鴻寶資源有限公司

# AGRITRADE RESOURCES LIMITED

*(Incorporated in Bermuda with limited liability)*
*(Stock Code: 1131.H.K.)*


# Delivering **GROWTH**

**INTERIM REPORT 2018**

# CONTENTS



# BUSINESS REVIEW

For the six months ended 30 September 2018 (the "**Review Period**"), Agritrade Resources Limited (the "**Company**") and its subsidiaries (collectively the "**Group**") have primarily three business segments, namely the mining business segment, the shipping business segment and the energy business segment.

## MINING BUSINESS

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

During the Review Period, the global thermal coal market remained robust and the global coal price continued to stay at a high level. The Newcastle coal price was generally and persistently positioned above the level of US$100 per metric tonne during the Review Period. In light of such favourable market condition, the Group was eager to capture such opportunity by increasing its coal production for the Review Period reaching approximately 3.3 million tonnes (2017: 2.7 million tonnes). Accordingly, the Group's mining segment recorded a significant increase in both turnover to HK$1,118.4 million (2017: HK$829.6 million) and operational profit to HK$430.0 million (2017: HK$255.6 million) for the Review Period.

**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 the People's Republic of China ("**China**") and India.

During the Review Period, due to the increase in production capacity of the SEM Mine, its coal production has reached 2.7 million tonnes (2017: 2.4 million tonnes). Coupled with the impact of more favourable coal selling prices, the Group's SEM mining and coal trading segment recorded an increase in both the turnover to HK$806.5 million (2017: HK$716.7 million) and the operational profit to HK$391.1 million (2017: HK$254.4 million) for the Review Period, representing an increase of 12.5% and 53.7% respectively as compared to the same period in 2017.

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. In the prior period, the Merge Mine was mainly operated with one set of longwall system, and until this Review Period, 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.

During the Review Period, the Group managed to increase the coal production for the Merge Mine significantly to approximately 406,000 tonnes (2017: 94,000 tonnes) to take advantage of the favourable coal pricing under prevailing market conditions. With such increase in coal production, the Merge Mine contributed a turnover of HK$243.9 million (2017: HK$64.9 million) and a sales profit of HK$71.0 million (2017: HK$7.2 million) to the Group's overall mining business for the Review Period. 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**

During the Review Period, the Group also operated the contract mining business for the Bunda Kandung Mine. Under such contract mining arrangement, the Group made royalty payments to the Indonesian mine owner in return for the production and extraction of coal without any ownership of the mine. The Group applied its own mining equipment and labour force throughout the process of coal production and extraction. For the Review Period, the Group has produced approximately 178,000 tonnes (2017: 183,000 tonnes) of coal from the Bunda Kandung Mine, contributing a turnover of HK$68.0 million (2017: HK$48.0 million) to the Group's mining business. In the coming years, the Group will put more focus on the operation of its owned mines, including the SEM Mine and the Merge Mine, and the contract mining operation scale is expected to be trimmed down.

## SHIPPING BUSINESS

The shipping business segment of the Group comprises the provision of shipping transportation, vessel storage and relevant logistics services for crude oil and petrochemical products under time chartering or long-term contracts. During the Review Period, the shipping transportation and storage services were provided by the Group's own fleet, which includes three sets of very large crude carrier grade vessels (the "**VLCC(s)**"), one set of panamax-grade vessel (the "**Panamax Vessel**") and six sets of tug boats and barges (the "**Tug and Barge Vessels**"). As two out of three sets of VLCCs were disposed during the Review Period and the tanker and vessel service market was facing a severe downturn, the revenue for the Group's shipping segment has dropped significantly to HK$51.2 million (2017: HK$150.4 million) for the Review Period as compared to the same period in 2017, resulting a segment loss of HK$12.1 million (2017: profit of HK$85.3 million) was recorded for the shipping business segment.

**VLCC storage and logistic services**

For the Review Period, the vessel storage and logistic services were provided by three sets of VLCCs owned by the Group, of which two sets of VLCCs were disposed during the Review Period. During the Review Period, the Group's VLCCs contributed HK$38.5 million (2017: HK$135.5 million) of revenue to the Group and an operating loss of HK$11.8 million (2017: profit of HK$78.3 million) was recorded. The significant drop in revenue and deterioration in the VLCC profitability were mainly attributable to the VLCC disposals during the current financial period and the significant decline in the global chartering rates for VLCCs. With the mark-down on the number of VLCCs owned by the Group, it is expected that the VLCC storage income would further decrease and would remain at a low level for the coming years.

**Vessel transportation, shipping freight services and other shipping related services**

The Group's vessel transportation and shipping freight services were provided by its Panamax Vessel and Tug and Barge Vessels, which generated a revenue of HK$12.7 million (2017: HK$14.9 million) for the Review Period. The decrease is mainly attributable to the lower freight rates charged to customers for its Panamax Vessel for the Review Period. 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. Subsequent to the Review Period, the Group disposed of various sets of its tug boats and barges. It is expected that the Group's vessel transportation and freight income and profitability will further decrease in the future years.

## ENERGY BUSINESS

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

In December 2016, the Group completed the acquisition of the 51% interest in a biodiesel plant (the "**Biodiesel Plant**") located in Arkansas, the USA. 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. In September 2017, the Biodiesel Plant commenced its commercial operation by making its first sales of biodiesel to major oil and gas trader customers located in the USA. As the operation of the Biodiesel Plant was for the whole of the Review Period, the Biodiesel Plant has recorded a significant increase in revenue to HK$78.1 million (2017: HK$4.9 million) for the energy business segment of the Group. As the Biodiesel Plant was still in its early stage of operation and was operating far below its full capacity, an operating loss of HK$26.5 million (2017: HK$8.5 million) was recorded reflecting such an initial and transitional stage.

# 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.

- **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.

  As a major coal mine operator, the Group has kept expanding its coal mine portfolio for the past few years including the acquisition of the Merge Mine. Through such expansion, 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.

Besides the coal mining business, the Group is also engaged in the shipping business which can provide diversified income and cash flow streams for the Group. As at the date hereof, the Group owns a fleet of vessels comprising one set of VLCC, one Panamax Vessel and certain sets of tug boats and barges. These vessels can provide a wide range of variety in both vessel types and sizes 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 USA. 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 among the top 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.

## OUTLOOK AND PROSPECTS

**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 be sustainable at the existing high levels. The Group will continue to take advantage of the opportunity arising from such favourable market conditions, by maximising the production capacity of its operating coal mines, namely the SEM Mine and the Merge Mine. The Group will also put more focus on export sales and further explore new markets or customers in different Asian countries.

As a sizeable and multi-product integrated coal producer, the Group will adopt a holistic growth strategy for the mining business. For the SEM Mine, annual production for FY2019 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 installed at the Merge Mine site from a renowned Chinese equipment manufacturer during the Review Period. After completion of construction, the Merge Mine operation 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 such additional longwall system, reaching an expected 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.

The Group expects that it can finally achieve an aggregate annual coal production of 6 million tonnes for its mining business in the SEM Mine and the Merge Mine. 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 near future.

**Prospect on the shipping business**

The Group operates an international shipping business that provides vessel storage services and vessel charter services, primarily to customers in the energy sector in Southeast Asia.

In view of the downward trend of the VLCC charter rate over the past years, the Group will exercise caution in operating its VLCC business in the years ahead. Due to the fact that our existing VLCC is secured with floating storage service agreement at fixed tenor and fixed charter rate with a renowned international trading company, the Group believes that the VLCC business is relatively secured and stable under the prevailing market conditions. Owing to the current unfavourable conditions in the tanker market, the Group disposed two sets of VLCCs during the Review Period which contributed additional financial resources that could strengthen the financial position and liquidity of the Group as a whole. Following such disposals, it is expected that the revenue and profitability arising from the Group's VLCC business will decrease significantly in the coming years.

As for our vessel chartering business, as a result of the disposal of various sets of tug boats and barges by the Group subsequent to the Review Period and the current low level of the global vessel charter rates, we expect that the overall performance of the Group's shipping business in the coming year will be less significant as compared to the past years. Meanwhile, the Group will also regularly monitor and assess the utilisation and efficiency of our existing vessels, including a review on their ages and vessel conditions and on the prevailing market conditions, so that we can react promptly to any opportunity arising from the market and optimise our vessel portfolio by acquiring or disposing of vessels on an on-going and timely basis.

**Prospect on the energy business**

The Group's energy business is conducted through its Biodiesel Plant located in Arkansas, the USA, 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 USA. 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 USA Government recently, with benefits of reducing the petroleum import, creating jobs vacancies and achieving environmental protection. The USA biodiesel market has expanded dramatically over the past decade that the current biodiesel production scale is still significantly falling behind the total diesel market in the USA. Following the United States Renewable Fuels Standard becoming effective, the demand for biofuels is further consolidated by escalating to an ultimate annual production level of 36 billion gallons by the year 2022, mainly comprising ethanol and biodiesel.

Our entry into the 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 and is currently operating far below its full capacity, we expect that operating losses will be recorded for the biodiesel business in the near future reflecting such transitional stage. However, the board (the "**Board**") of directors (the "**Directors**") of the Company believes that our biodiesel business will have a high growth potential and promising prospect in the long-term future, which will cater to the growing demand for renewable energy in the USA 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**

It is the Group's ongoing intention and strategy to expand its business by conducting strategic mergers and acquisitions, particularly within the energy sector, in response to prevailing market conditions and opportunities, with the key objective to further diversify the Group's business and to expand our customer base into new markets. In this regard, the Group will continuously seek investment opportunities that will bring long term benefit to the Group.

For the purposes of conducting any potential mergers and acquisitions activities and 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 any potential mergers and acquisitions should they materialise. The Group has been in active discussions and negotiations with regard to various fund raising opportunities. 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 respect thereof as and when required by the Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

# MAJOR EVENTS

## PROPOSED ACQUISITION OF A COAL-FIRED THERMAL POWER PLANT IN INDIA

In July 2018, the Group submitted a plan under a bid process in relation to a potential acquisition (the "**Potential Acquisition**") of SKS Power Generation (Chhattisgarh) Limited (the "**Target Company**") undertaken by certain lenders (the "**Lenders**") of the Target Company. The Target Company owned and operated a 600 megawatt coal-fired thermal power plant (the "**Power Plant**") located in Chhattisgarh, India, which has already been in commercial operation as at the date hereof. The Target Company was also in the initial stage of constructing another additional 600 megawatt plant at the same location. On 27 July 2018, the Company was selected by the Lenders as the recommended bidder for the Potential Acquisition and was subsequently declared by the Lenders as the successful bidder on 11 October 2018.

In connection with the Company's successful bid, on 12 November 2018, the Company and certain of its subsidiaries, as purchaser, and SBICAP Trustee Company Limited (the "**Seller**"), as seller, entered into, among other parties, a share purchase agreement (the "**SPA**"), pursuant to which the Seller has agreed to sell, and the Group has agreed to purchase, 100% of the equity interest in the Target Company for a consideration of INR3,000,000,000 (the "**Purchase Price**"). On the same date, the Company and certain of its subsidiaries, as assignee, and the Lenders, as assignors, and the Target Company entered into an assignment agreement (the "**Assignment Agreement**"), pursuant to which the Group has agreed to pay to the Lenders an amount of INR17,200,000,000 (the "**Assignment Amount**") as the consideration for the assignment and transfer of the existing fund based debts (the "**Debts**") of the Target Company by the Lenders to the Group. The transaction contemplated under the SPA and the Assignment Agreement is referred to as the Proposed Transaction.

The total amount payable by the Group under the Proposed Transaction was estimated to be INR21,700,000,000 (equivalent to approximately HK$2,333 million) (the "**Total Payable Amount**"), of which INR3,000,000,000 (equivalent to approximately HK$323 million) represents the Purchase Price, INR17,200,000,000 (equivalent to approximately HK$1,849 million) represents the Assignment Amount and INR1,500,000,000 (equivalent to approximately HK$161 million) represents a cash margin amount. The Company expected to satisfy the Total Payable Amount partly by the internal resources of the Group and partly by loan borrowing as project financing.

The Total Payable Amount was determined after arm's length negotiations among the Group, the Seller and the Lenders after taking into account, among other factors, the preliminary valuation on the investment value of the Target Company of approximately US$521 million as at 31 August 2018 and the average transaction comparables for Indian power plants in the past of approximately INR62 million per megawatt of capacity.

The Proposed Transaction has constituted a major transaction of the Company under the Listing Rules and has not yet completed as at the date hereof. Further details of the Proposed Transaction and the Power Plant are also disclosed in the announcements of the Company dated 23 February 2018, 27 July 2018 and 12 November 2018.

## DISPOSAL OF VLCCs

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 "**First 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 First Disposal constituted a disclosable transaction for the Company under the Listing Rules and the transaction was completed as at the date hereof.

On 31 July 2018, Sea Latitude Limited, an indirect non-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 "**Second Disposal**", together with the First Disposal referred to as the "**Disposals**") of another VLCC owned by the Group, namely MT Sea Latitude, at a consideration of US$22.5 million (approximately equivalent to HK$177 million).

MT Sea Latitude was a South Korean-built VLCC-grade oil tanker with capacity of approximately 309,300 DWT (deadweight tonnage) built in December 2001 and was classified by Lloyd's Register. The Second Disposal constituted a disclosable transaction for the Company under the Listing Rules and the transaction was completed as at the date hereof.

The Disposals have contributed additional financial resources and working capital for the operations of the Group. Following the Disposals, the Group's vessel fleet comprised one set of VLCC, one set of Panamax Vessel and six sets of tug boats and barges.

## ACQUISITION OF ADDITIONAL LONGWALL SYSTEM

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. As at 30 September 2018, such longwall system was in the final assembling and construction stage. Upon completion, the Merge Mine would be operated with two longwall systems. The Board expected that the production capacity of the Merge Mine would be increased by approximately 2.5 million tonnes annually following the completion of the Longwall Acquisition, reaching a total annual production capacity of approximate 3.5 million tonnes.

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

For the six months ended 30 September 2018

| | Notes | **2018 HK$'000 (Unaudited)** | 2017 HK$'000 (Unaudited) |
|---|---|---|---|
| Revenue | 3 | **1,247,725** | 984,761 |
| Cost of sales and services | | **(853,307)** | (615,136) |
| Gross profit | | **394,418** | 369,625 |
| Other income, and gains and losses, net | | **66,207** | 2,443 |
| Administrative expenses | | **(90,807)** | (59,034) |
| Finance costs | 4 | **(31,927)** | (46,247) |
| Profit before income tax | | **337,891** | 266,787 |
| Income tax | 6 | **(91,453)** | (55,341) |
| Profit for the period | 5 | **246,438** | 211,446 |
| Profit for the period attributable to: | | | |
| — Owners of the Company | | **161,891** | 147,629 |
| — Non-controlling interests | | **84,547** | 63,817 |
| | | **246,438** | 211,446 |
| Earnings per share (restated) | 7 | | |
| — Basic | | **HK2.5 cents** | HK2.4 cents |
| — Diluted | | **HK2.5 cents** | HK2.4 cents |
| Interim dividend per share | | **Nil** | Nil |

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

For the six months ended 30 September 2018

| | **2018**<br>**HK$'000**<br>**(Unaudited)** | 2017<br>HK$'000<br>(Unaudited) |
|---|---|---|
| Profit for the period | **246,438** | 211,446 |
| | | |
| Other comprehensive loss for the period: | | |
| Items that may be reclassified subsequently to profit or loss: | | |
| Exchange differences arising on translation of foreign operations | **(989)** | (16,144) |
| | | |
| Total comprehensive income for the period | **245,449** | 195,302 |
| | | |
| Total comprehensive income for the period attributable to: | | |
| — Owners of the Company | **161,008** | 134,401 |
| — Non-controlling interests | **84,441** | 60,901 |
| | | |
| | **245,449** | 195,302 |

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2018

| | Notes | **As at 30 September 2018 HK$'000 (Unaudited)** | As at 31 March 2018 HK$'000 (Audited) |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | *8* | **6,337,068** | 6,717,148 |
| Prepaid lease payments | | **145,903** | 145,955 |
| Exploration and evaluation assets | *9* | **12,334** | 13,472 |
| | | **6,495,305** | 6,876,575 |
| **Current assets** | | | |
| Inventories | | **76,618** | 124,844 |
| Trade receivables | *10* | **350,781** | 172,415 |
| Other receivables, deposits and prepayments | | **354,108** | 304,073 |
| Derivative financial assets | *11* | **238** | 729 |
| Amounts due from related parties | | **135,004** | 145,177 |
| Pledged bank deposit | | **7,740** | 7,740 |
| Bank balances and cash | | **445,986** | 457,125 |
| | | **1,370,475** | 1,212,103 |
| **Current liabilities** | | | |
| Trade payables | *12* | **113,761** | 161,496 |
| Other payables, accruals and deposits received | | **92,939** | 165,212 |
| Provision for close-down, restoration and environmental costs | | **5,349** | 5,349 |
| Secured bank borrowings | | **208,695** | 322,354 |
| Amounts due to related parties | | **21,080** | 721 |
| Obligation under finance leases | | **176** | 2,668 |
| Derivative financial liabilities | *11* | **6,825** | 13,565 |
| Tax payable | | **252,101** | 269,372 |
| | | **700,926** | 940,737 |
| **Net current assets** | | **669,549** | 271,366 |
| **Total assets less current liabilities** | | **7,164,854** | 7,147,941 |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2018

| | Note | As at 30 September 2018 HK$'000 (Unaudited) | As at 31 March 2018 HK$'000 (Audited) |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Amounts due to related parties | | **64,354** | 59,945 |
| Obligation under finance leases | | **147** | 148 |
| Secured bank borrowings | | **125,211** | 313,103 |
| Deferred tax | | **1,078,174** | 1,091,715 |
| | | **1,267,886** | 1,464,911 |
| **Net assets** | | **5,896,968** | 5,683,030 |
| **Capital and reserves** | | | |
| Share capital | *13* | **159,237** | 159,207 |
| Reserves | | **3,450,876** | 3,321,409 |
| Equity attributable to owners of the Company | | **3,610,113** | 3,480,616 |
| Non-controlling interests | | **2,286,855** | 2,202,414 |
| **Total equity** | | **5,896,968** | 5,683,030 |

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2018

| | Share capital HK$'000 | Share premium HK$'000 | Convertible preference shares reserve HK$'000 | Translation reserve HK$'000 | Share option reserve HK$'000 | Other reserve HK$'000 | Retained profits HK$'000 | Proposed final dividend HK$'000 | Total HK$'000 | Non-controlling interests HK$'000 | Total equity HK$'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| At 1 April 2017 (Audited) | 152,107 | 1,281,112 | 85,492 | 16,448 | 12,610 | 300,282 | 1,072,416 | 15,211 | 2,935,678 | 1,993,818 | 4,929,496 |
| Profit for the period | - | - | - | - | - | - | 147,629 | - | 147,629 | 63,817 | 211,446 |
| Other comprehensive loss for the period | | | | | | | | | | | |
| *Exchange differences arising on translation of foreign operations* | - | - | - | (13,228) | - | - | - | - | (13,228) | (2,916) | (16,144) |
| Total comprehensive (loss)/income for the period | - | - | - | (13,228) | - | - | 147,629 | - | 134,401 | 60,901 | 195,302 |
| Exercise of share options | 20 | 242 | - | - | (38) | - | - | - | 224 | - | 224 |
| Recognition of equity-settled share-based payment | - | - | - | - | 7,633 | - | - | - | 7,633 | - | 7,633 |
| Payment of dividends | - | - | - | - | - | - | - | (15,211) | (15,211) | - | (15,211) |
| At 30 September 2017 (Unaudited) | 152,127 | 1,281,354 | 85,492 | 3,220 | 20,205 | 300,282 | 1,220,045 | - | 3,062,725 | 2,054,719 | 5,117,444 |
| **At 1 April 2018 (Audited)** | **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** |
| **Profit for the period** | **-** | **-** | **-** | **-** | **-** | **-** | **161,891** | **-** | **161,891** | **84,547** | **246,438** |
| **Other comprehensive loss for the period** | | | | | | | | | | | |
| *Exchange differences arising on translation of foreign operations* | **-** | **-** | **-** | **(883)** | **-** | **-** | **-** | **-** | **(883)** | **(106)** | **(989)** |
| **Total comprehensive (loss)/income for the period** | **-** | **-** | **-** | **(883)** | **-** | **-** | **161,891** | **-** | **161,008** | **84,441** | **245,449** |
| **Exercise of share options** | **30** | **365** | **-** | **-** | **(59)** | **-** | **-** | **-** | **336** | **-** | **336** |
| **Payment of dividends** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **(31,847)** | **(31,847)** | **-** | **(31,847)** |
| **At 30 September 2018 (Unaudited)** | **159,237** | **1,400,451** | **85,492** | **17,547** | **20,077** | **(57,384)** | **1,984,693** | **-** | **3,610,113** | **2,286,855** | **5,896,968** |

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2018

| | **2018**<br>**HK$'000**<br>**(Unaudited)** | 2017<br>HK$'000<br>(Unaudited) |
|---|---|---|
| **Net cash generated from operating activities** | **42,362** | 131,284 |
| **Investing activities** | | |
| Purchase of property, plant and equipment | **(87,568)** | (226,579) |
| Decrease/(increase) in amounts due from related parties | **10,173** | (51,220) |
| Proceeds from disposal of property, plant and equipment | **331,630** | – |
| Other cash inflow from investing activities, net | **792** | 240 |
| **Net cash generated from/(used in) investing activities** | **255,027** | (277,559) |
| **Financing activities** | | |
| (Decrease)/increase in secured bank borrowings, net | **(301,551)** | 23,078 |
| Repayment of obligation under finance leases | **(2,493)** | – |
| Proceeds from exercise of share options | **336** | 224 |
| Increase in amounts due to related parties | **24,768** | 46,799 |
| Dividends paid | **(31,847)** | (15,211) |
| **Net cash (used in)/generated from financing activities** | **(310,787)** | 54,890 |
| **Net decrease in cash and cash equivalents** | **(13,398)** | (91,385) |
| **Cash and cash equivalents at beginning of the period** | **464,865** | 395,469 |
| **Effect of foreign exchange rate changes** | **2,259** | (12,244) |
| **Cash and cash equivalents at end of the period, representing bank balances and cash** | **453,726** | 291,840 |

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

## 1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the six months ended 30 September 2018 (the "**Interim Financial Statements**") have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Listing Rules and Hong Kong Accounting Standard 34 'Interim Financial Reporting' issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). The accounting policies used in the Interim Financial Statements are consistent with those followed in the preparation of the annual financial statements of the Group for the year ended 31 March 2018, except as stated in note 2 below. The Interim Financial Statements should be read, where relevant, in conjunction with the 2018 annual financial statements of the Group.

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

## 2. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the Interim Financial Statements for the six months ended 30 September 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2018.

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

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

### (a) Adoption of HKFRS 16 "Leases"

HKFRS 16, which upon the effective date will supersede Hong Kong Accounting Standards ("**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.

The Group has operating lease commitment is respect of its office premises and a road in Indonesia for mining operation. The adoption of HKFRS 16 would not result in significant impact on the Group's results as compared with the current accounting policy but certain portion of commitments would be required to be recognised in the condensed consolidated statement of financial position as right-of use assets and lease liabilities.

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

### (b) Adoption of 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.

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.

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

### (b) Adoption of HKFRS 9 "Financial Instruments" (Continued)

- 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.

Based on the Group's financial instruments and risk management policies, the potential impact to the Group on adoption of HKFRS 9 is as follows:

***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 Directors' assessment, the Group's financial assets previously measured at FVTPL continued 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 continued to be measured at FVTPL under HKFRS 9.

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

### (b) Adoption of HKFRS 9 "Financial Instruments" (Continued)

***Impairment***

The application of the expected credit loss model of HKFRS 9 has resulted 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, upon the application of the expected credit loss model by the Group, the accumulated amount of impairment loss recognised by Group would be increased as compared to the accumulated amount recognised under HKAS 39 mainly attributable to expected credit losses provision on trade and other receivables.

Except for abovementioned, the adoption of HKFRS 9 would not have other significant impact on amounts reported in respect of the Group's financial assets and financial liabilities as at 30 September 2018 and for the future financial periods.

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

## 3. REVENUE AND SEGMENT REPORTING

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

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

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

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

(ii) Shipping segment comprised the provision of shipping transportation, vessel storage and relevant logistics services for crude oil and petrochemical products under time chartering or long-term contracts.

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

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

## 3. REVENUE AND SEGMENT REPORTING (Continued)

### (a) Reportable segments

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

***For the six months ended 30 September***

| | Mining | | Shipping | | Energy | | Total | |
|---|---|---|---|---|---|---|---|---|
| | **2018 HK$'000 (Unaudited)** | 2017 HK$'000 (Unaudited) | **2018 HK$'000 (Unaudited)** | 2017 HK$'000 (Unaudited) | **2018 HK$'000 (Unaudited)** | 2017 HK$'000 (Unaudited) | **2018 HK$'000 (Unaudited)** | 2017 HK$'000 (Unaudited) |
| Revenue from external customers | **1,118,397** | 829,552 | **51,234** | 150,354 | **78,094** | 4,855 | **1,247,725** | 984,761 |
| Reportable segment profit/(loss) | **429,983** | 255,638 | **(12,065)** | 85,315 | **(26,492)** | (8,539) | **391,426** | 332,414 |
| Unallocated corporate expenses | | | | | | | **(21,608)** | (19,380) |
| Finance costs | | | | | | | **(31,927)** | (46,247) |
| Profit before income tax | | | | | | | **337,891** | 266,787 |
| Depreciation and amortisation | **144,239** | 89,393 | **20,212** | 28,955 | **2,408** | 602 | **166,859** | 118,950 |

| | Mining | | Shipping | | Energy | | Total | |
|---|---|---|---|---|---|---|---|---|
| | **At 30 September 2018 HK$'000 (Unaudited)** | At 31 March 2018 HK$'000 (Audited) | **At 30 September 2018 HK$'000 (Unaudited)** | At 31 March 2018 HK$'000 (Audited) | **At 30 September 2018 HK$'000 (Unaudited)** | At 31 March 2018 HK$'000 (Audited) | **At 30 September 2018 HK$'000 (Unaudited)** | At 31 March 2018 HK$'000 (Audited) |
| Reportable segment assets | **6,898,997** | 7,041,555 | **488,797** | 843,835 | **147,037** | 135,629 | **7,534,831** | 8,021,019 |
| Reportable segment liabilities | **1,717,220** | 1,960,935 | **135,277** | 358,216 | **106,821** | 72,216 | **1,959,318** | 2,391,367 |

## 3. REVENUE AND SEGMENT REPORTING (Continued)

### (b) Geographical information

The following table provides an analysis of the Group's revenue from external customers and its non-current assets other than financial instruments, deferred tax assets and post-employment benefit assets ("**specified non-current assets**"):

| | Revenue from external customers | | Specific non-current assets | |
|---|---|---|---|---|
| | **Six months ended 30 September 2018 HK$'000 (Unaudited)** | Six months ended 30 September 2017 HK$'000 (Unaudited) | **At 30 September 2018 HK$'000 (Unaudited)** | At 31 March 2018 HK$'000 (Audited) |
| Indonesia (place of domicile) | **1,124,769** | 835,981 | **6,003,794** | 6,042,707 |
| China and Hong Kong | **–** | – | **12** | 20 |
| Dubai | **6,358** | 6,358 | **–** | – |
| Singapore and Malaysia | **38,504** | 137,567 | **402,116** | 748,528 |
| The United States of America | **78,094** | 4,855 | **89,383** | 85,320 |
| | **1,247,725** | 984,761 | **6,495,305** | 6,876,575 |

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

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

### (c) Information about major customers

Revenue from one major customer (2017: one major customer) of the Group's mining segment amounted to HK$197,939,000 (2017: HK$199,839,000) and no customer (2017: one major customer) of the Group's shipping segment amounted to HK$Nil (2017: HK$135,171,000), which represented 10% or more of the Group's revenue for the period.

## 3. REVENUE AND SEGMENT REPORTING (Continued)

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

| | For the six months ended 30 September | |
|---|---|---|
| | **2018** | 2017 |
| | **HK$'000** | HK$'000 |
| | **(Unaudited)** | (Unaudited) |
| **Profit before income tax:** | | |
| Reportable segment profit | **391,426** | 332,414 |
| Unallocated corporate expenses and finance costs | **(53,535)** | (65,627) |
| Consolidated profit before income tax | **337,891** | 266,787 |

| | **At** | At |
|---|---|---|
| | **30 September** | 31 March |
| | **2018** | 2018 |
| | **HK$'000** | HK$'000 |
| | **(Unaudited)** | (Audited) |
| **Assets:** | | |
| Reportable segment assets | **7,534,831** | 8,021,019 |
| Unallocated corporate assets | **330,949** | 67,659 |
| Consolidated total assets | **7,865,780** | 8,088,678 |
| **Liabilities:** | | |
| Reportable segment liabilities | **1,959,318** | 2,391,367 |
| Unallocated corporate liabilities | **9,494** | 14,281 |
| Consolidated total liabilities | **1,968,812** | 2,405,648 |

## 4. FINANCE COSTS

| | For the six months ended 30 September | |
|---|---|---|
| | **2018** | 2017 |
| | **HK$'000** | HK$'000 |
| | **(Unaudited)** | (Unaudited) |
| Imputed interest on convertible bonds | **–** | 7,807 |
| Interest charged under finance leases | **580** | 873 |
| Interest on secured bank borrowings | **31,347** | 37,567 |
| | **31,927** | 46,247 |

## 5. PROFIT FOR THE PERIOD

This is arrived at after charging/(crediting):

| | For the six months ended 30 September | |
|---|---|---|
| | **2018** | 2017 |
| | **HK$'000** | HK$'000 |
| | **(Unaudited)** | (Unaudited) |
| Cost of services | **46,305** | 65,732 |
| Cost of inventories | **807,002** | 549,404 |
| | **853,307** | 615,136 |
| Fair value changes on financial instruments, net * | **(5,943)** | (2,122) |
| Staff costs (including share-based payment expenses) | **56,453** | 64,221 |
| Share-based payment expenses | **–** | 7,633 |
| Depreciation and amortisation of property, plant and equipment | **166,867** | 118,966 |
| Loss on disposal of property, plant and equipment | **10,710** | – |

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

## 6. INCOME TAX

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

| | **For the six months ended 30 September** | |
|---|---|---|
| | **2018** | 2017 |
| | **HK$'000** | HK$'000 |
| | **(Unaudited)** | (Unaudited) |
| Current tax — overseas | **104,994** | 65,020 |
| Deferred tax | **(13,541)** | (9,679) |
| Income tax | **91,453** | 55,341 |

No provision for Hong Kong profits tax was made for the six months ended 30 September 2017 and 2018 as the Company and its subsidiaries incorporated in Hong Kong had no assessable profits for both periods.

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

## 7. EARNINGS PER SHARE

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

| | For the six months ended 30 September | |
|---|---|---|
| | **2018** | 2017 |
| | **HK$'000** | HK$'000 |
| | **(Unaudited)** | (Unaudited) |
| **Earnings** | | |
| Earnings attributable to owners of the Company for the purposes of basic earnings per share | **161,891** | 147,629 |
| Fair value change on conversion option component of convertible bonds | **–** | 68 |
| Interest on convertible bonds | **–** | 7,807 |
| Earnings attributable to owners of the Company for the purposes of diluted earnings per share | **161,891** | 155,504 |

| | **2018** | 2017 |
|---|---|---|
| | **'000** | '000 |
| | | (Restated) |
| **Number of shares** | | |
| Weighted average number of ordinary shares for the purposes of basic earnings per share | **6,369,054** | 6,084,621 |
| Effect of dilution — weighted average number of ordinary shares: | | |
| Convertible bonds | **–** | 281,818 |
| Share options | **178,580** | 42,037 |
| Weighted average number of ordinary shares for the purposes of diluted earnings per share | **6,547,634** | 6,408,476 |

The weighted average number of ordinary shares for the six months ended 30 September 2017 has been adjusted and restated for the share subdivision became effective on 12 January 2018.

## 8. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2018, the Group acquired items of property, plant and equipment with a total cost of approximately HK$87,568,000 (30 September 2017: HK$226,579,000) and mining expenditure incurred was approximately HK$606,897,000 (30 September 2017: HK$657,208,000).

## 9. EXPLORATION AND EVALUATION ASSETS

| | **At 30 September 2018 HK$'000 (Unaudited)** | At 31 March 2018 HK$'000 (Audited) |
|---|---|---|
| Cost and carrying amounts: | | |
| At beginning of the period/year | **13,472** | 14,087 |
| Disposal | **(105)** | – |
| Exchange adjustments | **(1,033)** | (615) |
| At end of the period/year | **12,334** | 13,472 |

## 10. TRADE RECEIVABLES

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

| | **At 30 September 2018 HK$'000 (Unaudited)** | At 31 March 2018 HK$'000 (Audited) |
|---|---|---|
| 0–60 days | **215,696** | 134,278 |
| 61–90 days | **54,212** | 1,064 |
| 91–120 days | **79,626** | 24,927 |
| Over 120 days | **1,247** | 12,146 |
| | **350,781** | 172,415 |

## 11. DERIVATIVE FINANCIAL INSTRUMENTS

| | At 30 September 2018 | | At 31 March 2018 | |
|---|---|---|---|---|
| | Assets HK$'000 (Unaudited) | Liabilities HK$'000 (Unaudited) | Assets HK$'000 (Audited) | Liabilities HK$'000 (Audited) |
| Forward currency contracts | – | – | 406 | – |
| Future oil contracts | – | 255 | – | 561 |
| Coal swap | – | 6,570 | – | 13,004 |
| Interest rate swap | 238 | – | 323 | – |
| Total amount, classified as current | 238 | 6,825 | 729 | 13,565 |

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 and Level 2 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 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.

## 11. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

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

**As at 30 September 2018**

| | **Level 1 HK$'000** | **Level 2 HK$'000** | **Total HK$'000** |
|---|---|---|---|
| Financial assets/(liabilities): | | | |
| Financial assets/(liabilities) at fair value through profit or loss | | | |
| Derivative financial instruments | | | |
| — Interest rate swap | **–** | **238** | **238** |
| — Future oil contracts | **(255)** | **–** | **(255)** |
| — Coal swap | **–** | **(6,570)** | **(6,570)** |
| | **(255)** | **(6,332)** | **(6,587)** |

**As at 31 March 2018**

| | Level 1 HK$'000 | Level 2 HK$'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 30 September 2018 and 31 March 2018, the Group has no financial instrument carried at fair value under Level 3 hierarchy.

There was no transfer between levels during the period.

## 12. TRADE PAYABLES

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

| | **At 30 September 2018 HK$'000 (Unaudited)** | At 31 March 2018 HK$'000 (Audited) |
|---|---|---|
| 0–60 days | **84,327** | 101,751 |
| 61–90 days | **6,955** | 7,494 |
| Over 90 days | **22,479** | 52,251 |
| | **113,761** | 161,496 |

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

## 13. SHARE CAPITAL

| | Number of shares | Amount HK$'000 |
|---|---|---|
| **Authorised:** | | |
| Ordinary shares of HK$0.025 each: | | |
| At 31 March 2018 and 30 September 2018 | 18,400,000,000 | 460,000 |
| Convertible preference shares of HK$0.10 each: | | |
| At 31 March 2018 and 30 September 2018 | 400,000,000 | 40,000 |
| **Issued and fully paid:** | | |
| Ordinary shares of HK$0.025 each: | | |
| At 31 March 2018 | 6,368,280,581 | 159,207 |
| Exercise of share options | 1,200,000 | 30 |
| At 30 September 2018 | 6,369,480,581 | 159,237 |

## 14. COMMITMENTS

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

| | **At 30 September 2018 HK$'000 (Unaudited)** | At 31 March 2018 HK$'000 (Audited) |
|---|---|---|
| Within one year | **21,918** | 24,733 |
| In the second to fifth years inclusive | **60,282** | 63,749 |
| | **82,200** | 88,482 |

Save for those disclosed above and elsewhere in these financial statements, the Group had no material commitments as at 30 September 2018 and 31 March 2018.

## 15. 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, 79,000,000 share options under the Old Scheme were outstanding.

On 12 October 2012, the Company adopted a new share option scheme (the "**New Scheme**") for the primary purposed to attract, retain and motivate talented employees, executive and non-executive directors and consultants of the Company or any subsidiaries or associated companies or such persons who from time to time are determined by the Board at its discretion as having contributed to the Group based on his/her performance and/or years of services, or its regarded as valuable resources and other relevant factors (the "**Participants**"), to strive for future developments and expansion of the Group. The New Scheme will expire on 9 October 2022.

Under the New Scheme, the Board of the Company may grant options to the Participants to subscribe for shares in the Company at a price equal to the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the offer date, which must be a trading day; (ii) a price being the average of the closing prices of shares as stated in the Stock Exchange's daily quotation sheet for the five trading days immediately preceding the date of the offer date; and (iii) the nominal value of a share, subject to a maximum of 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.

## 15. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

The following table discloses movements during six months ended 30 September 2018 in the Company's share option schemes:

| Category | Date of grant | Exercisable period | Exercise price per share (HK$) | Number of share options At 1/4/2018 | Exercised | At 30/9/2018 |
|---|---|---|---|---|---|---|
| **1. Directors** | | | | | | |
| Mr. Ng Xinwei | 30/8/2010 | 30/8/2010 to 29/8/2020 | 0.280 | 11,000,000 | – | 11,000,000 |
| Ms. Lim Beng Kim, Lulu | 30/8/2010 | 30/8/2010 to 29/8/2020 | 0.280 | 6,000,000 | – | 6,000,000 |
| | | | | 17,000,000 | – | 17,000,000 |
| **2. Associate of shareholder** | | | | | | |
| Ms. Lim Chek Hwee | 30/8/2010 | 30/8/2010 to 29/8/2020 | 0.280 | 12,000,000 | – | 12,000,000 |
| **3. Employees in aggregate** | 30/8/2010 | 30/8/2010 to 29/8/2020 | 0.280 | 1,200,000 | (600,000) | 600,000 |
| | 24/10/2016 | 24/10/2016 to 23/10/2026 | 0.380 | 40,000,000 | – | 40,000,000 |
| | | | | 41,200,000 | (600,000) | 40,600,000 |
| **4. Consultants in aggregate** | 30/8/2010 | 30/8/2010 to 29/8/2020 | 0.280 | 48,000,000 | (600,000) | 47,400,000 |
| | 18/3/2011 | 18/3/2011 to 17/3/2021 | 0.2805 | 2,000,000 | – | 2,000,000 |
| | 27/4/2017 | 27/4/2017 to 26/4/2027 | 0.3455 | 60,000,000 | – | 60,000,000 |
| | | | | 110,000,000 | (600,000) | 109,400,000 |
| | | | | 180,200,000 | (1,200,000) | 179,000,000 |

## 15. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

The exercise price of share options outstanding at the end of the period ranged from HK$0.28 to HK$0.38 (as at 31 March 2018: HK$0.28 to HK$0.38) and their weighted average remaining contractual life was 5.53 years (as at 31 March 2018: 3.37 years).

Of the total number of share options outstanding at the end of the period, 179,000,000 (as at 31 March 2018: 180,200,000) had vested and were exercisable at the end of the reporting period.

During the period, 1,200,000 (2017: 200,000) share options were exercised.

In respect of the share options exercised in current period, the average market share price at the dates of exercise was HK$1.64 (2017: HK$1.86).

No share option was granted during the current financial period. During the six months ended 30 September 2017, 15,000,000 share options were granted to an advisor and a consultant of the Company under the New Scheme. The fair value of share options granted during that period was HK$7,633,000, which was recognised in profit or loss.

The fair value of equity-settled share options granted during the six months ended 30 September 2017 was estimated as at the date of grant using Binomial Tree Approach, taking into account the terms and conditions upon which the options were granted. The inputs into the model are as follows:

| | **2017 (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%** |

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 six months ended 30 September 2017 and 2018.

## 16. MATERIAL RELATED PARTY TRANSACTIONS

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

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

| | **For the six months ended 30 September** | |
|---|---|---|
| | **2018** | 2017 |
| | **HK$'000** | HK$'000 |
| | **(Unaudited)** | (Unaudited) |
| Sales to a shareholder of the Company | **–** | 12,559 |

**(b)** **Key management personnel compensation**

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

| | **For the six months ended 30 September** | |
|---|---|---|
| | **2018** | 2017 |
| | **HK$'000** | HK$'000 |
| | **(Unaudited)** | (Unaudited) |
| Fees | **520** | 460 |
| Salaries and other benefits | **3,380** | 3,396 |
| Post-employment benefit contributions | **44** | 105 |
| | **3,944** | 3,961 |

## 17. LITIGATIONS

In December 2015, the Group acquired (the "**Merge Acquisition**") 51% indirect equity interest in Merge Mining Holding Limited ("**MMHL**") through its wholly-owned subsidiary AMHL from the previous 100% owner of MMHL, Sino Island Limited ("**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:

**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. However, the arbitral hearing was subsequently vacated and rescheduled to dates to be fixed in 2019, so as to include the hearing of other claims which have been consolidated with those in the arbitration proceedings.

## 17. LITIGATIONS (Continued)

**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 PT Merge Energy Sources Development ("**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 at the District Court level has been completed. The District Court issued a final judgment in favour of the Group and rejected the Plaintiffs' claim. The District Court held, amongst others, that the circulars of the shareholders were validly issued and the Plaintiffs have submitted a declaration in response to the District Court's final judgment.

## 18. EVENT AFTER REPORTING PERIOD

Subsequent to the end of the reporting period, save for those disclosed elsewhere in these condensed consolidated financial statements and the proposed acquisition of a coal-fired thermal power plant in India, of which the details are disclosed in the paragraph headed "Proposed Acquisition of a Coal-fired Thermal Power Plant in India" under the section headed "Major Events" in this interim report, the Group had no significant events occurred, which may have a significant effect, on the assets and liabilities of future operations of the Group.

# FINANCIAL REVIEW

For the Review Period, both the Indonesian and international coal prices have performed well as a result of persistently strong coal demand from China and India. By taking advantage of such favourable market condition, the Group has managed to increase its coal production which has reached 3.3 million tonnes for the Review Period (2017: 2.7 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$1,247.7 million (2017: HK$984.8 million) and to HK$161.9 million (2017: HK$147.6 million) respectively, representing a respective increase of approximately 26.7% and 9.7% as compared to the previous financial period in 2017. The Group's gross profit increased to HK$394.4 million (2017: HK$369.6 million) which is in line with the significant increase in the Group's turnover for the Review Period, while the gross profit margin decreased to 31.6% (2017: 37.5%) as a result of the weakening of the performance of the Group's shipping business segment for the Review Period.

During the Review Period, the Group has incurred increasing administrative staff costs and legal and professional costs for conducting various corporate exercises and handling litigation issues, as a result, the Group's administrative expenses incurred for the Review Period have increased significantly to HK$90.8 million (2017: HK$59.0 million). Other income increased significantly to HK$66.2 million (2017: HK$2.4 million) mainly due to the equipment rental income for the SEM Mine was recognised for the Review Period. As regard to the Group's finance costs, the balance has decreased significantly to HK$31.9 million (2017: HK$46.2 million), which is in line with the significant decrease in the average bank loan balances of the Group for the Review Period and the full conversion of convertible bonds of the Company in February 2018.

## CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

During the Review Period, a total of 1,200,000 share options were exercised by option holders. Accordingly, 1,200,000 new shares of the Company were allotted and issued by the Company to those option holders with a cash consideration of HK$336,000 received by the Company.

As at 30 September 2018, the Group's equity attributable to owners of the Company amounted to HK$3,610,113,000 (as at 31 March 2018: HK$3,480,616,000), while total bank indebtedness amounted to HK$333,906,000 (as at 31 March 2018: HK$635,457,000) and cash on hand amounted to HK$453,726,000 (as at 31 March 2018: HK$464,865,000). The Group's bank indebtedness to equity ratio is 0.09 (as at 31 March 2018: 0.18) and the current ratio is 1.96 (as at 31 March 2018: 1.29). The Board believes that the Group's sound and healthy financial position will enable it to finance its operation and explore other business development opportunities.

## FUNDING POLICIES AND MANAGEMENT

The Group firmly adhered to 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 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.

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

## GEARING RATIO

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by total capital. Total borrowings include current and non-current borrowings as shown in the condensed consolidated statement of financial position, including secured bank borrowings, amounts due to related parties, obligation under finance leases and derivative financial liabilities. Total capital is calculated as the aggregate of the equity attributable to owners of the Company as shown in the condensed consolidated statement of financial position and the total borrowings. The gearing ratio of the Group as at 30 September 2018 is 12% (as at 31 March 2018: 17%).

## EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGE

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

## PLEDGE OF ASSETS

As at 30 September 2018, the Group's mining-related plant and machinery and vessels with carrying value of HK$23,580,000 (as at 31 March 2018: HK$9,076,000) and HK$363,387,000 (as at 31 March 2018: HK$723,373,000), respectively, were pledged to secure bank borrowings of the Group.

As at 31 March 2018, certain of the Group's motor vehicles and plant and machinery, which were held under finance leases with carrying values of HK$3,825,000 and HK$66,783,000 respectively, were pledged to the lessors to secure the Group's obligation under finance leases. Those assets were not under pledge as at 30 September 2018.

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

As at 30 September 2018, the interests and short position of the Directors and chief executives of the Company and each of their respective associates in the shares (the "**Shares**") of the Company, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (Cap. 571 of the Laws of Hong Kong) (the "**SFO**")) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were deemed or taken to have under such provisions of the SFO); or (b) to be and were recorded in the register required to be kept pursuant to Section 352 of the SFO; or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") in Appendix 10 of the Listing Rules adopted by the Company were as follows:

**Long position in Shares/underlying Shares**

| Name of director | Ordinary Shares | | Interest in underlying Shares | Aggregated interest | Percentage of the issued share capital of the Company |
|---|---|---|---|---|---|
| | Personal interest | Corporate interest | Personal interest | | |
| Mr. Ng Say Pek (Note 1) | – | 3,550,453,332 | 12,000,000 | 3,562,453,332 | 55.93% |
| Mr. Ng Xinwei (Note 2) | – | 3,550,453,332 | 11,000,000 | 3,561,453,332 | 55.91% |
| 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% |

Notes:

(1) This represents (i) 3,550,453,332 Shares held by Agritrade International Pte Ltd. ("**AIPL**") and its associates, in which as at 30 September 2018, AIPL was owned as to 57.27% 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 held by AIPL and its associates, in which as at 30 September 2018, AIPL was owned as to 42.73% by Mr. Ng Xinwei. By virtue of the 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 held by Mr. Ashok Kumar Sahoo through his controlled corporation Berrio Global Limited. Berrio Global Limited was wholly owned by Mr. Ashok Kumar Sahoo.

(4) This represents (i) 183,866,668 Shares held by Ms. Lim Beng Kim, Lulu through her controlled corporation Harvest Jade International Limited. Harvest Jade International Limited was wholly owned by Ms. Lim Beng Kim, Lulu; and (ii) 6,000,000 share options granted to Ms. Lim Beng Kim, Lulu.

Save as disclosed above, as at 30 September 2018, none of the Directors and chief executives of the Company and each of their respective associates had or was deemed to have any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO); or (b) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) which were required, pursuant to the Model Code contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

## SHARE OPTION SCHEME

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

| Category | Date of grant | Exercisable period | Exercise price per share (HK$) | Number of share options At 31/3/2018 | Exercised | At 30/9/2018 |
|---|---|---|---|---|---|---|
| **1. Directors** | | | | | | |
| Mr. Ng Xinwei | 30/8/2010 | 30/8/2010 to 29/8/2020 | 0.280 | 11,000,000 | – | 11,000,000 |
| Ms. Lim Beng Kim, Lulu | 30/8/2010 | 30/8/2010 to 29/8/2020 | 0.280 | 6,000,000 | – | 6,000,000 |
| | | | | 17,000,000 | – | 17,000,000 |
| **2. Associate of shareholder** | | | | | | |
| Ms. Lim Chek Hwee (Note) | 30/8/2010 | 30/8/2010 to 29/8/2020 | 0.280 | 12,000,000 | – | 12,000,000 |
| **3. Employees in aggregate** | 30/8/2010 | 30/8/2010 to 29/8/2020 | 0.280 | 1,200,000 | (600,000) | 600,000 |
| | 24/10/2016 | 24/10/2016 to 23/10/2026 | 0.380 | 40,000,000 | – | 40,000,000 |
| | | | | 41,200,000 | (600,000) | 40,600,000 |
| **4. Consultants in aggregate** | 30/8/2010 | 30/8/2010 to 29/8/2020 | 0.280 | 48,000,000 | (600,000) | 47,400,000 |
| | 18/3/2011 | 18/3/2011 to 17/3/2021 | 0.2805 | 2,000,000 | – | 2,000,000 |
| | 27/4/2017 | 27/4/2017 to 26/4/2027 | 0.3455 | 60,000,000 | – | 60,000,000 |
| | | | | 110,000,000 | (600,000) | 109,400,000 |
| | | | | 180,200,000 | (1,200,000) | 179,000,000 |

Note: Ms. Lim Chek Hwee is the spouse of Mr. Ng Say Pek who held 57.27% equity interest of AIPL as at 30 September 2018, which was the controlling shareholder of the Company.

## SUBSTANTIAL SHAREHOLDERS

As at 30 September 2018, so far as is known to any Director or chief executive of the Company, the following persons or corporations (other than the Directors or chief executive of the Company) had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who were directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at the general meetings of any other member of the Group:

| Name | Capacity | Number of Shares/underlying Shares held | Approximate percentage of shareholding |
|---|---|---|---|
| AIPL (Note) | Interests of controlled corporations | 3,550,453,332 | 55.74% |
| Amber Future Investments Limited | Beneficial owner | 2,023,300,000 | 31.77% |
| Fortunella Investments Limited | Beneficial owner | 1,527,153,332 | 23.98% |

Note: This represents 2,023,300,000 Shares held by Amber Future Investments Limited and 1,527,153,332 Shares held by Fortunella Investments Limited, both were wholly-owned subsidiaries of AIPL.

Save as disclosed herein, as at 30 September 2018, there was no other person or corporation so far as is known to the Directors and the chief executive of the Company, other than the Directors or chief executive of the Company, has an interest or a short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

## INTERIM DIVIDEND

The Board does not propose the payment of interim dividend for the six months ended 30 September 2018 (2017: HK$ Nil).

## STAFF AND REMUNERATION POLICIES

As at 30 September 2018, the Group had 567 employees. The Group mainly determines staff remuneration in accordance with market terms and individual qualifications.

The emoluments of the Directors are reviewed and recommended by the remuneration committee, and decided by the Board, as authorised by the shareholders at the annual general meeting, in accordance with the Group's operating results, individual performance and comparable market statistics.

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

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

During the six months ended 30 September 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## CHANGES IN DIRECTORS' INFORMATION

Changes in Directors' information since the date of the annual financial statements of the Company for the year ended 31 March 2018 up to the date of despatch of this interim report which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules are set out below:

Mr. Terence Chang Xiang Wen, Mr. Siu Kin Wai, Mr. Cheng Yu and Mr. Phen Chun Shing Vincent, all are independent non-executive Directors, entered into service contracts with the Company on 1 August 2018, 24 August 2018, 1 December 2018 and 12 December 2018, respectively, and their appointment as an independent non-executive Director is for a fixed term of one year and it can be early terminated by giving not less than one month's notice in writing served by either party.

## CORPORATE GOVERNANCE

The Board is of the view that the Company has applied the principals and complied with the applicable code provisions as set out in the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 of the Listing Rules during the six months ended 30 September 2018. The Directors are not aware of any information that reasonably reveals that there is any non-compliance with or derivation from the CG Code by the Company any time during the period.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by Directors. Having made specific enquiries of all Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 September 2018.

## AUDIT COMMITTEE

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

The unaudited condensed consolidated interim results for the six months ended 30 September 2018 have been reviewed by the Audit Committee and were approved by the Board on 27 November 2018.

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

Hong Kong, 27 November 2018