income/ (loss) for the year:											
Exchange differences arising on translation of foreign operations	-	-	-	1,982	-	-	-	-	1,982	(2,910)	(928)
Total comprehensive income for the year	-	-	-	1,982	-	-	424,452	-	426,434	183,677	610,111
Recognition of equity-settled share-based payment	-	-	-	-	7,633	-	-	-	7,633	-	7,633
Exercise of share options	55	669	-	-	(107)	-	-	-	617	-	617
Issue of shares upon conversion of convertible bonds	7,045	118,305	-	-	-	-	-	-	125,350	-	125,350
Acquisition of additional interests in subsidiary (Note 34)	-	-	-	-	-	117	-	-	117	(2,680)	(2,563)
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	27,599	27,599
Lapse of contingently issuable convertible preference shares	-	-	-	-	-	(357,783)	357,783	-	-	-	-
Dividends paid/declared	-	-	-	-	-	-	(2)	(15,211)	(15,213)	-	(15,213)
Proposed final dividend 2018	-	-	-	-	-	-	(31,847)	31,847	-	-	-
At 31 March 2018	159,207	1,400,086	85,492	18,430	20,136	(57,384)	1,822,802	31,847	3,480,616	2,202,414	5,683,030

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
The balance represents the equity component of outstanding convertible preference shares issued by the Company recognised in accordance with the accounting policies adopted for convertible preference shares in Note 4(g)(vi).

(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 in the prior year.

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED **STATEMENT OF CASH FLOWS**

For the year ended 31 March 2018

	2018 HK$'000	2017 HK$'000
Operating activities		
Profit before income tax	765,512	387,900
Adjustments for:		
Depreciation and amortisation of property, plant and equipment	307,787	252,287
Release of prepaid lease payments	1,603	1,534
Interest income	(561)	(37)
Fair value changes on financial instruments, net	(4,271)	2,959
Loss on disposal of derivative financial instruments, net	30,872	10,096
Finance costs	58,284	42,776
Gain on disposal of property, plant and equipment, net	(7,462)	(4,696)
Equity-settled share-based payment	7,633	8,561
Reversal of contingent consideration payable	(77,400)	–
Operating cash flows before movements in working capital	1,081,997	701,380
Increase in inventories	(41,800)	(34,088)
Decrease/(increase) in trade nature amounts due from related parties	137,769	(23,418)
Decrease in trade and other receivables, deposits and prepayments	26,808	53,240
(Decrease)/increase in trade and other payables, accruals and deposits received	(9,023)	61,319
Cash generated from operations	1,195,751	758,433
Income taxes paid	(127,505)	(95,079)
Interest paid	(52,570)	(36,273)
Net cash generated from operating activities	1,015,676	627,081
Investing activities		
Interest received	561	37
(Increase)/decrease in amounts due from related parties	(113,265)	2,915
Purchase of property, plant and equipment	(648,149)	(777,989)
Proceeds from disposal of property, plant and equipment	10,229	137,479
Addition in prepaid lease payments	(451)	(114,607)
Addition in exploration and evaluation assets	–	(8,383)
Purchase of financial instruments	(130,651)	(11,084)
Proceeds from disposal of financial instruments	100,340	988
Increase in pledged bank deposits	–	(7,740)
Net cash used in investing activities	(781,386)	(778,384)

CONSOLIDATED **STATEMENT OF CASH FLOWS**

For the year ended 31 March 2018

	2018 HK$'000	2017 HK$'000
Financing activities		
(Decrease)/increase in secured bank borrowings, net	**(165,079)**	151,488
Repayment of obligation under finance leases	**(61,154)**	(1,593)
Proceeds from exercise of share options	**617**	157
Capital contribution from non-controlling interests of subsidiaries	**–**	75,887
Increase in amounts due to related parties	**65,490**	19,469
Dividends paid	**(15,213)**	(15,211)
Net cash (used in)/generated from financing activities	**(175,339)**	230,197
Net increase in cash and cash equivalents	**58,951**	78,894
Cash and cash equivalents at beginning of the year	**387,729**	295,925
Effect of foreign exchange rate changes	**10,445**	12,910
Cash and cash equivalents at end of the year, representing bank balances and cash	**457,125**	387,729

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 of the Company (the "Directors"), the ultimate holding company of the Company is Agritrade International Pte. Limited, which is incorporated in Singapore.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new/revised HKFRSs — effective 1 April 2017

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

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12 included in Annual Improvements to HKFRSs 2014–2016 Cycle	Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12

The application of these revised HKFRSs in the current year has had no material impact on the Group's financial performance and position for the current and prior years and on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 7 Disclosure Initiative

The Group has applied the amendments to HKAS 7 Disclosure Initiative for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities including both changes arising from cash flows and non-cash changes.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided in Note 37 to the consolidated financial statements. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in Note 37 to the consolidated financial statements, the application of these amendments has had no impact on the Group's consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

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

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

Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transaction[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
HKFRS 9	Financial Instruments[1]
Amendments to HKFRS 9	Prepayment Feature with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between and Investor and its Associate or Joint Venture[4]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance contracts[3]
Amendments to HKAS 19	Plan Amendments, Curtailment or Settlement[2]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Venture[2]
Amendments to HKAS 40	Transfers of Investment Property[1]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 1 and HKAS 28	Annual Improvements to HKFRSs 2014–2016 Cycle[1]
Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23	Annual Improvements to HKFRSs 2015–2017 Cycle[2]

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective for annual periods beginning on or after 1January 2019.
3 Effective for annual periods beginning on or after 1 January 2021.
4 No mandatory effective date yet determined but available for adoption.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

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

HKFRS 16 "Leases"

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases", 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 classify cash repayments of the lease liability into a principal portion and an interest portion and present 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 lease that are classified as operating leases under the predecessor standard HKAS 17.

As set out in Note 30, total operating lease commitment of the Group is respect of its office premises and a road in Indonesia for mining operation as at 31 March 2018 was amounting to approximately HK$88,482,000. The directors of the Company do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group's results but it is expected that certain portion of these commitments will be required to be recognised in the consolidated statement of financial position as right-of use assets and lease liabilities. Other than that, it is not practicable to provide a reasonable estimate of the effect until the Group performs a detailed review.

HKFRS 9 "Financial Instruments"

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" measurement category for certain simple debt instruments.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

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

HKFRS 9 "Financial Instruments" *(continued)*

Key requirements of HKFRS 9 that are relevant to the Group are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent reporting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

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

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

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

HKFRS 9 "Financial Instruments" *(continued)*

Based on the Group's financial instruments and risk management policies at 31 March 2018, the directors of the Company anticipate the following potential impact on initial application of HKFRS 9:

Classification and measurement:

HKFRS 9 contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss ("FVTPL") and (3) fair value through other comprehensive income ("FVTOCI").

Based on the preliminary assessment, the Group expects that its financial assets currently measured at FVTPL will continue with their respective classification and measurements upon the adoption of HKFRS 9.

The classification and measurement requirements for financial liabilities under HKFRS 9 are largely unchanged from HKAS 39, except that HKFRS 9 requires the fair value change of a financial liability designated at FVTPL that is attributable to changes of that financial liability's own credit risk to be recognised in other comprehensive income (without reclassification of profit or loss). Derivatives financial liabilities will continue to be measured at FVTPL under HKFRS 9.

Impairment

In general, the directors of the Company also anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and other items that subject to the impairment provisions upon application of HKFRS 9 by the Group.

Based on the assessment by the directors of the Company, if the expected credit loss model were to be applied by the Group, the accumulated amount of impairment loss to be recognised by Group as at 1 April 2018 would be increased as compared to the accumulated amount recognized under HKAS 39 mainly attributable to expected credit losses provision on trade and other receivables. Such further impairment recognised under expected credit loss model will have impact to the opening accumulated losses at 1 April 2018.

Except for abovementioned, the directors of the Company anticipate that the adoption of HKFRS 9 in the future will not have other significant impact on amounts reported in respect of the Group's financial assets and financial liabilities based on an analysis of the Group's financial instruments as at 31 March 2018.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

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

Amendments to HKFRS 10 and HKAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"

Amendments to HKAS 28:

- The requirements on gains and losses resulting from transactions between an entity and its associate or joint venture have been amended to relate only to assets that do not constitute a business.

- A new requirement has been introduced that gains or losses from downstream transactions involving assets that constitute a business between an entity and its associate or joint venture must be recognised in full in the investor's financial statements.

- A requirement has been added that an entity needs to consider whether assets that are sold or contributed in separate transactions constitute a business and should be accounted for as a single transaction.

Amendments to HKFRS 10:

- An exception from the general requirement of full gain or loss recognition has been introduced into HKFRS 10 for the loss control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method.

- New guidance has been introduced requiring that gains or losses resulting from those transactions are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement at fair value of investments retained in any former subsidiary that has become an associate or a joint venture that is accounted for using the equity method are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The Directors do not anticipate that the application of these amendments to HKFRS 10 and HKAS 28 will have a material impact on the Group's consolidated financial statements.

2. APPLICATION OF NEW AND REVISED 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"

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations when it becomes effective.

The core principle of HKFRS 15 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 or services. Specifically, the standard introduces 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 the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

HKFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

HKFRS 15 will become effective for annual periods beginning on or after 1 January 2018 with early application permitted. Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when the "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Based on current business of Company, the Directors do not anticipate that the application of HKFRS 15 will have material impact on the amounts reported and disclosures made in the Group's financial statements in the future. There will be additional disclosures upon the adoption of HKFRS 15.

3. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated 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 consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

(b) Basis of measurement

The consolidated 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 consolidated 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 in 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 y 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(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.

(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:

Building	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%
Biodiesel plant	5%–33%

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(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 is represents a constant proportion of the lease liability. The capital element reduces the balance owned to the lessor.

The total rentals payable under the operating leases are recognised in profit or loss on 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.

(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 decrease. 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 reserves, 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(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 of 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 contained 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Financial instruments *(continued)*

(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 reserved 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 reserved does not exceed what the amortised cost would have been had the impairment not been recognised.

(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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Financial instruments *(continued)*

(iii) Financial liabilities *(continued)*

Financial liabilities at fair value through profit or loss (continued)

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, expect 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 in 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 maturing 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 contract 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 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 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 asset's 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 reserve 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 difference 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 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 classified 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 can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(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.

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 other 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 probable result in an outflow of economic benefits that can be reasonable 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(o) Provisions and contingent liabilities *(continued)*

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.

(p) Valuation of share options

As explained in note 31, share option expense is subject to the limitations of the option pricing models adopted and the uncertainty in estimates used by management in the assumptions. Should the estimates including limited early exercise behavior, expected interval and frequency of open exercise periods in the share option life and the relevant parameters of the share option model be changed, there would be material changes in the amount of share option benefits recognised in the profit or loss and share-based payment reserve.

(q) 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 Group'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 other entity is an associate of the third entity.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(q) Related parties *(continued)*

(b) *(continued)*

(v) The entity is a post-employment benefit plan for 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.

(r) 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 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 JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the Directors are required to make judgements, 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.

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

(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 24.

(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 one bodies or fields to be determined by analysing geological data such as drilling samples. This process may require complex and difficult geological judgements and calculations to interpret the date.

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.

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

(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 reviews 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.

(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 judgements 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, judgements 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.

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

(h) Fair value measurement

A number of assets and liabilities included in the Group's consolidated 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 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 energy-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.

6. SEGMENT REPORTING *(continued)*

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

(a) Reportable segments

	Mining		Shipping		Energy		Total	
	2018 HK$'000	2017 HK$'000	**2018 HK$'000**	2017 HK$'000	**2018 HK$'000**	2017 HK$'000	**2018 HK$'000**	2017 HK$'000
Revenue from external customers	**1,934,289**	1,180,771	**276,079**	260,768	**26,967**	–	**2,237,335**	1,441,539
Reportable segment profit	**753,542**	301,649	**135,141**	117,488	**(21,690)**	–	**866,993**	419,137
Interest income	**47**	5	**280**	31	**–**	–	**327**	36
Finance costs	**(22,938)**	(10,117)	**(13,562)**	(12,081)	**(1,366)**	–	**(37,866)**	(22,198)
Depreciation and amortisation	**(248,000)**	(209,233)	**(57,006)**	(43,021)	**(2,753)**	–	**(307,759)**	(252,254)
Reportable segment assets	**7,041,555**	6,584,109	**843,835**	1,024,210	**135,629**	–	**8,021,019**	7,608,319
Additions to non-current assets	**597,076**	506,917	**711**	233,062	**50,222**	–	**648,009**	739,979
Reportable segment liabilities	**(1,960,935)**	(2,055,767)	**(358,216)**	(573,319)	**(72,216)**	–	**(2,391,367)**	(2,629,086)

(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	
	2018 HK$'000	2017 HK$'000	**2018 HK$'000**	2017 HK$'000
Indonesia (place of domicile)	**1,947,060**	1,193,782	**6,042,707**	5,710,864
The People's Republic of China ("**China**") and Hong Kong	**–**	–	**20**	41
Dubai	**12,771**	53,837	**–**	–
Singapore and Malaysia	**250,537**	193,920	**748,528**	802,428
The United States of America	**26,967**	–	**85,320**	38,002
	2,237,335	1,441,539	**6,876,575**	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.

6. SEGMENT REPORTING *(continued)*

(c) Information about major customers

Revenue from one major customer (2017: two major customers) of the Group's mining segment amounted to HK$616,667,000 (2017: HK$449,937,000 and HK$149,464,000 respectively) and one major customer (2017: one major customer) of the Group's shipping segment amounted to HK$250,168,000 (2017: HK$189,235,000), which represented 10% or more of the Group's revenue for the year.

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

	2018 HK$'000	2017 HK$'000
Profit before income tax:		
Reportable segment profit	**866,993**	419,137
Unallocated corporate expenses and finance costs	**(101,481)**	(31,237)
Consolidated profit before income tax	**765,512**	387,900
Assets:		
Reportable segment assets	**8,021,019**	7,608,319
Unallocated corporate assets	**67,659**	94,237
Consolidated total assets	**8,088,678**	7,702,556
Liabilities:		
Reportable segment liabilities	**2,391,367**	2,629,086
Unallocated corporate liabilities	**14,281**	143,974
Consolidated total liabilities	**2,405,648**	2,773,060

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.

	2018 HK$'000	2017 HK$'000
Sale of coals	**1,934,289**	1,180,771
Sale of biodiesel	**26,967**	–
Vessel charter income	**25,913**	66,848
Vessel storage service income	**250,166**	193,920
	2,237,335	1,441,539

8. OTHER INCOME, AND GAINS AND LOSSES, NET

	2018 HK$'000	2017 HK$'000
Fair value changes on financial instruments, net	4,271	(2,959)
Loss on disposal of derivative financial instruments, net	(30,872)	(10,096)
Exchange differences, net	24,893	6,701
Gain on disposal of property, plant and equipment, net	7,462	4,696
Interest income	561	37
Reversal of contingent consideration payable	77,400	–
Other income	3,617	28,064
	87,332	26,443

9. PROFIT FOR THE YEAR

This is arrived at after charging:

	2018 HK$'000	2017 HK$'000
Cost of services	125,235	116,950
Cost of inventories*	1,235,702	806,285
	1,360,937	923,235
Staff costs (Note 10)	95,075	85,676
Depreciation and amortisation of property, plant and equipment	307,787	252,287
Release of prepaid lease payments	1,603	1,534
Auditors' remuneration		
— Audit services	1,850	2,100
— Other services	700	–
Operating lease rental	4,325	4,194
Shared-based payment expenses	7,633	8,561

* Cost of inventories includes HK$100,780,000 (2017: HK$83,636,000) 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

	2018 HK$'000	2017 HK$'000
Staff costs (including Directors' remuneration) comprises:		
Salaries and other benefits	**84,765**	73,601
Post-employment benefit contributions	**2,677**	3,514
Equity-settled share-based payment	**7,633**	8,561
	95,075	85,676

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$'000	Total HK$'000
2018:				
Executive directors:				
Mr. Ng Say Pek *(Chairman)*	**100**	**650**	**–**	**750**
Mr. Ng Xinwei *(Chief Executive Officer)*	**100**	**2,600**	**18**	**2,718**
Ms. Lim Beng Kim, Lulu	**100**	**–**	**–**	**100**
Mr. Ashok Kumar Sahoo *(Chief Financial Officer)*	**100**	**4,360**	**69**	**4,529**
Independent non-executive directors:				
Mr. Chong Lee Chang	**130**	**–**	**–**	**130**
Mr. Siu Kin Wai	**150**	**–**	**–**	**150**
Mr. Terence Chang Xiang Wen	**120**	**–**	**–**	**120**
Mr. Cheng Yu	**120**	**–**	**–**	**120**
Mr. Phen Chun Shing Vincent (Note (a))	**37**	**–**	**–**	**37**
	957	**7,610**	**87**	**8,654**

11. DIRECTORS' REMUNERATION *(continued)*

	Fees HK$'000	Salaries and other benefits HK$'000	Post-employment benefit contributions HK$'000	Total HK$'000
2017:				
Executive directors:				
Mr. Ng Say Pek *(Chairman)*	100	465	–	565
Mr. Ng Xinwei *(Chief Executive Officer)*	100	2,849	18	2,967
Ms. Lim Beng Kim, Lulu	100	–	–	100
Mr. Ashok Kumar Sahoo *(Chief Financial Officer)*	100	4,024	122	4,246
Non-executive directors:				
Mr. Wong Man Hung, Patrick (Note (b))	8	104	2	114
Mr. Shiu Shu Ming (Note (c))	58	100	–	158
Independent non-executive directors:				
Mr. Chong Lee Chang	130	–	–	130
Mr. Siu Kin Wai	150	–	–	150
Mr. Terence Chang Xiang Wen	120	–	–	120
Mr. Cheng Yu (Note (d))	40	–	–	40
	906	7,542	142	8,590

Notes:

(a) Mr. Phen Chun Shing Vincent was appointed as independent non-executive director of the Company on 12 December 2017.

(b) Mr. Wong Man Hung, Patrick resigned as non-executive director and vice chairman of the Company on 1 May 2016.

(c) Mr. Shiu Shu Ming resigned as non-executive director of the Company on 31 October 2016.

(d) Mr. Cheng Yu was appointed as independent non-executive director of the Company on 1 December 2016.

None of the directors has waived or agreed to waive any emolument paid or payable by the Group during the years ended 31 March 2017 and 2018.

12. FIVE HIGHEST PAID INDIVIDUAL'S REMUNERATION

Of the five individuals with highest emoluments in the Group, two (2017: two) were Directors, whose emoluments are included in the disclosure in Note 11 above. The emolument of the remaining three (2017: three) individuals is as follows:

	2018 HK$'000	2017 HK$'000
Salaries and other benefits	**3,203**	2,326
Post-employment benefit contributions	**21**	36
	3,224	2,362

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

	2018 Number of individuals	2017 Number of individuals
HK$Nil to HK$1,000,000	**7**	8
HK$1,000,001 to HK$2,500,000	**–**	–
HK$2,500,001 to HK$3,000,000	**1**	1
HK$3,000,001 to HK$4,000,000	**–**	–
HK$4,000,001 to HK$4,500,000	**–**	1
HK$4,500,001 to HK$5,000,000	**1**	–

13. FINANCE COSTS

	2018 HK$'000	2017 HK$'000
Imputed interest on convertible bonds (Note 27)	**14,166**	15,571
Interest charged under finance leases	**5,984**	1,904
Interest on secured bank borrowings	**38,134**	25,301
	58,284	42,776

14. INCOME TAX

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

	2018 **HK$'000**	2017 HK$'000
Current tax — overseas		
— tax for the year	**182,430**	92,989
— under-provision in prior years	**1,389**	482
	183,819	93,471
Deferred tax (Note 26)		
— tax for the year	**(29,346)**	(18,089)
Income tax	**154,473**	75,382

No provision for Hong Kong profits tax was made for the years ended 31 March 2017 and 2018 as the Company and its subsidiaries incorporated in Hong Kong had no assessable profits for both years.

The Singapore statutory income tax rate was 17% during the years ended 31 March 2017 and 2018. Income tax expense for the Group relates wholly to the profits of the subsidiaries, which were taxed at a statutory tax rate of 17% in Singapore.

The Indonesia statutory income tax rate was 25% during the years ended 31 March 2017 and 2018. Income tax expense for the Group relates wholly to the profits of the subsidiaries, which were taxed at a statutory tax rate of 25% in Indonesia.

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:

	2018 **HK$'000**	2017 HK$'000
Profit before income tax	**765,512**	387,900
Tax at applicable income tax rate	**126,309**	64,004
Effect of different tax rates of subsidiaries operating in other jurisdictions	**61,580**	32,520
Tax effect of expenses not deductible for tax purpose	**2,598**	3,730
Tax effect of income not taxable for tax purpose	**(37,416)**	(25,478)
Tax effect of tax losses not recognised	**13**	124
Under-provision in prior years	**1,389**	482
Income tax for the year	**154,473**	75,382

15. DIVIDENDS

(i) Dividends payable to equity shareholders of the Company attributable to the year

	2018 **HK$'000**	2017 HK$'000
Proposed final dividend of HK$0.005 (2017: HK$0.01) per ordinary share of HK$0.025 (2017: HK$0.1) each	**31,847**	15,211

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.

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2018 **HK$'000**	2017 HK$'000
Final dividend in respect of the previous financial year, approved and paid during the year of HK$0.01 (2017: HK$0.01) per ordinary share of HK$0.1 each	**15,213**	15,211

16. 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:

	2018 HK$'000	2017 HK$'000
Earnings		
Earnings attributable to owners of the Company for the purposes of basic earnings per share	424,452	233,919
Fair value change on conversion option component of convertible bonds	–	(14,330)
Interest on convertible bonds	–	15,571
Earnings attributable to owners of the Company for the purposes of diluted earnings per share	424,452	235,160

	2018 '000	2017 '000 (Restated)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	6,342,549	6,083,945
Effect of dilution — weighted average number of ordinary shares:		
Convertible bonds	–	281,818
Share options	175,578	41,975
Weighted average number of ordinary shares for the purposes of diluted earnings per share	6,518,127	6,407,738

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 2017.

For the year ended 31 March 2018, the calculation of the diluted earnings per share has taken into account the exercise of the Company's outstanding share options.

The weighted average number of ordinary shares for the year ended 31 March 2017 has been adjusted and restated for the share subdivision completed during the year ended 31 March 2018.

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Mining properties	Mining-related plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Vessels	Biodiesel plant	Construction in progress	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost									
At 1 April 2016	36,771	4,931,089	729,463	27,360	35,269	670,355	-	180,551	6,610,858
Exchange adjustments	67	-	(906)	(1)	-	-	-	(914)	(1,754)
Additions	2,856	29,033	248,570	2,329	22,492	232,991	-	239,718	777,989
Disposals	-	-	(7,635)	-	-	(1,227)	-	(127,795)	(136,657)
At 31 March 2017 and 1 April 2017	39,694	4,960,122	969,492	29,688	57,761	902,119	-	291,560	7,250,436
Exchange adjustments	(144)	-	(9,638)	(8)	(658)	-	-	(2,920)	(13,368)
Additions	-	76,273	437,232	1,709	33,951	531	50,222	48,553	648,471
Transfer	-	-	-	-	-	-	38,002	(38,002)	-
Disposals	-	-	(3,000)	(152)	(198)	(970)	(159)	-	(4,479)
At 31 March 2018	39,550	5,036,395	1,394,086	31,237	90,856	901,680	88,065	299,191	7,881,060
Accumulated depreciation and amortisation									
At 1 April 2016	2,715	343,340	204,575	16,708	10,775	34,045	-	-	612,158
Exchange adjustments	-	-	(7)	-	-	-	-	-	(7)
Provided for the year	1,950	75,164	117,584	8,774	6,024	42,791	-	-	252,287
Disposals	-	-	(3,843)	-	-	(31)	-	-	(3,874)
At 31 March 2017 and 1 April 2017	4,665	418,504	318,309	25,482	16,799	76,805	-	-	860,564
Exchange adjustments	(18)	-	(2,635)	(4)	(70)	-	-	-	(2,727)
Provided for the year	1,171	87,286	154,476	1,571	3,727	56,803	2,753	-	307,787
Disposals	-	-	(1,496)	(26)	(117)	(65)	(8)	-	(1,712)
At 31 March 2018	5,818	505,790	468,654	27,023	20,339	133,543	2,745	-	1,163,912
Net carrying value									
At 31 March 2018	**33,732**	**4,530,605**	**925,432**	**4,214**	**70,517**	**768,137**	**85,320**	**299,191**	**6,717,148**
At 31 March 2017	35,029	4,541,618	651,183	4,206	40,962	825,314	-	291,560	6,389,872

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

Notes:

(1) As at 31 March 2018, the net carrying values of the Group's motor vehicles and plant and machinery held under finance leases amounted to HK$3,825,000 (2017: HK$6,761,000) and HK$66,783,000 (2017: HK$124,473,000), respectively. The Group's obligation under finance leases is secured by the lessor's charge over the leased assets.

(2) As at 31 March 2018, the Group's mining-related plant and machinery with an aggregate carrying value of HK$9,076,000 (2017: HK$11,583,000) and vessels of HK$723,373,000 (2017: HK$768,676,000) 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. 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 unit-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 2018 includes stripping activity assets of HK$112,477,000 (2017: HK$103,082,000) 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 (the "Merge Mine")	Close to Sungai Pinang Districts, Banjar Regency, South Kalimantan Province, Indonesia	February 2030

18. PREPAID LEASE PAYMENTS

As at 31 March 2018, the Group's prepaid lease payments represent land use rights in Indonesia which is held under medium term leases and are analysed for reporting purposes as follows:

	2018 **HK$'000**	2017 HK$'000
Non-current assets	**145,955**	147,376

19. EXPLORATION AND EVALUATION ASSETS

	2018 **HK$'000**	2017 HK$'000
Cost and carrying amounts:		
At beginning of the year	**14,087**	5,704
Addition	**–**	8,383
Exchange alignment	**(615)**	–
At end of the year	**13,472**	14,087

20. INVENTORIES

	2018 **HK$'000**	2017 HK$'000
Coal	**82,924**	83,044
Biodiesel fuels and chemical	**41,920**	–
	124,844	83,044

21. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2018 HK$'000	2017 HK$'000
Trade receivables	172,415	206,563
Other receivables and deposits	124,700	110,211
Prepayments	179,373	186,253
	304,073	296,464
	476,488	503,027

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:

	2018 HK$'000	2017 HK$'000
0–60 days	134,278	169,956
61–90 days	1,064	15,849
91–120 days	24,927	20,758
Over 120 days	12,146	–
	172,415	206,563

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 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$39,912,000 (2017: HK$47,673,000) 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 135 days for the year ended 31 March 2018 (2017: 60 days).

21. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS *(continued)*

Ageing of trade receivables which are past due but not impaired

	2018 HK$'000	2017 HK$'000
1–60 days	2,840	32,131
61–90 days	105	2,653
91–120 days	24,821	12,889
Over 120 days	12,146	–
	39,912	47,673

Movement in impairment loss recognised

	2018 HK$'000	2017 HK$'000
At beginning and end of the year	1,350	1,350

None of the other assets as recorded in other receivables, deposits and prepayments is either past due or impaired as at 31 March 2018.

22. DERIVATIVE FINANCIAL INSTRUMENTS

	2018		2017	
	Assets HK$'000	**Liabilities HK$'000**	Assets HK$'000	Liabilities HK$'000
Conversion option component of convertible bonds (Note 27)	**–**	**–**	–	50
Forward currency contracts	**406**	**–**	–	–
Future oil contracts	**–**	**561**	–	–
Coal swap	**–**	**13,004**	–	16,496
Interest rate swap	**323**	**–**	–	–
Total amount, classified as current	**729**	**13,565**	–	16,546

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$406,000 were credited to profit or loss during the year ended 31 March 2018.

Coal swap

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

	As at 31 March 2018	As at 31 March 2017
Quantities (in metric tonnes)	**231,000**	231,000
Average price per metric tonne	**US$65**	US$65
Delivery period	**From 2 April 2017 to 8 January 2019**	From 2 April 2017 to 8 January 2019
Fair value loss of coal swap recognised as current liabilities (in HK'000)	**13,004**	16,496

22. DERIVATIVE FINANCIAL INSTRUMENTS *(continued)*

Future oil contracts

The Group has entered into various future oil contracts to manage its market price exposures. These future oil 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 future oil contracts amounting to HK$561,000 were debited to profit or loss during the year ended 31 March 2018.

Interest rate swap

The major terms of the outstanding interest rate swap of the Group which had not been designated as hedging instruments were as follows:

	As at 31 March 2018	As at 31 March 2017
Notional amount	US$2,500,000	–
Fixed rate	1.39% p.a.	–
Expiry date	From 26 March 2017 to 26 September 2019	–
Fair value gain of interest rate swap recognised as current assets (in HK'000)	323	–

The above derivatives are measured at fair values at the end of each reporting period and are with financial institutions.

23. TRADE AND OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED

	2018 HK$'000	2017 HK$'000
Trade payables	161,496	181,705
Deposits received	18,963	19,539
Contingent consideration payable (note)	–	77,400
Other payables and accruals	146,249	134,487
	165,212	231,426
	326,708	413,131

Note:

During the year ended 31 March 2018, since one of the conditions precedent to the second completion of the acquisition of the Merge Group was not fulfilled by 23 December 2017, being the second long stop date as set out in the related share sale and subscription agreement dated 28 October 2015, the second completion of the acquisition did not and would not take place. Accordingly, no additional payment of consideration for the acquisition would be made by the Group and therefore the related contingent consideration payable was reversed during the year ended 31 March 2018.

23. 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:

	2018 HK$'000	2017 HK$'000
0–60 days	**101,751**	79,701
61–90 days	**7,494**	16,702
Over 90 days	**52,251**	85,302
	161,496	181,705

The average credit period on purchases of goods and services is up to 90 days (2017: 90 days) and certain suppliers grant longer credit period to the Group up to 120 days (2017:120 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.

During the year ended 31 March 2018, the contingent consideration payable of HK$77,400,000 was reversed due to the lapse of second completion of the business combination occurred on 23 December 2015. The vendor of the agreement did not fulfill the condition that the Ministry of Energy and Mineral Resources of the Republic of Indonesia re-issuing a mining business licence under the relevant mining law enacted in the Republic of Indonesia to an entity within the Merge Group.

The other payables, accruals and deposits received are analysed as:

	2018 HK$'000	2017 HK$'000
Current liabilities	**165,212**	154,026
Non-current liabilities	**–**	77,400
	165,212	231,426

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

	2018 HK$'000	2017 HK$'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, 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.

25. SECURED BANK BORROWINGS

	2018 HK$'000	2017 HK$'000
Bank borrowings are secured and repayable as follows:		
On demand or within one year	**322,354**	294,933
After one year but within two years	**255,775**	205,258
After two years but within five years	**57,328**	300,345
	635,457	800,536
Amount due within one year included in current liabilities	**(322,354)**	(294,933)
Amount due over one year included in non-current liabilities	**313,103**	505,603

The bank borrowings bear fixed interest rate of 5.00% (2017: 5.00%) per annum, and floating interest rates ranging from 3.31% to 10.50% (2017: 3.31% to 10.50%) per annum.

25. SECURED BANK BORROWINGS *(continued)*

As at 31 March 2017 and 2018, certain property, plant and equipment of the Group were pledged to secure the bank borrowings of the Group as set out in Note 17. 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; (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 2018, the Group had available undrawn committed banking facilities of HK$286,877,000 (2017: HK$263,537,000) in respect of which all conditions precedent were met.

	2018 HK$'000	2017 HK$'000
Bank borrowings were denominated in:		
Indonesia Rupiah ("IDR")	**130,409**	66,401
United States dollars ("US$")	**505,048**	734,135
	635,457	800,536

26. 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 2016	(1,139,150)
Credited to profit or loss (Note 14)	18,089
At 31 March 2017 and 1 April 2017	(1,121,061)
Credited to profit or loss (Note 14)	29,346
At 31 March 2018	(1,091,715)

At 31 March 2018, the Group has unused tax losses of HK$4,684,000 (2017: HK$4,684,000) available for offset against future assessable profits. No deferred tax assets 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.

27. CONVERTIBLE BONDS

Convertible bonds issued in FY2016

During the year ended 31 March 2016, 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"), 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 shall be determined by dividing the principal amount for the Convertible Bonds to be converted by the conversion price of HK$0.55 per share adjusted with share subdivision effective on 12 January 2018 (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 not converted will be redeemed on maturity at the outstanding principal amount and the accrued interest in US$.

Convertible Bonds that contain both liability and conversion option components were classified separately into their respective items on initial recognition. Conversion option of Convertible Bonds is a conversion option derivative. At 31 March 2017, fair value of HK$50,000 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 derivatives of HK$14,330,000 recognised in profit or loss for the year ended 31 March 2017. 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 or conversion or maturity.

The Convertible Bonds were fully converted during the year ended 31 March 2018. The movements on the liability component of the Convertible Bonds are as follows:

	2018 HK$'000	2017 HK$'000
At beginning of the year	119,636	113,133
Imputed interest expense (Note 13)	14,166	15,571
Interest paid	(8,452)	(9,068)
Conversion of ordinary shares	(125,350)	–
At end of the year	–	119,636

28. SHARE CAPITAL

	Number of shares	Amount HK$'000
Authorised:		
Ordinary shares of HK$0.10 each at 1 April 2016, 31 March 2017 and 1 April 2017	4,600,000,000	460,000
Effect of share subdivision (Note (ii))	13,800,000,000	–
Ordinary shares of HK$0.025 each at 31 March 2018	18,400,000,000	460,000
Convertible preference shares of HK$0.10 each at 1 April 2016, 31 March 2017,1 April 2017 and 31 March 2018	400,000,000	40,000
Issued and fully paid:		
Ordinary shares of HK$0.10 each at 1 April 2016	1,520,925,600	152,093
Issue of shares upon exercise of share options (Note (i))	140,000	14
Ordinary shares of HK$0.10 each at 31 March 2017 and 1 April 2017	1,521,065,600	152,107
Issue of shares upon exercise of share options (Note (i))	450,000	45
Ordinary shares of HK$0.10 each immediately prior to share subdivision became effective	1,521,515,600	152,152
Effect of share subdivision (Note (ii))	4,564,546,800	–
Issue of shares upon exercise of share options (Note (i))	400,000	10
Issue of shares upon conversion of convertible bonds (Note (iii))	281,818,181	7,045
Ordinary shares of HK$0.025 each at 31 March 2018	6,368,280,581	159,207

Notes:

(i) During the year ended 31 March 2018, options were exercised to subscribe for 450,000 ordinary shares of HK$0.10 each and 400,000 ordinary shares of HK$0.025 each (2017: 140,000 ordinary shares of HK$0.10 each) of the Company at a total consideration of HK$617,000 (2017: HK$157,000) of which HK$55,000 (2017: HK$14,000) was credited to share capital and HK$562,000 (2017: HK$143,000) was credited to the share premium account. An amount of HK$107,000 (2017: HK$27,000) was transferred from share option reserve to the share premium account.

(ii) On 11 January 2018, the Company passed the resolution in special general meeting for subdivision of shares, each of the issued and unissued ordinary shares of HK$0.10 each in the share capital of the Company was subdivided into four (4) ordinary shares of HK$0.025 each from the effective date on 12 January 2018.

(iii) During the year ended 31 March 2018, convertible bonds were fully converted into 281,818,181 ordinary shares of HK$0.025 each of the Company at a total consideration of HK$125,350,000 of which HK$7,045,000 was credited to share capital and HK$118,305,000 was credited to the share premium account.

29. CONVERTIBLE PREFERENCE SHARES

Convertible preference shares issued in FY2016

During the year ended 31 March 2016, convertible preference shares were issued or issuable as part of the consideration for the business combinations.

During the years ended 31 March 2018 and 2017, no convertible preference share has been converted.

30. LEASES

Finance leases

Future lease payments are due as follows:

	Minimum lease payments 2018 HK$'000	Future interest 2018 HK$'000	Present value 2018 HK$'000
Not later than one year	**3,089**	**421**	**2,668**
Later than one year and not later than five years	**174**	**26**	**148**
	3,263	**447**	**2,816**

	Minimum lease payments 2017 HK$'000	Future interest 2017 HK$'000	Present value 2017 HK$'000
Not later than one year	56,806	9,111	47,695
Later than one year and not later than five years	19,103	3,150	15,953
	75,909	12,261	63,648

The present value of future lease payments are analysed as:

	2018 HK$'000	2017 HK$'000
Current liabilities	**2,668**	47,695
Non-current liabilities	**148**	15,953
	2,816	63,648

30. LEASES *(continued)*

Operating leases — lessee

The Group paid minimum lease payments of HK$4,325,000 (2017: HK$4,194,000) and HK$18,131,000 (2017: HK$19,907,000) under operating leases in respect of rented premises and a road in Indonesia for mining operations, 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:

	2018 HK$'000	2017 HK$'000
Within one year	24,733	21,469
In the second to fifth years inclusive	63,749	69,625
After five years	–	9,585
	88,482	100,679

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.

Operating lease — lessor

At 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 vessel storage services and time charter income which fall due as follows:

	2018 HK$'000	2017 HK$'000
Within one year	192,320	198,237
In the second to fifth years inclusive	417,960	33,994
	610,280	232,231

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

31. 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, 80,200,000 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 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 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 568,370,240 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 and as adjusted for the effect of share subdivision effective on 12 January 2018. At the end of the reporting period, 100,000,000 share options under the New Scheme were outstanding.

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.

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

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

					Number of share options									
Category	Date of grant	Exercisable period	Exercise price per share before share subdivision (HK$)	Adjusted exercise price per share after share subdivision (HK$) (Note)	At 1/4/2016	Granted	Exercised	Lapsed	At 31/3/2017	Granted	Exercised before share subdivision	Share subdivision (Note)	Exercised after share subdivision	At 31/3/2018
1. Directors														
Mr. Ng Xinwei	30/8/2010	30/8/2010 to 29/8/2020	1.120	0.280	2,750,000	-	-	-	2,750,000	-	-	8,250,000	-	11,000,000
Ms. Lim Beng Kim, Lulu	30/8/2010	30/8/2010 to 29/8/2020	1.120	0.280	1,500,000	-	-	-	1,500,000	-	-	4,500,000	-	6,000,000
Mr. Shiu Shu Ming	30/8/2010	30/8/2010 to 29/8/2020	1.120	N/A	2,750,000*	-	-	(2,750,000)	-	-	-	-	-	-
Mr. Wong Man Hung, Patrick	6/7/2015	6/7/2015 to 5/7/2025	1.724	N/A	10,000,000	-	-	(10,000,000)	-	-	-	-	-	-
					17,000,000	-	-	(12,750,000)	4,250,000	-	-	12,750,000	-	17,000,000
2. Associate of shareholder														
Ms. Lim Chek Hwee	30/8/2010	30/8/2010 to 29/8/2020	1.120	0.280	3,000,000	-	-	-	3,000,000	-	-	9,000,000	-	12,000,000
3. Employees in aggregate	30/8/2010	30/8/2010 to 29/8/2020	1.120	0.280	540,000	-	(140,000)	-	400,000	-	-	1,200,000	(400,000)	1,200,000
	24/10/2016	24/10/2016 to 23/10/2026	1.520	0.380	-	10,000,000	-	-	10,000,000	-	-	30,000,000	-	40,000,000
					540,000	10,000,000	(140,000)	-	10,400,000	-	-	31,200,000	(400,000)	41,200,000
4. Consultants in aggregate	30/8/2010	30/8/2010 to 29/8/2020	1.120	0.280	12,450,000	-	-	-	12,450,000	-	(450,000)	36,000,000	-	48,000,000
	18/3/2011	18/3/2011 to 17/3/2021	1.122	0.2805	500,000	-	-	-	500,000	-	-	1,500,000	-	2,000,000
	27/4/2017	27/4/2017 to 26/4/2027	1.382	0.3455	-	-	-	-	-	15,000,000	-	45,000,000	-	60,000,000
					12,950,000	-	-	-	12,950,000	15,000,000	(450,000)	82,500,000	-	110,000,000
					33,490,000	10,000,000	(140,000)	(12,750,000)	30,600,000	15,000,000	(450,000)	135,450,000	(400,000)	180,200,000

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

Note: On 11 January 2018, the Company passed the resolution in special general meeting for subdivision of shares, each of the issued and unissued ordinary shares of HK$0.10 each in the share capital of the Company was subdivided into four (4) ordinary shares of HK$0.025 each from the effective date on 12 January 2018.

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

The exercise price of share options outstanding at the end of the year ranged from HK$0.28 to HK$0.38 (2017: HK$1.12 to HK$1.724) and their weighted average remaining contractual life was 3.37 years (2017: 5.39 years).

Of the total number of share options outstanding at the end of the year, 180,200,000 (2017: 30,600,000) had vested and were exercisable at the end of the year.

During the year, 850,000 (2017: 140,000) share options were exercised.

In respect of the share options exercised in current year, the average market share price at the dates of exercise was HK$0.63 (2017: HK$1.48).

During the year, 15,000,000 share options were granted to an advisor and consultant of the Company under the New Scheme (2017: 10,000,000 share options were granted to an employee of a subsidiary of the Company under the New Scheme). The fair value of share options granted during the year was HK$7,633,000 (2017: HK$8,561,000), 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:

	2018 (adjusted)
Grant date	**27 April 2017**
Grant date share price	**HK$0.3300**
Exercise price	**HK$0.3455**
Contractual life of option	**10 years**
Expected volatility	**65.26%**
Expected dividend yield	**1.14%**
Risk-free interest rate	**1.42%**

	2017 (adjusted)
Grant date	24 October 2016
Grant date share price	HK$0.380
Exercise price	HK$0.380
Contractual life of option	10 years
Expected volatility	66.57%
Expected dividend yield	0.99%
Risk-free interest rate	0.90%

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 advisor, consultant, directors or employees during the years ended 31 March 2017 and 2018.

32. STATEMENT OF FINANCIAL POSITION

	2018 HK$'000	2017 HK$'000
Non-current asset		
Investments in subsidiaries	**104,790**	104,790
Current assets		
Prepayments	**3,818**	3,814
Amounts due from subsidiaries	**2,343,497**	2,263,147
Amounts due from related parties	**7,897**	7,896
Pledged bank deposit	**7,740**	7,740
Bank balances and cash	**131**	25,887
	2,363,083	2,308,484
Current liabilities		
Other payables and accruals	**13,961**	5,103
Secured bank borrowing	**38,700**	38,700
Amounts due to subsidiaries	**323,390**	190,085
Derivative financial liabilities	**–**	50
	376,051	233,938
Net current assets	**1,987,032**	2,074,546
Total assets less current liabilities	**2,091,822**	2,179,336
Non-current liabilities		
Secured bank borrowing	**36,424**	77,400
Convertible bonds	**–**	119,636
	36,424	197,036
Net assets	**2,055,398**	1,982,300

32. STATEMENT OF FINANCIAL POSITION *(continued)*

	Notes	2018 HK$'000	2017 HK$'000
Capital and reserves			
Share capital	28	**159,207**	152,107
Reserves	33	**1,896,191**	1,830,193
Total equity		**2,055,398**	1,982,300

The financial statements were approved and authorised for issue by the Board of Directors on 26 June 2018.

Ng Xinwei
Director

Ashok Kumar Sahoo
Director

33. RESERVES OF THE COMPANY

	Share premium HK$'000	Contributed surplus HK$'000	Convertible preference shares 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 2016	1,280,942	30,748	85,492	13,453	357,783	52,244	15,211	1,835,873
Profit and other comprehensive income for the year	-	-	-	-	-	827	-	827
Lapse of share options	-	-	-	(9,377)	-	9,377	-	-
Recognition of equity-settled share-based payment	-	-	-	8,561	-	-	-	8,561
Exercise of share options	170	-	-	(27)	-	-	-	143
Dividends paid/declared	-	-	-	-	-	-	(15,211)	(15,211)
Proposed final dividend 2017	-	-	-	-	-	(15,211)	15,211	-
At 31 March 2017 and 1 April 2017	1,281,112	30,748	85,492	12,610	357,783	47,237	15,211	1,830,193
Loss and other comprehensive loss for the year	-	-	-	-	-	(45,289)	-	(45,289)
Recognition of equity-settled share-based payment	-	-	-	7,633	-	-	-	7,633
Exercise of share options	669	-	-	(107)	-	-	-	562
Issue of shares upon conversion of convertible bonds	118,305	-	-	-	-	-	-	118,305
Lapse of contingently issuable convertible preference shares	-	-	-	-	(357,783)	357,783	-	-
Dividends paid/declared	-	-	-	-	-	(2)	(15,211)	(15,213)
Proposed final dividend 2018	-	-	-	-	-	(31,847)	31,847	-
At 31 March 2018	1,400,086	30,748	85,492	20,136	-	327,882	31,847	1,896,191

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.

34. INVESTMENTS IN SUBSIDIARIES

The following list contains only the particulars of the principal subsidiaries as at 31 March 2018 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		Principal activities
			2018	2017	
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 vessel storage services
Sea Horizon Line Limited	The Marshall Islands	US$1	**100%**	100%	Provision of vessel storage services
PT Andhika Samudra Internusa#	Indonesia	IDR16,200,000,000	**49%**	49%	Provision of shipping freight management services
Agritrade Resources Asia Pte Ltd.	Singapore	US$10,000,000 and SGD100	**100%**	100%	Coal sales and marketing
Sea Latitude Limited	The Marshall Islands	US$1	**55%**	55% (Note 1)	Provision of vessel storage services
PT Megastar Indonesia	Indonesia	IDR45,000,000,000	**95%**	95%	Provision of logistics services
PT Senamas Energindo Mineral ("PT SEM")	Indonesia	IDR100,000,000,000	**65%**	65%	Mining and trading
PT Merge Energy Sources Development	Indonesia	IDR92,800,000,000	**51%**	51%	Mining and trading
PT Merge Mining Industry	Indonesia	IDR18,110,000,000	**51%**	51%	Mining and trading

34. INVESTMENTS IN SUBSIDIARIES

Name of subsidiary	Place of incorporation or registration/ operations	Issued and fully paid share capital/ registered capital	Proportion of effective equity interests		Principal activities
			2018	2017	
PT Merge Continental Mining	Indonesia	IDR18,110,000,000	**51%**	51%	Mining and trading
PT AGT Strategic Development	Indonesia	IDR10,000,000,000	**67% (Note 3)**	51%	Mining and trading
Solfuels USA LLC	United States of America	US$5,011,419	**51%**	51% (Note 2)	Operation of biodiesel plant
Agritrade Resources (HK) Limited*	Hong Kong	HK$1	**100%**	N/A	Coal sales and marketing

* 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 2017 and 2018.

Notes:

1. During the year ended 31 March 2017, the non-controlling interest paid the capital contributions of HK$74,749,000 into Sea Continent Holdings Limited. After the additional capital contributions, the Group reduced its continuing interest to 55%. An amount of HK$74,749,000 was credited to non-controlling interests.

2. During the year ended 31 March 2017, the non-controlling interest paid the capital contributions of HK$1,138,000 into Solfuels Limited. After the additional capital contributions, the Group reduced its continuing interest to 51%. An amount of HK$1,138,000 was credited to non-controlling interests.

3. During the year ended 31 March 2018, Estee International Limited acquired additional interests in PT AGT Strategic Development from the non-controlling interest of HK$2,563,000. After the acquisition of additional interests in subsidiary, the Group increased its continuing interest to 67%. An amount of HK$2,680,000 was debited to non-controlling interests.

35. NON-CONTROLLING INTERESTS

PTRI, a company incorporated and operated in Indonesia, is a 68%-owned (2017: 68%-owned) subsidiary of the Company and it owns 95% equity interest in PT SEM. In addition, in December 2015, 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 2018, the Group has material non-controlling interests ("NCI") which mainly represent (i) effective 32% (2017: 32%) ownership interest in PTRI and 35% (2017: 35%) proportional ownership in PT SEM; and (ii) effective 49% (2017: 49%) ownership interest in the Merge Group. The non-controlling shareholders of all other subsidiaries that are not 100%-owned by the Group are considered to be immaterial.

35. NON-CONTROLLING INTERESTS *(continued)*

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

	PTRI and PT SEM		The Merge Group	
	2018 HK$'000	2017 HK$'000	**2018 HK$'000**	2017 HK$'000
For the year ended 31 March				
Revenue	**1,137,881**	863,728	**261,185**	105,433
Profit for the year	**412,911**	187,201	**31,086**	21,079
Total comprehensive income	**423,434**	194,210	**26,058**	21,598
Profit allocated to NCI	**146,466**	66,269	**15,232**	10,329
Dividend paid to NCI	**–**	–	**–**	–
Cash flows generated from operating activities	**615,861**	351,696	**18,838**	22,308
Cash flows used in investing activities	**(487,547)**	(151,899)	**(23,811)**	(60,820)
Cash flows used in financing activities	**(85,304)**	(14,518)	**–**	–
Net cash inflows/(outflows)	**43,010**	185,279	**(4,973)**	(38,512)
As at 31 March				
Current assets	**610,018**	543,924	**218,237**	176,704
Non-current assets	**3,287,688**	2,994,164	**2,614,588**	2,665,748
Current liabilities	**(523,866)**	(539,731)	**(97,581)**	(129,927)
Non-current liabilities	**(610,796)**	(676,934)	**(574,856)**	(578,194)
Net assets	**2,763,044**	2,321,423	**2,160,388**	2,134,331
Accumulated NCI	**999,630**	853,164	**1,072,115**	1,056,883

36. RELATED PARTY TRANSACTIONS

Save for those disclosed elsewhere in these consolidated 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:

	2018 HK$'000	2017 HK$'000
Sales to a shareholder of the Company	**178,633**	149,464

This transaction under the coal supply agreement constituted continuing connected transaction under Chapter 14A of the Listing Rules.

(b) Amounts with related parties are summarised below:

		2018 HK$'000	**Maximum amount outstanding during the year** HK$'000	2017 HK$'000
(i)	Amounts due from:			
	— Related company controlled by a shareholder of the Company	**26**	62	62
	— Related companies of a non-controlling owner of a subsidiary	**75,838**	77,532	49,554
	— A shareholder of the Company	**69,313**	120,065	120,065
	Amounts included in current assets	**145,177**		169,681
(ii)	Amounts due to:			
	— Related company with common director	**85**		85
	— Non-controlling owner of a subsidiary and its related company	**548**		1,065
	— Related company controlled by a shareholder of the Company	**88**		–
	Amounts included in current liabilities	**721**		1,150
(iii)	Amounts due to:			
	— Non-controlling owner of a subsidiary and its related company	**59,945**		18,945
	Amounts included in non-current liabilities	**59,945**		18,945

The balances with related parties as set out in (i) and (ii) above are unsecured, interest-free and recoverable/repayable on demand or within one year after the end of the reporting period. The balance with the related party as set out in (iii) above is unsecured, interest-free and repayable after one year from the end of the reporting period.

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

37. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flow were, or future cashflows will be classified in the Group's consolidated statement of cash flows from financing activities.

	Amounts due to related parties HK$'000	Obligation under finance leases HK$'000	Secured bank borrowings HK$'000	Total HK$'000
As at 1 April 2017	(20,095)	(63,648)	(800,536)	(884,279)
Accrued interest	–	(5,984)	(38,134)	(44,118)
Interest paid	–	5,984	38,134	44,118
Acquisition — finance leases and lease incentives	–	(322)	–	(322)
Financing cash inflows	(65,490)	–	(154,800)	(220,290)
Financing cash outflows	24,919	61,154	319,879	405,952
	(60,666)	(2,816)	(635,457)	(698,939)

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 risk 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 consider the effect of fluctuation of interest rate is not significant.

Other price risk

The Group is exposed to price risk because of coal swap 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 consider the amount is insignificant and accordingly, no sensitivity analysis was performed.

39. FINANCIAL RISK MANAGEMENT *(continued)*

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 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 2017 and 2018, the Group has no significant concentration of credit risk on trade receivables, with exposure spread over a number of counterparties and customers.

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 HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	Total contractual undiscounted cash flows HK$'000	Carrying amount HK$'000
2018					
Trade payables	**161,496**	**-**	**-**	**161,496**	**161,496**
Other payables and accruals	**165,212**	**-**	**-**	**165,212**	**165,212**
Secured bank borrowings	**338,061**	**252,088**	**71,777**	**661,926**	**635,457**
Amounts due to related parties	**721**	**-**	**59,945**	**60,666**	**60,666**
Obligation under finance leases	**3,089**	**174**	**-**	**3,263**	**2,816**
	668,579	**252,262**	**131,722**	**1,052,563**	**1,025,647**
2017					
Trade payables	181,705	–	–	181,705	181,705
Other payables and accruals	154,026	–	77,400	231,426	231,426
Secured bank borrowings	306,296	213,731	316,731	836,758	800,536
Amounts due to related parties	1,150	-	18,945	20,095	20,095
Obligation under finance leases	56,806	19,103	–	75,909	63,648
Convertible bonds	15,571	124,073	–	139,644	119,636
	715,554	356,907	413,076	1,485,537	1,417,046

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 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 2018, the Group had forward currency contracts on IDR with a fair value of HK$406,000 (2017: HK$Nil), 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$'000
2018	
If IDR strengthens/(weakens) against US$ by 5%	**8,575**
If SGD strengthens/(weakens) against US$ by 5%	**58**
2017	
If IDR strengthens/(weakens) against US$ by 5%	2,492
If SGD strengthens/(weakens) against US$ by 5%	25

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.

39. FINANCIAL RISK MANAGEMENT *(continued)*

Fair value *(continued)*

(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 1, 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 1 fair value measurements

The fair value of future commodities contracts is determined based on those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

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 interest rate swap 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.

Information about Level 3 fair value measurements

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

As at 31 March 2017, the contingent consideration arrangement required the Group to pay US$10 million in cash to the vendor after the fulfilment of certain conditions. The key unobservable valuation input was the fulfilment of the conditions within twelve months after 31 March 2017. The amount was reversed during the year ended 31 March 2018 due to the vendor did not fulfill the required condition.

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

39. FINANCIAL RISK MANAGEMENT *(continued)*

Fair value *(continued)*

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

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

As at 31 March 2018

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets/(liabilities):				
Financial assets/(liabilities) at fair value through profit or loss				
Derivative financial instruments				
— Forward currency contracts	–	406	–	406
— Interest rate swap	–	323	–	323
— Future oil contracts	(561)	–	–	(561)
— Coal swap	–	(13,004)	–	(13,004)
	(561)	(12,275)	–	(12,836)

As at 31 March 2017

	Level 1 HK$'000	Level 2 HK$'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 31 March 2018, the Group has no financial instrument carried at fair value under Level 3 hierarchy. As at 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 years.

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 2017 and 2018 are as follows:

	2018 HK$'000	2017 HK$'000
Total borrowings	712,504	1,020,461
Equity attributable to owners of the Company	3,480,616	2,935,678
Total capital	4,193,120	3,956,139
Gearing ratio	17%	26%

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. EVENT AFTER REPORTING PERIOD

Disposal of very large crude carrier (the "VLCC")

Subsequent to the financial year end date, on 10 April 2018, Sea Equatorial Limited, an indirect wholly-owned subsidiary of the Company, as seller, entered into a memorandum of agreement with an independent third party, as buyer which was a leading global oil trader, in relation to the disposal (the "Disposal") of a VLCC owned by the Group, namely MT Sea Equatorial, at a consideration of US$18.5 million (approximately equivalent to HK$145 million).

MT Sea Equatorial was a Korean-built VLCC-grade oil tanker with capacity of approximately 300,000 DWT (deadweight tonnage) built in 1997 and was classified by Lloyd's Register. The Disposal constituted a disclosable transaction for the Company under the Listing Rules and the transaction was completed as at the date hereof.

Acquisition of additional longwall system

Subsequent to the financial year end date, on 14 May 2018, Agritrade Mine Holdings Limited ("AMHL"), a direct wholly-owned subsidiary of the Company, entered into an equipment supply contract to acquire (the "Longwall Acquisition") a complete set of longwall system from a leading comprehensive coal mining and excavating equipment manufacturer in China at a consideration of RMB139,400,000 for the Group's mining operation at the Merge Mine. After the Longwall Acquisition, the Merge Mine will be operated with two longwall systems. The Board expects that the production capacity of the Merge Mine will be increased by approximately 2.5 million tonnes annually following the Longwall Acquisition, reaching a total annual production capacity of approximate 3.5 million tonnes.

Save as disclosed above, so far as is known to the Directors, there are no subsequent events occurred after 31 March 2018, which may have a significant effect, on the assets and liabilities or future operations of the Group.

42. LITIGATION

Hong Kong Arbitration

In June 2016, 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.

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 proceedings are ongoing and the arbitral hearing was scheduled to take place in September 2018.

Jakarta Proceedings

In September 2016, Mr. Yu and a related person initiated proceedings in South Jakarta District Court against certain of MMHL's subsidiaries, 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 certain MMHL's subsidiaries and the amendment of articles of association of such MMHL's subsidiaries.

The Group disputed the allegations stated therein and is considering its legal options. As at the date hereof, the Jakarta Proceedings are ongoing and are currently in the evidentiary stage of the proceedings.

The management believes that at the current stage these legal proceedings and arbitrations will not have a material adverse impact on the financial position or operations of MMHL and the Indonesian subsidiaries.

43. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

	2018 HK$'000	2017 HK$'000
Financial assets		
Fair value through profit or loss		
— Derivative financial assets	729	–
Loans and receivables (including bank balances and cash), at amortised cost	907,157	881,924
Financial liabilities		
Fair value through profit or loss		
— Derivative financial liabilities	13,565	16,546
— Contingent consideration payable	–	77,400
Financial liabilities, at amortised cost	1,025,647	1,339,646

FINANCIAL **SUMMARY**

RESULTS

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

	2014 HK$'000	2015 HK$'000	2016 HK$'000	2017 HK$'000	**2018** **HK$'000**
Revenue	961,316	1,234,468	1,152,468	1,441,539	**2,237,335**
Profit before income tax	152,571	212,815	509,207	387,900	**765,512**
Income tax expense	(31,853)	(31,956)	(43,594)	(75,382)	**(154,473)**
Profit for the year	120,718	180,859	465,613	312,518	**611,039**
Attributable to:					
Owners of the Company	115,194	146,858	470,782	233,919	**424,452**
Non-controlling interests	5,524	34,001	(5,169)	78,599	**186,587**
	120,718	180,859	465,613	312,518	**611,039**

ASSETS AND LIABILITIES

	2014 HK$'000	2015 HK$'000	2016 HK$'000	2017 HK$'000	**2018** **HK$'000**
Total assets	3,676,438	4,029,154	7,092,104	7,702,556	**8,088,678**
Total liabilities	(1,430,874)	(1,522,357)	(2,554,044)	(2,773,060)	**(2,405,648)**
	2,245,564	2,506,797	4,538,060	4,929,496	**5,683,030**
Attributable to:					
Owners of the Company	1,373,068	1,600,189	2,695,642	2,935,678	**3,480,616**
Non-controlling interests	872,496	906,608	1,842,418	1,993,818	**2,202,414**
	2,245,564	2,506,797	4,538,060	4,929,496	**5,683,030**