鴻寶資源有限公司
AGRITRADE RESOURCES LIMITED
(Incorporated in Bermuda with limited liability)
(Stock Code: 1131.H.K.)

DELIVERING **GROWTH**

2019 ANNUAL REPORT

CONTENTS


VOLVO

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 energy 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, energy 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 55.70% 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. We also acquired a coal mine located in Shaanxi Province of China, a region of low mining production cost. The expected coal quality is low volatile matter, medium-ash and high sulphur content.

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.

ENERGY

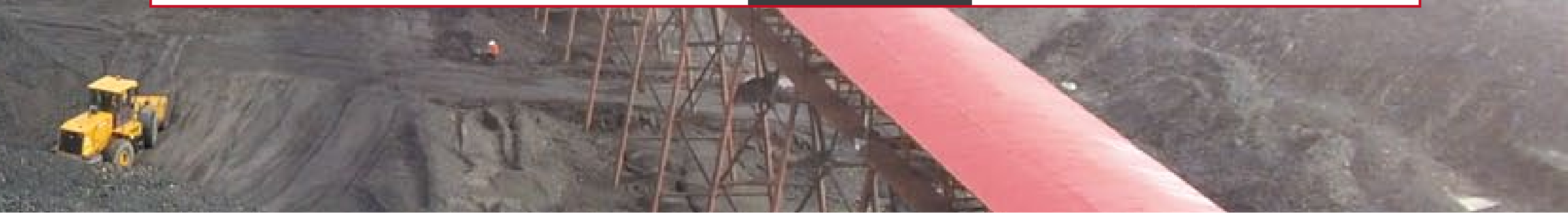
Agritrade Resources responded to the growing global need for renewable energy sources with our investment in a biodiesel plant in Arkansas, United States. Strategically located near Memphis, a major biofuel refining and distribution centre, the biodiesel plant caters to the increasing demand for renewable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

Agritrade Resources considers a strong demand and potential for thermal power in India. The Group engaged in the operation of a 600 megawatt coal-fired thermal power plant located in the State of Chhattisgarh, India. The SKS Power Plant assists Agritrade Resources to achieve vertical integration, and to further diversify our business and to expand our customer base into new markets.

SHIPPING

Our Group owns 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.

Financial year ended (HK$ Millions)	**31 March 2019**	31 March 2018	31 March 2017
Revenue of Mining Segment	**1,675.3**	1,934.3	1,180.8
Revenue of Shipping Segment	**82.6**	276.1	260.7
Revenue of Energy Segment	**146.8**	26.9	–
Total Revenue	**1,904.7**	2,237.3	1,441.5

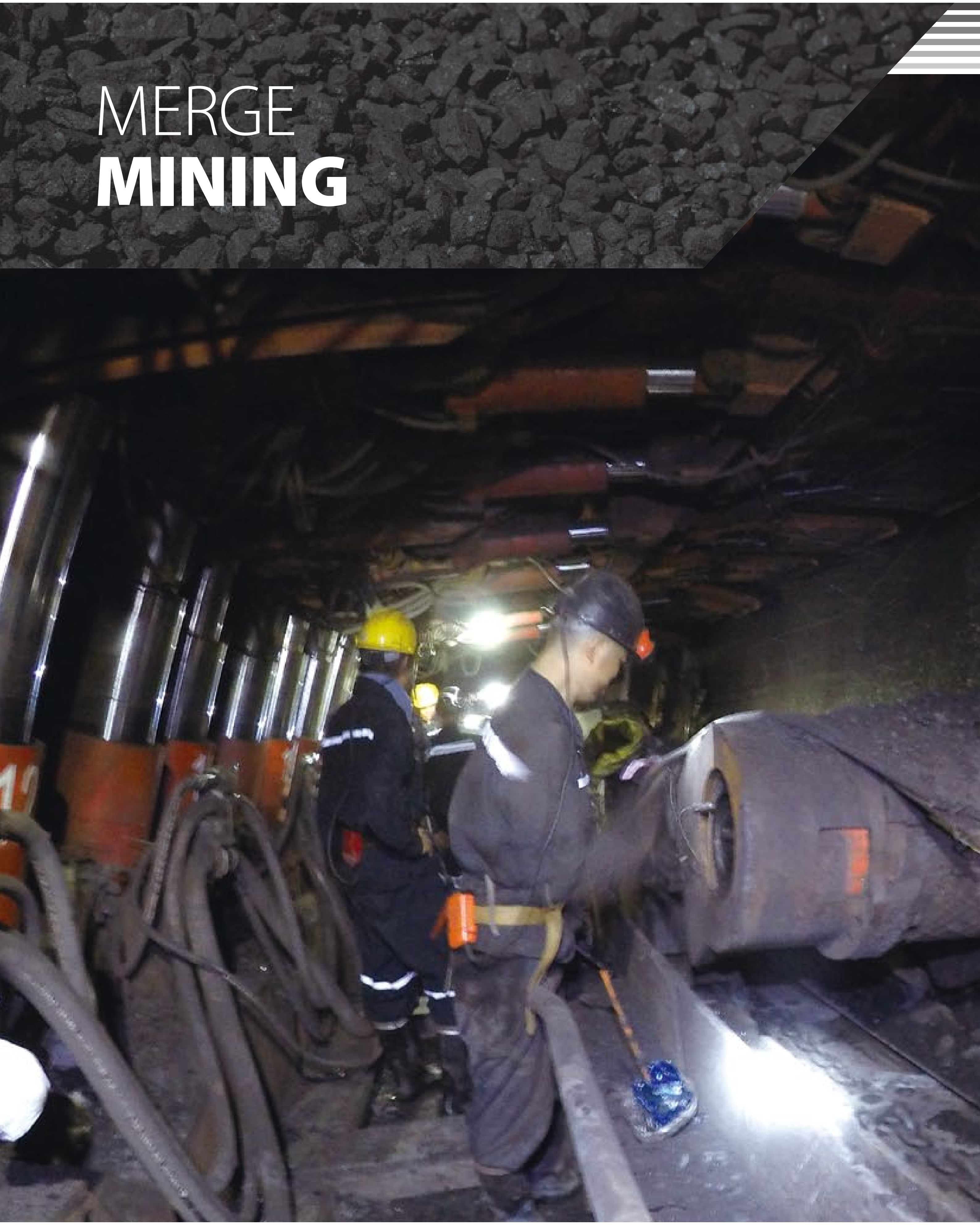


SENAMAS
ENERGINDO MINERAL

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 5.0 million tonnes of 3,800 kcal/kg coal in FY2019.

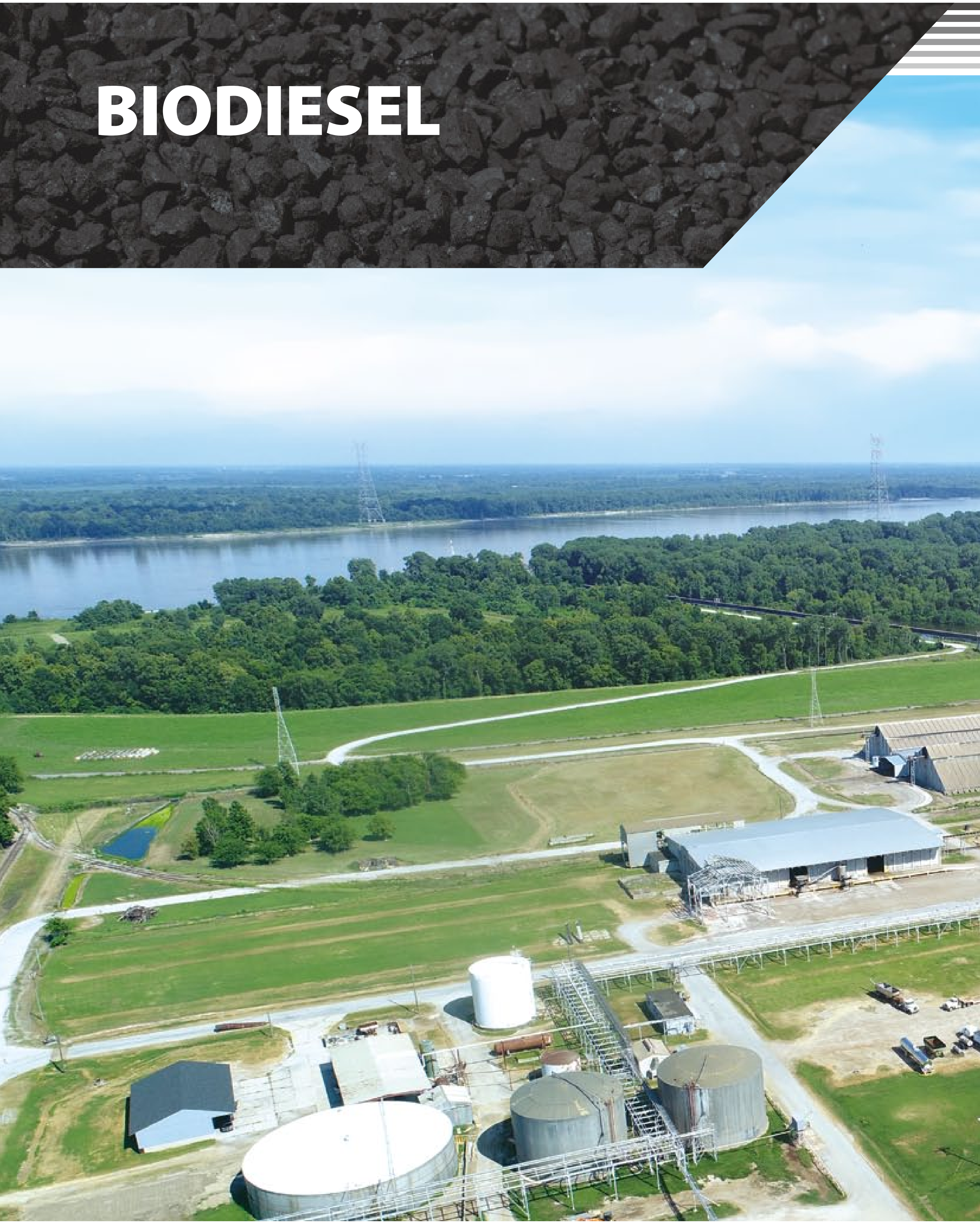
MERGE **MINING**



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 483,000 tonnes of coal in FY2019.

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.

SKS POWER PLANT

Agritrade Resources's energy business engaged in the operation of a high powered domestic coal based thermal power plant comprising of four units of 300 megawatt each, in two phases of 600 megawatt each, at village Binjkote & Durramuda, Raigarh, in the State of Chhattisgarh, India.

SKS Power Plant's total land area has 239.3ha. Phase I of the construction has already been completed and the plant was put into operation and has started generating revenue and cash flows since 2017. Currently, Phase II remains in its initial stage of construction.

Regarding the Phase I operation, the Group has secured various power purchase agreements for the supply of more than 500 MW power capacity annually.

CHAIRMAN STATEMENT

Dear Shareholders,

During the last two years, Agritrade Resources has been gradually transforming into an integrated energy solutions provider, which has a vertically integrated and diversified business, including coal, power plant and renewable energy. We have also been constantly exploring more energy opportunities to adhere to our vision of "to be the leading quality energy solutions provider in Asia".

Benefiting from the foresight strategy and our perseverance in the coal industry, in early 2019, Agritrade Resources was selected as one of the constituents of the Hang Seng Composite SmallCap Index, and subsequently eligible for the Shenzhen-Hong Kong Stock Connect. This represents a remarkable milestone for the Company. We believe that the admission would be conducive to enriching the Company's market entities and market vitality in China.

CHAIRMAN STATEMENT

ONGOING ACQUISITIONS

Currently, China remains one of the key players in the coal market, and its policy has a great impact on coal market dynamics. Due to environmental issues and overcapacity in the industry, the rise of power demand in China may likely slowdown in the coming years. However, based on our extensive research and consultation with industry professionals, we do see the new development in China coal market. In April 2019, the Group began the process of acquiring a coal mine located in the Shaanxi Province of China. Geographically speaking, the move coins the Group's tapping to the vibrant China coal market. We are expecting that this coal mine can begin delivering promising returns in near future.

Over the years, Agritrade Resources has accomplished rapid development and expansion through Mergers and Acquisitions activities. On 18 March 2019, the Group successfully completed the acquisition of SKS Power Generation (Chhattisgarh) Limited. The construction of Phase I has completed and has already commenced its commercial operation. We are confident that this acquisition will help us diversify our customer base into emerging markets like India and bring out more synergies in our existing businesses.

DISPOSAL OF THE SHIPPING BUSINESS

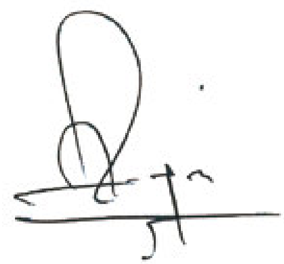
In response to the declining market, aging of the vessels and other factors, the Group disposed of all three sets of VLCCs and four sets of tug boats and barges during the year. The Disposal is beneficial to the Group's overall operation and financial position. Thus, the Group can reallocate resources across its various business segments.

OPERATING THE BIODIESEL PLANT

Agritrade Resources responded to the growing global need for alternative renewable 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 awarding cash subsidies on every gallon of diesel produced.

FOCUSING ON ENERGY BUSINESS

In the next financial year, we strive to put more resources on our energy business and endeavour to meet the evolving needs of our clients. We will leverage our strong financial position 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 exhibited a downward trend in the last financial year from its high levels in the third quarter of 2018. This was, to a large extent, attributable to the weakening demand of coal import from certain major markets like China and India. The sluggish market condition was inevitably challenging to the Company as it was to the entire industry. During FY2019, the Group achieved a revenue of HK$1,904 million, representing a year-on-year decrease of 14.87%. On the other hand, owing to our diversifying strategy, we managed to bring our profit attributable to owners of the company to HK$1,068 million, an increase of 151.64%. Meanwhile, basic earnings per share was HK16.6 (2018: HK6.7) cents.

Opportunities also arise under these circumstances for those who are prepared. We navigated through the market cycle by 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. During FY2019, our endeavours were approved by the successful completion of a power plant acquisition in India, among others.

In the equity market front, Agritrade Resources became a Hang Seng Composite SmallCap Index constituent and hence an eligible stock for the Shenzhen-Hong Kong Stock Connect. Not only does this make us accessible to mainland China investors, but also a validation of the quality of our stock trading and ultimately our businesses and beyond.

ADDITION OF CHINA COAL MINE TO THE MINING PORTFOLIO

As a sizeable multi-mine and multi-product integrated coal producer, the Group adopted a cautious approach in operating its mining business to combat the environment. During FY2019, the Group's mining segment recorded annual coal production of 5.7 million tonnes, flat with last year — a prudent countermeasure against the slipping coal price. As a result, turnover decreased to HK$1,675.3 million from FY2018's HK$1,934.3 million.

During the financial 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"). SEM coal is a sub-bituminous, low-sulphur, low-pollutant thermal coal produced from the SEM Mine. During the year, the SEM Mine generated significant transportation service income and rental income in respect of its mining equipment and facilities, therefore, the operating profit for the mining segment improved to HK$735.8 million (2018: HK$676.1 million) for FY2019.

Merge Mine is the first and only large-scale, mechanized longwall underground coal mine in Indonesia, which enables the Group to tap into previously irretrievable high value underground coal mining opportunities. 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. To further enhance the production capacity for the Merge Mine, on 14 May 2018, the Group acquired a second complete set of longwall system. We expected that upon full operation of the second longwall system, the production capacity of the Merge Mine would be increased by approximately 2.5 million tonnes annually, reaching a total annual production capacity of approximate 3.5 million tonnes.

Subsequent to FY2019, we have acquired a coal mine located in Shaanxi Province China for a consideration of Renminbi 243 million (equivalent to approximately HK$283 million). The coal mine reserve is preliminarily estimated at approximately 19 million tonnes and projected to be the baseload demand in the foreseeable future for the domestic market. The mine also comes with a natural advantage of being in Shaanxi, a region of low mining production cost. The Group expects such mine will start to contribute to the performance of the Group's mining segment upon commencement of its operation from FY2020 onwards.

ENERGY BUSINESS REDEFINED BY ADDITION OF INDIA POWER PLANT

Another milestone that we celebrated during this financial year was the completion of the acquisition (the "Acquisition") of SKS Power Generation (Chhattisgarh) Limited ("SKSPGL").

On the business front, successful completion of the Acquisition denotes the Group's diversification into the energy-related thermal power plant operation, while vertically integrating with its existing coal business. Geographically speaking, the move coins the Group's tapping to the Indian market, which represents high growth and huge potential. In terms of financials, SKSPGL will contribute to a stable and persistent revenue and promising profitability in the long run for the Group. In all, we are confident that the Acquisition will help us diversify our customer base into emerging markets like India and bring out more synergies in our existing businesses.

As for our Biodiesel Plant in the United States of America (the "USA"), it contributed approximately 4.7 times of the turnover as compared to FY2018. This was mainly due to the commercial operation only having begun since September 2017. Biodiesel is strongly supported and subsidised by the USA Government and, as well, with huge market potential. Therefore, we believe that the biodiesel business will have a high growth potential in the long term.

STREAMLINING THE SHIPPING BUSINESS

Agritrade Resources intends to be responsive and versatile towards market changes. During the financial year, the Group disposed of all three sets of VLCCs and four sets of tugboats and barges. Reasons attributable to the action included market prospect, ages of vessels, cost and benefit comparison, market offers available and the Group's overall financial position and needs. The move resulted in one-off loss on disposal of HK$144.2 million recognised for the current financial year, but we believe that the merits had outweighed the demerits in the long run.

ACKNOWLEDGEMENT

Agritrade Resources aims at becoming an energy solutions provider that has a vertically integrated and diversified business. Along the road to achieving this goal, I would like to take this opportunity to thank our customers and business partners for their unwavering support, our shareholders for their trust, and our management and employees for their contributions. Looking ahead, we will continue to work closely with our customers and deliver greater returns to our shareholders.

Ng Xinwei
Chief Executive Officer

BOARD OF DIRECTORS

EXECUTIVE CHAIRMAN

Mr. Ng Say Pek, aged 66, 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 38 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 33, 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 41, 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 19 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 59, 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. Siu Kin Wai, aged 50, 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 corporate management. He is the chief executive officer and an executive director of Beijing Properties (Holdings) Limited and an executive director of 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 32, 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 46, 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).

BOARD OF DIRECTORS

Mr. Phen Chun Shing Vincent, aged 42, 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.

MANAGEMENT TEAM

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 63, 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 5.0 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.

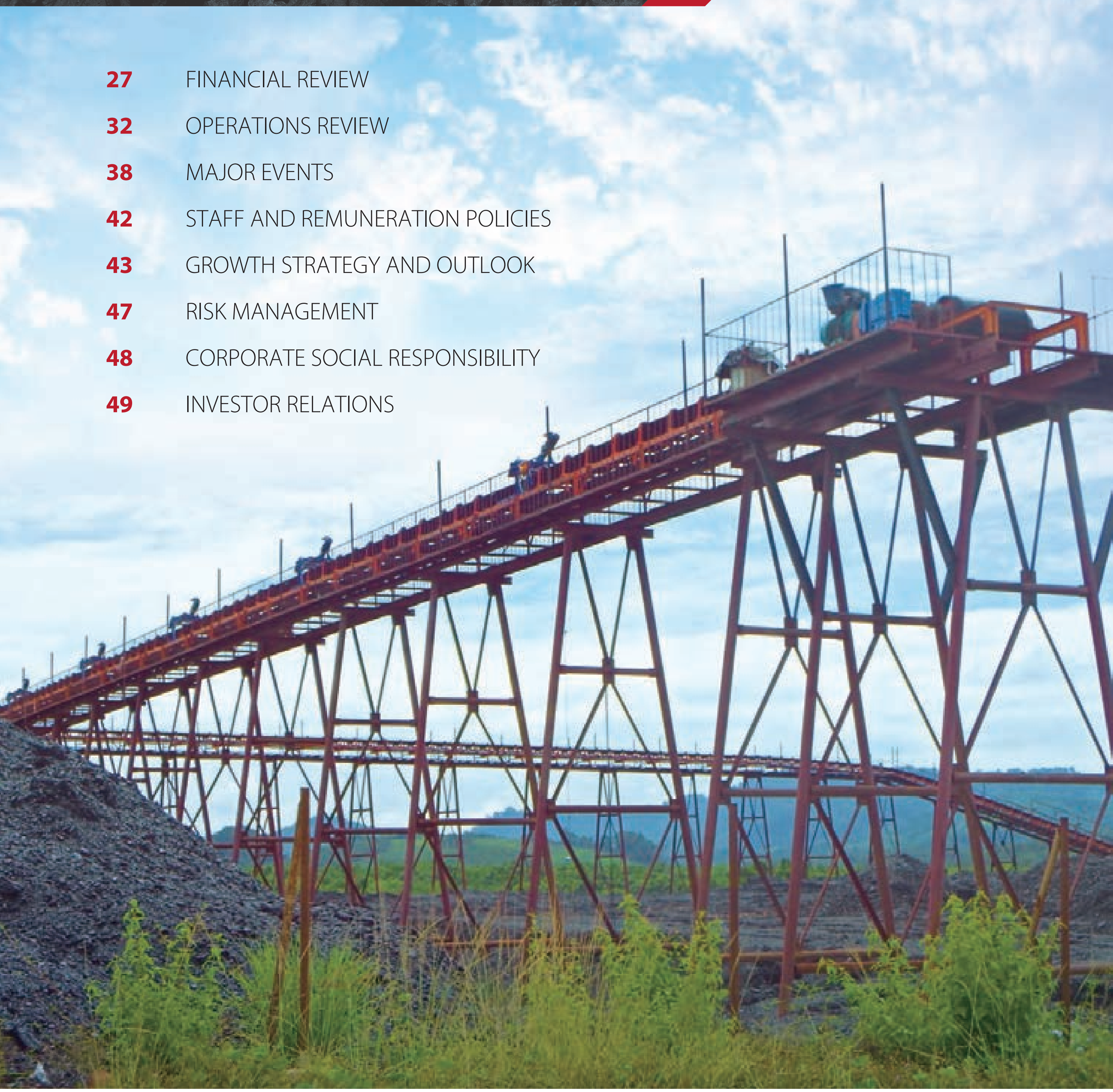
OUR INTEGRATED COAL SUPPLY CHAIN

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

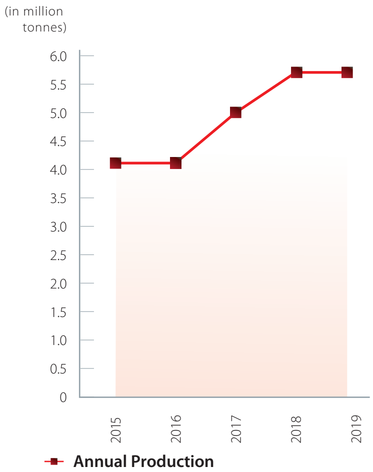
The Group's mining business segment continued to be the key driver for the Group's financial performance for the financial year ("**FY**") ended 31 March 2019. During the year, the global coal pricing has shown a downturn trend following it hit the peak for recent years in mid-2018. Under such unstable market situation, Agritrade Resources Limited (the "**Company**") and its subsidiaries (collectively the "**Group**") adopted a prudent approach by maintaining its annual coal production at the similar level as last year. In FY2019, the coal produced by the Group was 5.7 million tonnes (2018: 5.7 million tonnes). Attributable to the declining global coal pricing, both of the Group's turnover and gross profit have shown a decline as compared to FY2018, to HK$1,904.7 million (2018: HK$2,237.3 million) and HK$618.9 million (2018: HK$876.4 million) respectively, and the gross profit margin also decreased to 32.5% (2018: 39.2%).

In FY2019, the Group has carried on various acquisition and disposal activities. The Group disposed of three sets of very large crude carrier grade vessels (the "**VLCC(s)**") and four sets of tug boats and barges during the year, which led to the recognition of loss on disposal of vessels of HK$144.2 million for the current financial year. Nevertheless, the Group successfully completed its major acquisition of a 600 megawatt ("**MW**") coal-fired thermal power plant (the "**SKS Power Plant**") located at the State of Chhattisgarh in India in March 2019, resulting in a gain on bargain purchase of HK$1,003.9 million recorded for the Group's results. As a result of such significant acquisition gain, the Group's consolidated profit attributable to owners of the Company increased significantly to HK$1,068.1 million (2018: HK$424.5 million), representing an increase by 1.5 times as compared to last financial year.

During the year, 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 increased significantly to HK$184.4 million (2018: HK$139.9 million). Net other losses of HK$21.3 million (2018: net other gains of HK$87.3 million) were recognised for the year mainly due to the significant loss on disposal was recognised for the Group's property, plant and equipment, mainly on its vessels, of HK$151.9 million (2018: gain on disposal of HK$7.5 million) during the year. As regard to the Group's finance costs, the amount has increased to HK$68.3 million (2018: HK$58.3 million), which is mainly due to the significant increase in average borrowings of the Group in the second half of FY2019.

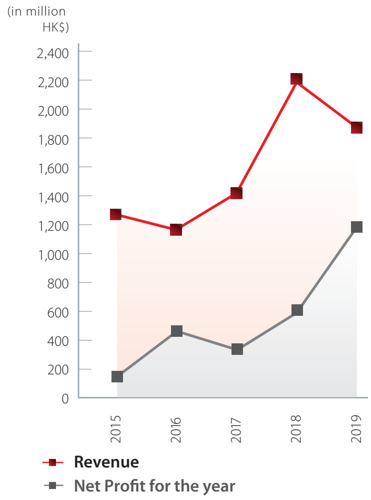
On the balance sheet side, as the acquisition of the SKS Power Plant completed on 18 March 2019, the Group's property, plant and equipment as at 31 March 2019 increased significantly to HK$10,054.8 million (2018: HK$6,717.1 million). Total borrowings, which include borrowings from both banks and financing companies, increased significantly to HK$2,929.3 million (2018: HK$635.5 million), which were mainly utilised for settlement of consideration for acquisition and for the operation of the SKS Power Plant during its initial start-up stage. As at 31 March 2019, both the Group's other receivables and other payables increased significantly to HK$966.8 million (2018: HK$304.1 million) and HK$740.1 million (2018: HK$165.2 million) respectively mainly due to the recognition of significant receivables and payables of SKS Power Generation (Chhattisgarh) Limited ("**SKSPGL**") upon completion of the acquisition during the year. Receivables of the SKS Power Plant mainly represent security or margin deposits or amounts receivable by SKSPGL from its contractors arising from its ordinary course of business, while its other payables mainly represent payables against margin money and the retention money or payables in respect of acquisition or construction of its property, plant and equipment. As at 31 March 2019, the Group had significant deferred revenue balance of totally HK$238.1 million (2018: HK$ Nil), which represents deferred revenue recognised for government grants by the India government to the SKS Power Plant.

PRODUCTION



REVENUE BREAKDOWN

REVENUE & NET PROFIT



Capital structure, liquidity and financial resources

During the year, a total of 6,200,000 share options were exercised by option holders. Accordingly, 6,200,000 new shares of the Company were allotted and issued by the Company to those option holders with a cash consideration of approximately HK$2,066,000 received by the Company.

As at 31 March 2019, the Group's equity attributable to owners of the Company amounted to HK$4,536,117,000 (2018: HK$3,480,616,000), while total indebtedness amounted to HK$2,929,275,000 (2018: HK$635,457,000) and cash on hand amounted to HK$650,104,000 (2018: HK$464,865,000). The Group's indebtedness to equity ratio is 0.65 (2018: 0.18) and the current ratio is 1.11 (2018: 1.29). 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 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 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 consolidated statement of financial position and the total borrowings. The gearing ratio of the Group as at 31 March 2019 is 40% (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, Indian Rupees 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 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 31 March 2019, certain of the Group's plant and machinery and vessels with carrying values of HK$22,738,000 (2018: HK$9,076,000) and HK$22,264,000 (2018: HK$723,373,000), respectively, were pledged to secure certain banking facilities and 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 31 March 2019.

CONTINGENT LIABILITIES AND LITIGATIONS

There is no significant contingent liability of the Group as at 31 March 2019. 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 "Litigations".

DIVIDEND

The Board recommended a payment of a final dividend of HK0.5 cent (2018: HK0.5 cent) per ordinary share of HK$0.025 (2018: HK$0.025) each, amounting to a total final dividend of approximately HK$31,872,000 (2018: HK$31,847,000) for the year ended 31 March 2019. No interim dividend (2018: HK$ Nil) was proposed during the financial year ended 31 March 2019.

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

OPERATIONS REVIEW

For FY2019, the Group has three primary business segments, namely the mining business segment, the shipping business segment and the energy business segment.

MINING BUSINESS

The Group's mining business is principally engaged in the production, processing, transportation, sales, marketing and trading of coal products. During FY2019, 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**"). The Group primarily sells and markets its coal products to Asian countries, including the People's Republic of China ("**China**") and Indonesia.

FY2019 was a challenging year to the global thermal coal market and the Group's mining business. Following the global coal price reaching its high level in the third quarter of 2018, it has been under continuous pressure and has experienced a declining trend due to the weakening of coal import from certain major markets like China and India. Under such unstable market situation, the Group has prudently stabilised its production capacity with annual coal production for FY2019 maintaining at 5.7 million tonnes (2018: 5.7 million tonnes), a similar level as last year. As a result, the Group's mining segment recorded a decrease in turnover to HK$1,675.3 million (2018: HK$1,934.3 million), due to the declining global coal pricing. During the year, the SEM Mine generated significant transportation service income and rental income in respect of its mining equipment and facilities, therefore, the operating profit for the mining segment improved to HK$735.8 million (2018: HK$676.1 million) for FY2019.

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 traders and power generation plants in major international markets such as China and India and in Indonesia locally.

In FY2019, the annual coal production for the SEM Mine was 5.0 million tonnes (2018: 4.7 million tonnes). Owing to the lower average selling price of coal in FY2019, the Group's SEM mining and coal trading segment recorded a 13.6% decrease in turnover to HK$1,344.5 million (2018: HK$1,555.5 million). The operating profit of the SEM Mine increased to HK$692.8 million (2018: HK$602.2 million) mainly due to the significant transportation service income and rental income of HK$71.6 million (2018: HK$Nil) in respect of heavy equipment, stockpile space, port and jetty facilities for the SEM Mine being initially recognised during the year.

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 initial 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 the year, the Merge Mine was operated with one set of longwall system. The Group has further acquired another set of longwall system from a leading Chinese mining equipment manufacturer, of which the installation was completed in May 2019. The Company believes that the production capacity of the Merge Mine will be further enhanced upon full operation of the two longwall systems.

In FY2019, the annual coal production of the Merge Mine was 483,000 tonnes (2018: 558,000 tonnes) and contributed a turnover of HK$262.8 million (2018: HK$268.7 million) and an operating profit of HK$33.9 million (2018: HK$52.4 million) to the Group's mining segment, representing a decrease of 2.2% and 35.3% respectively as compared to FY2018. Since the quality of the coal products from the Merge Mine is higher than that of average Indonesian thermal coal, the Group mainly exported the Merge coal products to traders and power generation plants located in Asian countries and regions that require constant supply of high CV thermal coal, such as Japan, South Korea, Taiwan and China. 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.

Other mining activities

In the early of the year, the Group was also engaged in the coal mining business under the contract mining arrangement for a coal mine located in Central Kalimantan, Indonesia, namely Bunda Kandung mine (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. During the year, 178,000 tonnes (2018: 461,000 tonnes) of coal was produced from the Bunda Kandung Mine, which contributed a turnover of HK$68.0 million (2018: HK$110.1 million) to the Group's mining business. In the coming years, the contract mining operation will be scaled down and the Group will focus on the operation of its owned mines, including the SEM Mine and the Merge Mine.

Subsequent to FY2019, the Group has acquired a coal mine strategically located in Shaanxi Province of China, a region of low mining production cost at a consideration of Renminbi ("**RMB**") 243 million (equivalent to approximately HK$283 million). The coal mine reserve is preliminarily estimated at approximately 19 million tonnes. The expected coal quality is low volatile matter, medium-ash and high-sulphur content with medium-high CV of approximately 4,800–5,400 kcal/kg. The Group expects such mine will start to contribute to the performance of the Group's mining segment upon commencement of its operation from FY2020 onwards.

MINING EXPENDITURE, ESTIMATED COAL RESOURCES AND RESERVES

For the year ended 31 March 2019, 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$1,345.9 million (2018: HK$1,225.3 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 2019 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	**As at 31 March 2019**
Coal Resources (in million tonnes)	Measured	86.61	84.87	81.01	76.93	72.95	68.71	64.00	**59.00**
	Indicated	51.26	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	**14.83**
	Total	152.70	150.96	147.10	143.02	139.04	134.80	130.09	**125.09**
Coal Reserves (in million tonnes)	Proved	83.38	81.64	77.78	73.70	69.72	65.48	60.77	**55.77**
	Probable	34.47	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	**90.24**

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
As at 31 March 2019	**65.2**	**99.5**	**98.4**	**263.1**	**As at 31 March 2019**	**35.8**	**60.2**	**96.0**

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

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

SHIPPING BUSINESS

The Group's shipping business segment 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 VLCCs, one set of panamax-grade vessel (the "**Panamax Vessel**") and six sets of tug boats and barges.

Over the past years, the global shipping freight sector has experienced a continuous market downturn and that global charter rates for vessels were declining. After taking into account of various factors including the market prospect, ages of vessels, cost and benefit comparison, market offers available and the Group's overall financial position and needs, the Group disposed of all three sets of VLCCs and four sets of tug boats and barges during the year, which resulted in one-off loss on disposal of HK$144.2 million recognised for the current financial year. Owing to the difficult market conditions and the scale-down of the Group's fleet during the year, the turnover for the Group's shipping segment decreased significantly to HK$82.6 million (2018: HK$276.1 million) and accordingly a significant segment loss of HK$157.3 million (2018: a profit of HK$135.1 million) was recorded for FY2019 which includes the loss on disposal of vessels during the year.

ENERGY BUSINESS

The Group's energy business is principally engaged in the operation of a coal-fired thermal power plant in India and a biodiesel plant in the United States of America (the "**USA**").

Thermal power plant operation in India

On 18 March 2019, the Group successfully completed the acquisition of the entire interest in SKSPGL, which is engaged in the operation of the SKS Power Plant located at the State of Chhattisgarh in India. The total consideration for the acquisition was INR21.7 billion (equivalent to approximately HK$2,485.4 million). Upon completion of the acquisition, a one-off gain on bargain purchase of HK$1,003.9 million was recognised for the Group's energy business segment.

The construction of the SKS Power Plant with 600MW capacity was fully completed and fully operational. For its power capacity, various medium-term or long-term power purchase agreements have been entered into with local customers and/or governmental body. As a result, a stable and persistent revenue for the SKS Power Plant is secured. For FY2019, the SKS Power Plant has contributed a revenue of HK$20.2 million and an operating loss of HK$42.2 million to the Group's energy segment. As the acquisition was completed shortly before the current financial year end, the Board expects that its future contribution to the Group will be more significant.

Biodiesel plant operation in the USA

The Group owns 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.

During the year, the Biodiesel Plant produced 5.2 million gallons of biodiesel (2018: 1.9 million gallons) and contributed a turnover of HK$126.6 million (2018: HK$27.0 million) to the Group's energy business segment, representing a significant increase of approximately 3.7 times as compared to FY2018 which was mainly due to the commercial operation of the Biodiesel Plant has commenced only since September 2017. As the Biodiesel Plant was still in its early stage of operation and was operating below its full capacity, an operating loss of HK$67.7 million (2018: HK$21.7 million) was recorded reflecting such initial and transitional stage situation.

MAJOR EVENTS

ACQUISITION OF THE SKS POWER PLANT IN INDIA

On 11 October 2018, the Group successfully bid a project in relation to the acquisition of SKSPGL undertaken by certain of its lenders (the "**Lenders**"). SKSPGL owned and operated a 600MW coal-fired thermal power plant located in Chhattisgarh, India, namely the SKS Power Plant, which has already been in commercial operation.

Following such successful bidding, 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 SKSPGL for a consideration of INR3,000,000,000 (the "**Purchase Price**"). At the same date, the Company and certain of its subsidiaries, as assignee, and the Lenders, as assignors, and SKSPGL 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 SKSPGL 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 SKSPGL 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 Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), of which the completion took place on 18 March 2019. Further details of the Proposed Transaction and the SKS Power Plant are also disclosed in the announcements of the Company dated 23 February 2018, 27 July 2018, 12 November 2018 and 18 March 2019 and in the circular of the Company dated 17 December 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**") 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.

On 22 March 2019, Sea Horizon Line 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 "**Third Disposal**", together with the First Disposal and the Second Disposal referred to as the "**Disposals**") of the last VLCC owned by the Group, namely MT Sea Horizon, at a consideration of US$26 million (approximately equivalent to HK$204 million).

MT Sea Horizon was a Japanese-built VLCC-grade oil tanker with capacity of approximately 300,000 DWT (deadweight tonnage) built in 2001 and was classified by Bureau Veritas. The Third 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 operation of the Group. Following the Disposals, the Group did not own any VLCC in its vessel fleet.

MAJOR EVENTS

ACQUISITION OF SECOND 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 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. Subsequent to the financial year end date, the assembly and installation of such longwall system was completed in May 2019 and thereafter the Merge Mine would be operated with two longwall systems. The Board expected that upon full operation of the second longwall system, the production capacity of the Merge Mine would be increased by approximately 2.5 million tonnes annually, reaching a total annual production capacity of approximate 3.5 million tonnes.

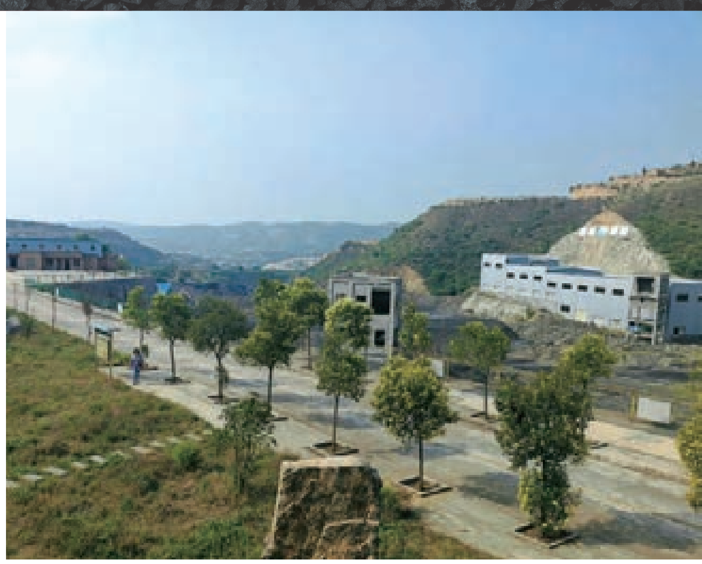
ADDITION AS CONSTITUENT OF HANG SENG COMPOSITE SMALLCAP INDEX AND AS ELIGIBLE STOCK FOR SHENZHEN — HONG KONG STOCK CONNECT TRADING

On 22 February 2019, Hang Seng Indexes Company Limited, a Hong Kong's leading index compiler covering Hong Kong and China markets, announced its index review results (the "**Index Review**") for benchmark and thematic indices for the quarter ended 31 December 2018. According to the Index Review, the Company was selected as one of the constituents for certain of its benchmark and thematic indices, including the Hang Seng Composite SmallCap Index, with effect from 11 March 2019. As a result of the admission to those benchmark indices, the shares of the Company were eligible as a participating stock for the Shenzhen-Hong Kong Stock Connect trading with effect from 11 March 2019.

The addition of the Company's shares as constituent in the Hong Kong leading indices and as eligible stock for the Shenzhen-Hong Kong Stock Connect represented a remarkable milestone of the Company. The shareholder base of the Company would be diversified and broadened to the promising China market and it will also facilitate any potential corporate or fund raising activities of the Company in the future.

ACQUISITION OF COAL MINE IN CHINA

Subsequent to the financial year end date, the Group has acquired a coal mine located in Shaanxi Province of China at a consideration of RMB243 million (equivalent to approximately HK$283 million). The coal mine reserve is preliminarily estimated at approximately 19 million tonnes. The coal quality is expected to be low volatile matter, medium-ash and high-sulphur content with medium-high calorific value of approximately 4,800–5,400 kcal/kg. It is expected that the mine will start to contribute to the performance of the Group's mining segment upon commencement of its operation from FY2020 onwards. Pursuant to the Listing Rules, the acquisition is exempted from any requirements of Chapter 14 of the Listing Rules as all applicable percentage ratios under Rule 14.07 are below 5%.



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 October 2019, so as to include the hearing of other claims which have been consolidated with those in the arbitration proceedings.

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.

As at the date hereof, the Jakarta Proceedings at the District Court and High Court level have been completed. At the District Court level, the court issued a final judgment in favour of the Group and rejected the Plaintiffs' claim. Thereafter, the Plaintiffs lodged an appeal to the High Court. On appeal, the High Court rejected the Plaintiffs' appeal in its entirety and further awarded costs against the Plaintiffs.

STAFF AND REMUNERATION POLICIES

As at 31 March 2019, the Group had 1,313 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.

  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 in 2015. Through such expansion, the Group has successfully transformed from a single-mine operator to a multi-mine and multi-product integrated coal producer with diversified 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 and regions with strong demand for high quality coal such as South Korea, Taiwan and Japan. Furthermore, subsequent to the current financial year, the Group has penetrated into the fast-growing China market for the first time through acquisition of a coal mine located in Shaanxi Province of China. Such acquisition has marked the Group's first foray into the promising China market which can effectively diversify the Group's business risk to a new geographical location.

  Besides new acquisitions within the mining segment, the Group is also active in diversifying its business portfolio by entering other new business segments. During the current financial year, the Group has successfully completed the acquisition of the 600MW SKS Power Plant located in India. The acquisition of the SKS Power Plant represents a remarkable milestone for the Group, that it can effectively diversify its business to the new energy business segment in thermal power plant and to the new geographical segment in India as one of the fast growing markets in the world.

- **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 markets such as China and India. Currently, China and India are among the top countries with strongest coal demand in the world. Also, the Group could gain further access to high-end customers from Asian markets like Japan and South Korea for our high-quality coal products from the Merge Mine. 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

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 with strong demand for coal as most of their power plants are fueled by coal. However, since the second half of 2018, the Indonesian and international coal pricing has continuously slipped back mainly due to shrinking market demand from Asia countries like China and India, which were currently limiting their Indonesian coal imports. In light of the weakening market conditions, the Group, as a sizeable multi-mine and multi-product integrated coal producer, will continue to adopt a cautious approach in operating its mining business. In the year ahead, it is expected that the SEM Mine will continue to be the key contributor to the Group's mining business, of which the annual production has been maintained at the sustainable and stable level of approximately 5 million tonnes per year. The Group will optimise the annual coal production of the SEM Mine with caution in response to the fast-changing market demand and conditions. As for the Merge Mine, the Group will continue to develop and invest in its production and operation in accordance with the established business plan and budget. Recently, the Merge Mine has completed the installation of its second longwall system at the Merge Mine site and the Merge Mine operation will be fully equipped with two longwall systems from FY2020 onwards, of which the production capacity is expected to increase by approximately 2.5 million tonnes annually reaching an expected total annual production capacity of approximate 3.5 million tonnes. This will enable the Group to ramp up production quickly should global coal price pick up. 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.

As part of the Group's diversification strategy, the Group continuously explores new investment opportunities for its mining business and diversifies its business to different product types and to different geographical locations. Recently subsequent to FY2019, the Group has acquired a coal mine located in Shaanxi Province of China at a consideration of RMB243 million (equivalent to approximately HK$283 million). The coal mine reserve is preliminarily estimated at approximately 19 million tonnes with expected coal quality at approximately 4,800–5,400 kcal/kg. As China is the largest coal consumer in the world, the Board believes the new investment can bring promising returns to the Group's mining business upon commencement of its operation from FY2020 onwards.

The Board expects the negative trend of coal market will continue in the coming year. In view of such market condition, the Group will continue to focus on export sales and will further explore new markets or customers in different Asian countries. The Company remains confident in its mining business and believes that its performance will remain stable in the near future.

Prospect on the shipping business

The Group disposed of majority of its shipping business assets during FY2019 and in FY2020. As at the date of this report, the Group's shipping business comprised only one set of Panamax Vessel. The Board expects that the shipping business will have minimal contribution to the Group in the future years. Recently, the freight rates of panamax vessels were under pressure due to an oversupply of vessels. Indonesian coal miners were reducing their ballooning stockpiles and purchases from India and China were weak and not enough to support freight rates. The Board expects the freight rates of panamax vessels will keep the level or better will slowly pick up in the near term.

GROWTH STRATEGY AND OUTLOOK

Prospect on the energy business

Prospect on the SKS Power Plant business in India

The Group operates the SKS Power Plant in two phases of 600 MW capacity each. The construction of Phase I has completed and has already commenced its commercial operation. The Group does not intend to significantly develop or construct the Phase II of the SKS Power Plant in the next two years in order to focus on the smooth running of the Phase I operation. The Board considers that only after such two-year operation period, the Group will consider again the feasibility on further expansion, development and construction of the Phase II project.

Regarding the Phase I operation, currently the Group has secured various power purchase agreements for the supply of more than 500 MW power capacity annually. The Group will continue seeking the customers for any remaining power capacity, or otherwise, the remaining unsold capacity would be sold on the Indian Energy Exchange.

As India is one of the countries with the highest population in the world and there is a continuous shortage of power in the country, the Board considers that there is a strong demand and potential for thermal power in India and there would be a steady upward trend in the development of the energy sector. The Board expects that the revenue and profitability of the SKS Power Plant will demonstrate a growth and is therefore fairly optimistic about the prospect of the SKS Power Plant business in the coming years.

Prospect on the Biodiesel Plant business in the USA

The commercial operation of our Biodiesel Plant has commenced since September 2017, which 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 such target. As the biodiesel business is still in its early stage and is currently operating below its expected full capacity, the Group expects that operating losses will be recorded for the biodiesel business in the near future reflecting such transitional stage.

Biodiesel is a renewable, clean-burning diesel alternative strongly supported and subsidised by the USA Government, and that the biodiesel market in the USA has expanded dramatically over the past decade yet the current biodiesel production scale is still largely falling behind the total diesel market in the USA. Therefore, the Board believes that the biodiesel business will have a high growth potential in the long term.

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 mining and energy sectors, 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. Further announcement(s) will be made by the Company in respect thereof as and when required by the Listing Rules.

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.

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.

INVESTOR RELATIONS

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

COMPANY SECRETARY

Ting Kin Wai

REGISTERED OFFICE

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Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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39 Gloucester Road
Wanchai
Hong Kong

AUDITORS

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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
4th floor North
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41 Cedar Avenue
Hamilton HM12
Bermuda

HONG KONG BRANCH SHARE REGISTRAR

Tricor Secretaries Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

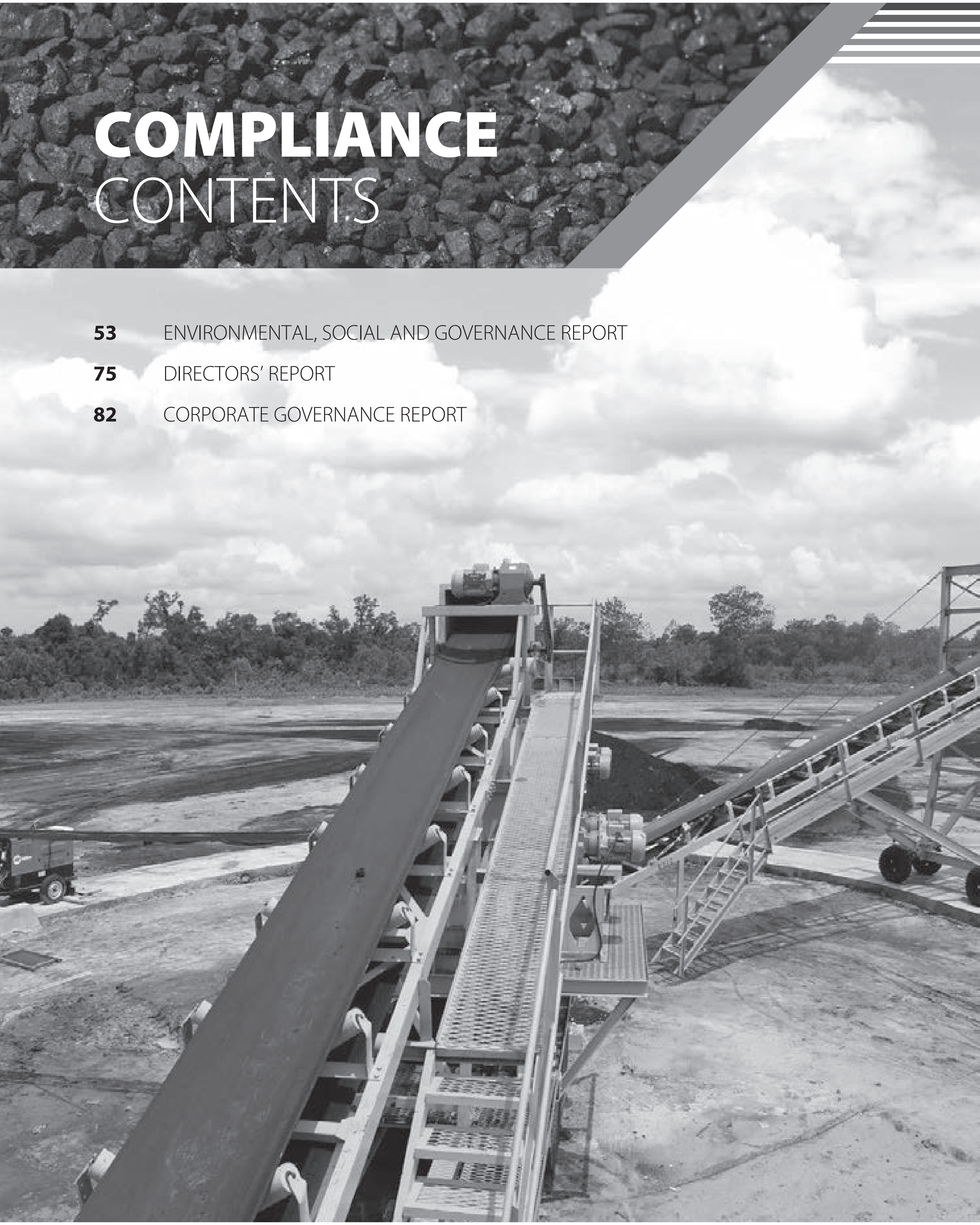
Credit Suisse AG
Sumitomo Mitsui Banking Corporation
Standard Chartered Bank

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 2018 to 31 March 2019.

This ESG report complies with the requirements of the Environmental, Social and Governance Reporting Guide of the Stock Exchange of Hong Kong Limited, stated in Appendix 27 of the Listing Rules, and the frequency of publication is once a year.

2. COMMUNICATION WITH STAKEHOLDERS

The Company convenes an annual general meeting (AGM) which the Company sees it as important to the Board of Directors to figure out the issues that matter most to our stakeholders and provide a two-way communication channel among directors and shareholders. In addition to the AGM, the Company communicates with stakeholders in a timely manner in order to maintain a close relationship with customers, suppliers and other stakeholders. Even more, the Company listens and understands their needs and expectations through visits, phone and video conferences, etc. Business performance and environmental achievement are also reported to the investors through the Annual Report. In terms of hazards prevention especially on occupational and working hazards, the Company constantly engages employees' feedbacks to have a better understanding on their opinion and arrange a routine assessment to ensure a safe working environment as the Company strongly believes working safety and occupational health is top on the list of things that the Company is diligent to maintain.

3. ENVIRONMENTAL, SOCIAL AND GOVERNANCE PERFORMANCE

3.1 Environmental

The public and the Group's awareness about environmental protection has vastly increased. The Group aims to satisfy the requirements of communities and customers by upholding green principles in operations. The Company has established the Environment Protection System for identification, evaluation and assessment of the aspects that have or may have a significant impact on the environment. The system includes the environmental policy that demonstrates sound environmental practices and is committed to achieving zero spills and pollution incident, as well as compliance with relevant environmental legislation and other applicable legal requirements.

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, airborne particulates, wastewater, and solid wastes. The Group is proactively seeking innovative technologies to improve environmental protection performance and has developed a series of environmental policies to strengthen control. Please refer to the section headed "Use of Resources" for detailed policies and measures.

(a) *Waste Reduction/Management*

Mining operation

During the reporting period, the majority of non-hazardous waste generation was overburden. The other two types of non-hazardous wastes were scrap metal and domestic wastes. They are recorded as below. Hazardous wastes are also identified but the quantity is much less than those non-hazardous types, they include oil, grease, coolants, batteries, and cartridges.

Types of Wastes	Annual Emission
Overburden (tonnes)	7,850,496
Scrap metal (tonnes)	35
Other non-hazardous wastes (tonnes)	26
Total Non-hazardous waste (tonnes)	7,850,557

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

	Hazardous wastes	Non-hazardous wastes
Emission volume (tonnes)	89.3	7,850,557
Annual shipment volume (tonnes)	5,912,020	
Emission Intensity (tonne/per tonne of shipment)	Insignificant (<0.0001)	1.33

Shipping operation

During the reporting period, various types of wastes were recorded for monitoring of the environmental impacts incurred from the shipping operation. Non-hazardous wastes including mainly shipboard generated wastes, plastic wastes, food wastes, a few of oil rags and used batteries are also recorded.

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.

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

Types of Wastes	Hazardous	Non-hazardous
Emission volume (tonnes)	0.9	54
Annual shipment volume (tonnes)	8,300,000	
Emission Intensity (tonne/per tonne of shipment)	Insignificant (<0.0001)	Insignificant (<0.0001)

The total amount of hazardous and non-hazardous waste decreased due to less operation in the reporting period.

(b) *Minimization of Water Pollution*

Mining operation

In the mining business, water pollution arises from accidental oil spills from pipelines, rail cars, tankers and refineries etc., acid mine drainage also causes water pollution. As such, the Company endeavours to reduce wastewater discharge from the aforementioned sources. During the reporting period, the Company processed water treatment by sowing alum and caustic soda, totally 463,186 cubic metres of water was neutralized before discharge to the environment which is increased by 6% when compared to that in 2017/18.

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.

The sewage treatment facility is in place for assuring the discharged water compliance with the relevant regulations. During the reporting period, the volume of treated effluent was 53,217 litres in total, which was reduced as compared to 59,130 litres (decreased by 10%) in the previous reporting period.

(c) *Alleviation of Air Pollution*

In the mining business, dust pollution from the mining operation primarily comes from stockpiles, open areas, coal handling and general movement of vehicles; whereas, in the shipping operation business, air pollutants are mainly generated by fuel oil consumption of shipment and emission of ozone-depleting substances (ODS). 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.

Mining operation

Indicator	Unit	Total emission in 2018/19
Nitrogen Oxides (NOx)	kg	710.7
Sulfur Oxides (SOx)	kg	533.3
Particulate Matter (PM)	kg	68.8

Dust management measures for coal handling generally comprises enclosures for conveyors and transfer points. Overburden produced at the open pit mine site is to be stored in a separate stockpile and compacted to minimize air pollution. Meanwhile, spraying of water at dusty roads, stockpiles and uncovered areas are also adopted to minimize particulates spreading into the air, especially along the coal hauling path during the dry season.

During the initial stage of the underground mine, there is a large amount of development coal generated. Such wastes are stockpiled and stored, then sold to another party for proper disposal or use for coal blending/treatment afterwards.

Shipping operation

The ships of the Company consume fuel oil 380 cst and diesel oil, which inevitably contain a certain amount of sulphur. The Company is very concerned about the sulphur content of fuel oil as it is strongly associated with the sulphur oxides (SOx) emission and air pollution problem. The Company always stays alert to the laws and requirement of fuels with sulphur content and updates the requirements accordingly from time to time. For non-segregated storage/change over systems, routine cares 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. The Company has also established and updated a fuel oil storage system with the latest sulphur content requirements of fuels with reference to International Maritime Organization (IMO) or other international and regional standards. Where appropriate, the Company will proactively seek advanced exhaust gas cleaning systems or other approved technological methods to reduce the total SOx emissions from both main and auxiliary engines and boilers to the criteria set by port state controls. In the reporting period, there were a total of 28.7 kg of SOx emitted to the atmosphere.

Moreover, the Company has adopted appropriate environmental measures on scales ranging from the very first stage of fuel oil storage to operational stage, 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 paints which have lead contents;
iv. To minimize the number of bunkers both fuel and diesel oil on scrapping;
v. To ensure that Lubes and Chemicals remaining on board at scrap will be minimum; and
vi. To ensure the disposal of oily water or sludge of engine room to a cargo or slop tank is prohibited without prior notification/authorization.

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. Neither additional electricity, natural gas nor other energy source was required to procure for the business.

Greenhouse Gas emission from both operations

In the shipping operation, the emission sources of greenhouse gases (GHG) mainly comes from the fuel consumption of vessels, while the mining operation has a wider range of sources such as various types of energy consumption and the associated fugitive emission from their operation. Please refer to the subsection headed "Energy Conservation" for the measures of decreasing greenhouse gases emission.

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. The installation of new long wall system resulted in a noticeably increase in fuel consumption and electricity in the reporting period.

	Total Annual Consumption	
GHG Emission Sources	**Mining operation**	**Shipping operation**
Fuel oil 380 cst (litre)	NA	33,600,000
Diesel oil (mobile source) (litre)	19,140,000	1,780,000
Diesel oil (stationary source) (litre)	3,403,664	NA
Gasoline (mobile source) (litre)	16,327.1	NA
Gasoline (stationary source) (litre)	1,100	NA
Natural gas (cubic metre)	710	NA
Acetylene (kilogram)	NA	720
Refrigerant (R-134a) consumption (kilogram)	190	NA
Carbon Dioxide fire extinguisher consumption (kilogram)	850	NA
Electricity consumption (kWh)	225,250	NA
Business Travel by flight (km)	2,765,225	NA
Annual shipment volume (tonne)	5,912,020	8,300,000
Total GHG emissions (tonne carbon dioxide equivalent)	99,644	113,524
Scope 1 GHG Emissions (tonne carbon dioxide equivalent)	98,978	113,524
Scope 2 GHG Emissions (tonne carbon dioxide equivalent)	171	NA
Scope 3 GHG Emissions (tonne carbon dioxide equivalent)	495	NA
GHG emission Intensity (kg carbon dioxide equivalent/tonne of shipment)	0.02	0.01

Also, deliberately emissions of ODS is prohibited. This aims to minimize ODS emissions such as halons, chlorofluorocarbon (CFCs) and polychlorinated biphenyl(PCBs) that post tremendous environmental impacts on air. Prohibition the use of Halon fire extinguishing system is a good example. Halon is a haloalkane that is massively adopted as fire extinguishers. Yet halon posts a threat to the ozone layer. As a result, the Company's fleets are managed to free from halon fire extinguishing system and the Company tries the utmost to ensure the existing system at its highest standard to minimize 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.

In addition, refrigerant gases leakage can also lead to a significant increase in greenhouse gases, triggering severer climate change. As such, the Company seeks opportunities to advocate adaptation of environmentally friendly refrigerants such as hydrofluorocarbons or hydrocarbons refrigerants. For the existing vessels, those using Freon 22 for Air Conditioning System and Domestic Fridge System, regular inspections are carried out for the entire refrigerant systems onboard to detect leakage and improve system efficiency.

Where practicable, program has developed to conduct tank cleaning, cargo measurement, sampling and gas freeing operations so as to minimize the release of cargo vapour which may attribute to GHG emission.

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

3.1.2 Use of Resources

Sustainability is now crucial to our daily life, our society and even our future generation. This is especially true to the shipping and coal mining industry like us as the Group can protect the earth by utilizing the natural resources and slowing down the pace of resources depletion. Consequently, the Group has established various strategies on the utilization of energy, water and waste.

(a) *Energy Conservation*

Mining operation

The Company has established a strict energy policy for the purpose of enhancing energy efficiency and lowering energy consumption.

i. To turn off machinery and equipment when they are not in use in order to conserve energy during the mining operations;

ii. To strive to find environmentally friendly machinery and equipment;

iii. To choose equipment and machinery with high energy efficiency such as fork lifts, a variable-frequency drive/inverter;

iv. To perform regular maintenance on the vehicles;

v. To avoid unnecessary weight in transportation as well as unnecessary trips to save energy effectively;

vi. To place energy saving reminders at head office and mine sites to constantly remind employees to save energy in the daily operations;

vii. To maintain indoor air temperature at an optimum and moderate level at the office;

viii. To reduce the number of lights used in places where natural light is sufficient; and

ix. To optimize the total electricity consumption of the production line according to the production demand.

The Company makes use of renewable energy such as solar power to generate electricity. Thereby, the relevant project is under planning, and the Company hopes the installation of solar power heaters will be completed in the coming future.

Shipping operation

Management plans have also been formulated to assure the vessels' energy and fuel efficiency. Following procedures/practices have been in place:

i. To use Weather Routing to take advantage of favourable weather and avoid adverse weather in order to obtain the best performance in speed or consumption;

ii. To use 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;

iii. To arrange regular cleaning (polishing) and maintenance of hull and propeller to completely free of marine growths, reduce hull resistance and eventually improve overall efficiency;

iv. To adopt an energy optimization program for the main engines and generators through visual inspection with the designated monitoring system and/or equipment;

v. To adopt new technologies such as air modelling, improved steam controls, oxygen trim combustion controls to improve overall boiler efficiency;

vi. To have a voyage-specific cargo heating plan to enable cargo and bunker being heated in the most economical way;

vii. To operate vessels at the optimum trim and draft by implementing sophisticated cargo loading plans; and

viii. To minimize ballast water to make light of the vessels.

In addition to the aforesaid measures in place, all ship personnel are provided with regular training for energy conservation. As part of the initial vessel familiarization, each seafarer is trained on a complete understanding of the specific vessel's operations and how the crew's interactions with the particular equipment on energy saving. The seafarers of the vessel are also trained to be conscious of the high electrical consumers and they try to reduce their use as much as possible for saving power consumption onboard.

(b) Water Conservation

Mining operation

Water consumption varies during the process of coal mining, yet coal mining does entail water and generate wastewater. Wastewater treatment, freshwater collection and how to make use of water to the way we operate are of the utmost importance.

The wastewater management system has also implemented to create a centralized water system for the mining operation. Wastewater is pumped out to a settling pond near the entrance of the mine tunnel, then treated with chemicals and reused for the production phase afterwards. In the meantime, sewage is settled within the mining concession and is stored in multiple settling ponds where the water is filtered and neutralized by limestone. Once the water has met all environmental standards set by regional government or/and has returned to its natural state, it is either released back into the natural water stream like a river or placed in a reservoir. The treated water is then pumped and transferred to the surface run-off water settling pond, where also collects surface run-off water, for reuse in production.

In one hand, mine water, which penetrates the mine, is usually removed by pumping. Such water often has a fluctuating low pH value and carries with insoluble substances such as metals. Mine water first precipitates in the sedimentation ponds and then is chemically treated according to the oxidation-neutralization principle for iron, manganese and other insoluble substances removal. On the other hand, water used during the process of underground mining is then pumped out into a settling pond for treatment and reuse. This allows the mining operation to conserve more water and reduce the amount of fresh water required for mining.

Rainwater is another key concern related to the coal mining business as rainwater causes erosion, the immersion of the contaminated surface water to underground and even affecting the habitat in the vicinity. During the rainy season, open-pit mining can generate a large amount of surface water; therefore, such water in the area was polluted by coal and other minerals and is pumped out of the pit into a settling pond. Within the settling pond, such water is then be treated chemically until it reaches its natural state before the Company to either use such water for a mining purpose or coal washing. Prior to releasing water in the mining area back into the local water sources, approval is obtained from the Water Ministry Department and water treatment follows the guidelines set by the Environment Ministry.

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

In addition, the water flow is controlled by setting up reservoir ponds in order to control the acidic aquifers caused by mining activities and to reduce acidic water from mine acid rock layers. These comprehensive wastewater treatments let the Group is able to handle wastewater with the smallest impact on the environment. With the desire to save water resources, the Company reminds employees at head office and mine sites to save water in daily operation. The Company tests water leakage of taps and washers regularly to avoid unnecessary water usages.

In daily operation, the Company also strives to reduce water consumption and avoids water leakage. Water taps and washers are checked, and the water supply system is under testing from time to time. Water saving reminders are placed at prominent places to remind employees to save water as possible as they can. Moreover, drinkable water is extremely important to human, especially in the mining business. Consequently, the Company cleans the drinking water tanks regularly to safeguard the water quality. An annual inspection of water quality has been completed, the drinking water quality has fulfilled the water criteria set by the Indonesia government. The water is not only using for drinking, but the potable water is also using for food defrosting and cleaning. The chef of the Company is responsible for using water saving methods to defrost and tidy up the food, avoiding a large amount of unnecessary water consumption. Last but not the least, the Company has longed to consider reusing grey water where possible such as the water discharge during cleaning from drinking water tanks are used for floor cleaning.

Shipping operation

Water consumption is mainly due to the operation of boilers. Water supply is restricted during the vessel's journey and the seafarers strictly follows the defined practices for conserving water in their daily operations on vessels. Fleet fresh water consumption is daily monitored as per industry practice, the Company takes immediate actions against any abnormal consumption. Where appropriate, rainwater is collected for general washing and toilet flushing. Through this practice, it was estimated 5% saving of water during the reporting period.

In the concern of ballast water, the Company acknowledges the central importance of it as it links to invasive species and ecosystem degradation. Hence, the Company visually checks and tests a sample water of the ballast tanks for oil contamination on each occasion before de-ballasting. No bilges shall be pumped directly overboard. More importantly, the Company regulates any bilges pumped overboard whilst at sea are carried out in accordance with the international regulations to prevent ballast water pollution of any kind. Moreover, the Company regulates the exchange of ballast water must be taken in place at a minimum of 200 nautical miles from shore. For ocean protection purpose, the Company avoided using toxic anti-fouling paints containing tributyltin compounds on the surface of the vessels and considered to adopt alternative anti-fouling agents regards to their effectiveness and operational efficiency.

(c) *Resource Conservation*

Mining operation

The Company has implemented a waste management system to follow industry standards and environmental regulations to reduce and control the amount of waste produced during the mining operations. The waste of the Company generated by the mining operations primarily comes from the process of extraction and minerals processing. Mainly two types of wastes are generated, overburden and mine development waste (development coal). Overburden resulted from the development of surface mines, while mine development wastes are the by-product of coal extraction from the underground mines. The Company realizes the importance of resources conservation, thus, overburden is backfilled into mined out areas and with proper water drains to control erosion. While stripping the overburden layers to avoid landslide, the Company manages and monitors the slope of overburden layers at its maximum. In addition, subtracting land covers and topsoil in disposal area are strictly regulated with the maximum 2 meters height. Topsoil hoarding is also done with equipment to avoid compaction so that seedlings can grow to cover it.

Aside from the overburden and development coal, some sort of hazardous waste is also produced. Merely qualified vendors whose are registered within the Environmental Ministry for the collection and disposal of hazardous wastes are also eligible to be the contractors of the Company. Scrap metal wastes from production are collected and sold off to registered qualified scrap metal dealer. By doing so, this can prevent the land near the mining sites from environmental damage. Meanwhile, all contractors are pledged to fulfil all environmental requirements and regulations to the government within the mining concession. In case of violation of laws, the contractors will be removed from the approved contractors list.

For mining activities at the current sites, the Company only operates with digging tool after reviewing the hardness of rock types. Consequently, the Company does not arrange any blasting activity and avoid the use of such dangerous and explosives (peledak) materials to protect the environment. Noise pollution generated from the vehicles and machinery is also controlled within the mining concession by enclosing off the whole area with fencing to limit the propagation of noise.

Shipping operation

Following the issue of pollutants emission, waste disposal is another worrying environmental issue regards the shipping industry. The Company, therefore, has developed a 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 forbidden, 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 of in a safe and environmentally friendly manner. In addition, the Company has developed the scrapping policy to ensure that all disposed waste should not damage the environment. The procedure is also in place for the scrapping of the vessel without jeopardizing the state of the environment or the health of scrap yard workers. Risk assessment is conducted to identify potential hazards or threat associated with ship-breaking. Shipboard training is also provided for seafarers who are involved in the shipboard garbage handling to ensure they handle waste in an appropriate manner.

Designated waste collection area is well-identified on board and this area is equipped with bins or containers with lids for segregating and storing each category of shipboard generated waste, for example, general waste, food waste, and working waste. All bins are painted in different colours and marked in bold to be easily distinguished. The bins shall also be properly stowed and adequately secured. The waste containers are constructed of non-combustible materials with lid covers and delivered either to further processing or designated storage locations. Disinfection and both preventative and remedial pest control are applied regularly in garbage storage areas.

To ensure timely transfer of large quantities of ship-generated garbage to port reception facilities, it is essential for ships or their licensed port agents to make advance arrangements to collect and dispose of garbage, and if requested. Similar to the waste handling procedure onboard, all garbage throughout the ship shall be delivered either to further processing or designated storage locations by the agents.

Disposal of all plastics, including plastics mixed with other garbage is prohibited at sea. They are required to be disposed of to the shore facilities and 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 in any other form. The Company also prohibits the incineration of contaminated packaging materials, polychlorinated biphenyl (PCBs), and plastics onboard in un-approved incinerator but to be landed ashore.

With the endeavour to reduce waste, the Company encourages personnel to reduce paper usage and reduce waste at source by the following different waste measures.

i. To encourage the use of computer and electronic documents in the office;

ii. To carry out a paperless operation;

iii. To deliver both internal and external information, instructions and notices by email;

iv. To set print permissions and duplex-printing as default;

v. To require not in paper printout for unimportant files;

vi. To advocate the recycling of second-handed paper;

vii. To encourage the employees to use fewer plastics as much as possible such as buying beverages in bulk and use their own reusable bottles;

viii. To reuse wastepaper as much as possible; and

ix. To adopt the use of the Forestry Stewardship Council (FSC) certified paper.

In addition, food waste is another environmental concern associated with waste. To better estimate and utilize food resources, the Company has adopted the following measures to minimize food waste:

i. To store food based on "First-in-first-out" principle;

ii. To chill perishable foods properly and promptly;

iii. To check expiry date carefully;

iv. To adopt recipes that make use of surplus food and/or food trimmings;

v. To buy food in bulk;

vi. To adopt sustainable menus such as no shark fins at property banquets;

vii. To recycle all food waste and leftover from the kitchen as well as canteens for further usage;

viii. To adopt seasonal vegetables and fruits when applicable; and

ix. To collect food waste/leftover for composting to nearby plantations.

In the concern of packaging materials, the principal product of the mining operation is coal. Only trucks are responsible for the delivery of coals and other mining products to the customers; whereas, in the shipping operation, the goods on vessels are generally crude oil and stored in cargo tanks. Consequently, packing activities were not required, and the operation generally did not produce significant consumption of packaging material in the reporting period. In addition, the Company strives to take steps for waste reduction when taking deliveries from suppliers. For instance, purchasing in bulk so as to reduce packaging volumes, endeavouring to return the packing material to the suppliers, and encouraging recycling initiatives.

3.1.3 The Environment and Natural Resource

(a) Environmental, Health and Safety Education

During the reporting period, the Company continued its effort to prevent the air pollution by adopting dust removal tools, vacuum cleaners, upgrading equipment, spraying water on cutting surfaces, as well as providing EHS training to workers on topics of environmental protection. During the reporting period, there were 932 training hours and the mining operation business of the Company participated in Earth Hour 2018 to switch off the light to speak up for nature and inspire urgent action for the environment.

(b) *Biodiversity and Reforestation Program*

Apart from a series of practices of minimizing pollution, the Company is devoted to the reforestation program in response to the local Forestry Department policy. The objective of the program is to restore the land to its natural state or even better than it before by planting native trees species. Trees not only act as a carbon sink, taking atmospheric carbon dioxides but also trees release oxygen to sustain human, hence, offsetting the carbon footprint and alleviating environmental pollution. In the reporting period, there were more than 200 trees planted near the mining sites.

Furthermore, land carried out by mining activities has no plantation of either palm oil or timber and mining sites are not situated in protected forest areas.

In the same period, new reforestation programs are in place in order to minimize the environmental impacts incurred from the mining activities. The program includes area planning, reforestation per 1:1 ratio, browse protection by fencing, and organization of seminars for raising the awareness of the local community on environmental protection.

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*

Every job applicant has the same right of application regardless of race, gender, and religion etc. Apart from local people, the Company also employs other racial people, such as ethnic minority groups. With respect to the multi-religious working environment, the Company has built prayer rooms for the seafarers and the employees in the mining operation. Also, separated canteens are arranged for Muslim and non-Muslim employees. Different religious meals are also offered. The seafarers can use prayer rooms on board.

Furthermore, the Company does not discriminate any disabled person. Instead, the health status of the applicants is assessed prior to employment in order to assure the appropriateness and suitability in working at mines. Less-labour intensive jobs such as administrative works will be assigned to the underprivileged employees if available.

The Company also promotes outstanding employees based on their performance, experience, capability and not considers other irrelevant factors such as race, gender, religion, etc.

(b) *Wages and Benefits*

Mining operation

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

The Company also provides medical & insurance to employee, and always requires all employees to participate in Government Insurance (Ind:BPJS).

Shipping operation

The Company arranges the wages and crew paid at no greater than monthly intervals and in accordance with the seafarers' employment agreement and where applicable, any collective bargaining. 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 seafarers 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 at 31 March 2019, the Group's mining and shipping operations had a total of 519 employees, with most of them allocated to the mining operation. The table below illustrates the distribution of employees in accordance with gender, employment type and age group.

	Number of Employees	
	Mining operation	Shipping operation
Gender		
Male	480	4
Female	35	0
Employment type		
Full-time	27	4
Part-time/contract	488	0
Age group		
18–30	89	0
31–45	276	2
46–60	150	1
> 60	0	1
Employee category		
Senior management	27	NA
Middle management	223	NA
Junior Employees	265	NA
Geographical Region		
Indonesia	323	NA
Mainland China	190	NA
Other	2	NA
Total	515	4

During the reporting period, none of the employees in shipping operation resigned from the Company and this accounted for a completely zero turnover rate. While for the mining operation, there was a total of 15 male employees and 6 female 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	15	0.00243	0	0
Female	6	0.00097	0	0
Total	**21**	**0.0034**	**0**	**0**

3.2.2 Health and Safety

The Group has an occupational health and safety management system according to the requirement of OHSAS 18001 to adopt different measures to minimize the occurrence of occupational disease and industrial injury, and more importantly, to be well prepared for the accidents.

(a) Mining operation

In the mining operation, the Company is striving to achieve zero working accidents. Mining operation assigns designated personnel who is responsible for safety and health and possesses certification from the Manpower Department. All the miners should wear proper personal protective equipment (PPE) such as safety clothes, helmets, shoes, vests, masks, glasses, earplugs, gloves, mine spot lamps and etc. Safety belts are also offered to the employees whose work at height. All the safety equipment is provided based on the hazardous level. A designated employee is also assigned and is responsible for regular checking of the safe working conditions. Furthermore, several Automated External Defibrillators (AED) are available at the sites and at the dormitory of employees.

Rehabilitation funds have also been submitted and saved in a government bank account in case any unexpected circumstances.

Emergency plan

Coal mining does require outdoor work and it is susceptible to weather condition and accidents. As a result, shift-work is practised, and thermometers are installed in the working and living areas to monitor the environmental parameter. For example, temperature, humidity, precipitation etc. In case of fire or other emergency conditions, fire alarms in the mining sites will be turned on automatically. Handed fire alarms will also be ready for use if the power supply at the sites is shut down. Onsite medical bay and emergency evacuation routes are always available and are kept in good condition in case of accidents if any. Temporary shelters also exist for temporary protection and the Company shall store drinking water and foods onsite to be capable to sustain one month of life.

Fire safety policy

The Company is very concerned about fire prevention of both working and living areas. No smoking is allowed onsite. Designated smoking areas are defined. Fire extinguishers are also in place in accordance with fire regulations and compliances. Regular inspection, testing and maintenance are scheduled to make sure the full potential of fire extinguishers and other fire equipment.

Employee Safety Training

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

Emergency drills in both open pit and underground mines have been arranged on a regular basis in order to raise the awareness of the employees to the safety policies and relevant requirements of the Company. Most importantly, to allow employees to be able to promptly respond to any accidents and minimize casualty.

Employee Health Management

Miners are arranged to work on a rotational 8-hour shift to ensure adequate rest. The miners are subjected to regular medical check-ups before, during and after employment contract to check if they suffer from any occupational illness like Pneumoconiosis. Moreover, the Company has arranged ambulances, medical professionals and medical supplies on site for taking any first aid or emergency actions when necessary. During the reporting period, all employees had gone through the relevant health examination.

(b) *Shipping operation*

In shipping operation, occupational health and safety policies are implemented, the Company carries out risk assessments in both routine and non-routine jobs and safeguards against all identified risks. These include: maintaining high standards of safety awareness both ashore and on board the ships, providing training and resources, practising 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 the Safety Committee Meeting.

The 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, the Company provides PPE 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 firefighting system is well-installed.

Also, the Company shall take precautions to ensure all employees in compliance with the relevant procedures and guidelines for the safety of their lives, cargoes and vessels. The Company not only ensures the seafarers can access to adequate life jackets and use proper PPE, e.g. gloves, safety shoes, goggles, dust masks, helmets, welding goggles/shields, earmuffs, and etc. during duty, but also ensures them to strictly follow the safety instructions for working with enclosed/confined spaces, deck equipment and machinery etc. Furthermore, the ship's whistles are part of the safety equipment and must be working satisfactorily at all times. The Company, therefore, shall ensure that the air or steam supply to both the forward and aft whistles is kept on at all times.

Apart from the occupational health & safety policies, the Company has also formulated 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 seafarers are under the influence of drugs and alcohol or possess or consume drugs and alcohol (including inhalant substances) while on board or engage in the execution of their duties. The Company reserves the right to conduct searches for drugs in the seafarers' cabins and any personal belongings at its discretion, as well as unannounced drug and alcohol test annually for all seafarers 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 the 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; and

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

Fire Preparedness
The Company ensures the seafarers to strictly observe the 'NO SMOKING' signs on deck and around the vessel. A designated team is 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 are covered by regular fire patrol. Spaces need to be inspected during fire round include accommodation space, engine room, and deck.

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

On Board Hygiene and Medical provision
The 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. The Company ensures the food supply on board is adequate, nutritious and in good quality; Inspection and cleaning of freshwater tanks are scheduled annually. Seafarers employed as chefs have successfully completed training courses or programs, qualified and competent at the positions in accordance with the flag state requirements; Seafarers working in the catering department are properly trained or instructed on their function.

Also, the Company provides all seafarers with a prompt and adequate medical care free of charge. The maintenance of medicines chest and inventories, as well as inventories of medical equipment such as Automated External Defibrillator (AED), are in place. The seafarers whose offering medical care on board are trained in compliance with STCW requirements (The International Convention on Standards of Training, Certification and Watchkeeping for Seafarers).

During the reporting period, all crews in the shipping operation had passed through a health examination, which was the Company policy of annual check-ups of employees' status for detecting any occurrence of occupational disease such as Arthritis.

(c) *Safety performance of operations*

Supporting with the aforesaid policies and practices from both mining and shipping operations, the Company has demonstrated a satisfactory safety management system with the relevant performance figures as below. During the reporting period, no fatality was noted, and 134 working days were lost due to work injury.

Safety performance	**Mining operation**	**Shipping operation**
Number of work-related fatalities	0	0
Lost days due to work injury	134	0

Due to the installation of new long wall, there were minor injuries such as lacerations, fractures and sprain. This resulted in an increase in the total number of work-related lost days.

(d) *Work-Life Balance*

Both mining and shipping operational units are striving to maintain the psychological health of the employees and are concerned about the balance of their working hours versus their private time. In the shipping operation, working procedures are established such that seafarers can enjoy with a minimum of 10 hours of rest in any 24-hour period; whereas, in the mining operation, the miners are arranged on 8 hours per shift and can enjoy 16 hours of rest after each shift to ensure sufficient rest.

For leisure activities, the Company provides sports area for badminton and basketball, etc. to miners with an aim to encourage employees having sports activities to release their working pressure when off duty.

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: a TV, music systems, DVD players, and sufficient Video Disc available for rotation by seafarers, and gym facilities. Such as swimming pool. Moreover, such recreational facilities are inspected regularly to assure them to operate in full potential and safe condition.

Apart from the provision of recreational facilities, religious and cultural practices of seafarers are also taken into account. For example, prayers room and religion training are also provided to enhance the receptiveness towards the multicultural working environment. The Company has a documented onboard complaint procedure 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 complaints from any parties.

3.2.3 Development and Training

Mining operation

Every new employee is required to attend initial training to understand the safety requirement and hazardous environment at underground. Generally, the Company arranges senior employees to coach junior employees, this provides hands-on experience to support the newcomers to be aware of their responsibilities and to carry out the tasks correctly. Whenever there is a rotation in job position, the previous employee will be arranged to train and explain the responsibilities and tasks directly to the newcomers. Every employee will complete an appraisal yearly. Outstanding performers will be promoted if applicable.

Apart from coaching by senior employees, the Company set up a training academy to organize soft skills courses such as team building activities, leadership to employees and technical training Examples of the technical training include general training for safety and health, training for heavy equipment, training to miners for underground skills. Moreover, the Company also has an internship program to nurture the talent we need for future growth.

During the reporting period, a total of 134 employees participated in the relevant training programs, a total of 2,609 training hours and on average each employee had 19 trained hours.

Shipping operation

All seafarers have been trained and acquired valid certificates in accordance with STCW regulations. Ad-hoc training such as welding, BOSIET, H2S is also be arranged upon clients' request in order to meet their operational requirements. Some soft skill training such as leadership training and team-building activities were arranged on aboard in the reporting period.

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

3.2.4 Labour Standards

The Company is committed to employing a minimum of 18 years old employees.

Mining operation

The Company is committed not to force employees to work overtime, and not requesting them 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 check all required STCW certificates and the validity before joining. The Company also checks the original copies of STCW certificates of all new joining seafarers before on board and during sign-on the STCW certificates.

During the reporting period, the Group did not identify any violation of laws and regulations pertaining to the 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, the Company evaluates the supplier's performance, equipment reliability, and pricing. In addition to these operational requirements, the Company also pays attention to environmental attributes such as energy saving functionalities and the impact on the environment from running the equipment/machinery.

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

During the reporting period, a total of 3 suppliers were newly engaged and evaluated by the Company before the formal procurement for the mining operation. As at 31 March 2019, there were 16 suppliers from Indonesia, and 5 suppliers in mainland China.

Shipping operation

The Company has established a purchasing procedure for the selection and evaluation of suppliers. The 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, the safety of the marine personnel and vessel, and performance which do not infringe relevant environmental rules and regulations.

After supplier evaluation, report with the 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 the local regulations and the Company's requirements. Under the same conditions, preference will be given to the local suppliers and sub-contractors.

Based on the evaluation result, lists of approved product and service are provided in an easy retrieval system for the employee to make reference. There is an established interval to evaluate the products and services after its initial approval and subsequently on a yearly basis. At the same time, the approved list of suppliers is disseminated to the fleet and a sampling annual review is also conducted to assess suppliers.

All of the suppliers are located in China (5 suppliers) as at 31 March 2019. Every supplier will be evaluated at least once a year, while the evaluation for suppliers of diesel and lube oils will even be conducted on a quarterly basis. The evaluation practices vary 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 covers the aspect of environmental protection. Suppliers' diesel and lube oils are also tested on the composition of sulphur content, ash, and water which can impose environmental impacts.

3.2.6 Product Responsibility

Mining operation

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

For every batch of coal export/delivery, the 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 reviews the content to assure the coal quality in compliance with the requirement of government and/or customers.

In the event of the occurrence of any substandard goods, it will 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 will investigate the complaint and review against the contract terms in order to propose the remedies. Where necessary, the Company will seek a legal counsel's opinion to confirm the legal standing before offering remedies.

The Company updates the information on the Company's website and brochures periodically in order to avoid any misleading from our shared information regarding the Company and products. A total of 279 training hours were offered to the employees to get to know the latest updates on fair promotional information during the reporting period.

The Company upholds confidentiality regarding the product and customer information. Outdated and unauthorized software is not allowed to use. Also, contractual information and other technical information are protected using CITRIX program to further prevent information from leakage to other unauthorized third parties. Employees attended a total of 95 hours of relevant training in the reporting period.

During the reporting period, the mining operation of the Group did not identify any legal violation relating to product responsibility. In addition, none of the sold product was recalled because of health and safety reasons and no customer complaints regarding the quality discrepancy between the loading and discharging ports.

Shipping operation

The Company has developed a quality policy to assure meeting and exceeding all the contractual requirements of customers for enhanced customer satisfaction. The Company has its own ship management licenses by which the Company adheres to the stipulated standards and regulations, and the compliance of regulations required by the Company and 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 transfers. Regular maintenance and replacement procedures have been put in place. Moreover, the Company personnel and customer representatives require to be on-site during each cargo operation onboard to witness and sign off on the amount of cargo transferred into the Company's vessels.

The Company has engaged high security IT server and system to protect the privacy of customer information. Application for approval and IT authorization is required prior to granting them access to the common drive, either read-only or read-write accessibility.

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 of the products/services was found to be recalled due to the health and safety reasons.

3.2.7 Anti-Corruption

Mining operation

The Company emphasizes on preventing fraud and corruption and has stated anti-bribery policies clearly in an employee handbook. Employees are also trained on the severity of receiving bribes or facilitating payments to government officials. Furthermore, the Company has set up a channel for employees to report directly in the event of any potential source of bribery/corruption in any business execution (e.g. procurement, sales). Periodic training is 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 to comply with the laws of the countries where the Company operates the business. The Company has the policy to ensure no late payment in non-tax and tax obligations as well as payment of royalties.

The Company endeavours to detect and minimize any conflict of interest in the operation. In the procurement process, the Company always requests a quotation from at least three different suppliers for comparison in order to attain a fair and reasonable quotation for the tendering services. Similarly, the approval of the service contract is governed by the Company's governance policy. The 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 the BOD.

The Company is commissioned with an independent third-party auditor to audit the financial accounts. This ensures 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 a procedure to govern the contract review for charter fixture and vessel management services.

Moreover, semi-annual HR review is 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 has established a channel on website for whistle-blowing any suspected bribery or corruption cases directly to the top management of the Company.

During the reporting period, the employees of the Company had a total of 186 training hours regarding anticorruption. The Group did not discover any legal violation or complaint relating to corruption.

3.2.8 Community Investment

Mining operation

The Company has longed to foster better community relations with the local populations in the vicinity where the Company's mines are located. Various initiatives have been implemented and planned. The Company offers employment opportunities to the local villagers in the vicinity. They are trained up and employed as miners in the mining sites. To promote better cohesion, the Company also sponsors the local community to build religious establishments, re-vegetation, planting cocoa trees.

During the reporting period, the mining team has supported the local community with both donations and manpower. The activities included donations for various community facilities and activities, such as for MTQ (contest for reading the Holy Quran), the Community Culture Festivals Kuda Lumping and Gamelan, and Sports Centre Building, etc. The nearby villages Rantau Bakula and Rantau Nangka, are also benefited from the relevant sponsorship.

Shipping operation

Every year the Company actively reaches the community groups for liaisons and collection of opinions. This enables the Company to identify the group of the needy and figure out the most suitable resources for the needy. The Company has a dedicated department responsible for collecting the community's suggestions and needs which are responded and followed up within a specific timeframe. The Company is investigating 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 2019.

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 2019 (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 27 to 50 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 2019 and the state of the Group's affairs as at the date are set out in the consolidated financial statements on pages 96 to 179 of the annual report.

The Board recommends the payment of a final dividend of HK$0.005 (2018: HK$0.005) per share of HK$0.025 (2018: HK$0.025) each for the year ended 31 March 2019, 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 180 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 AND SHARE OPTIONS

Details of movements in the share capital and share options of the Company during the year are set out in notes 29 and 31 to the consolidated financial statements respectively.

The convertible preference shares of the Company were issued or issuable as part of the consideration for the business combinations during the year ended 31 March 2016. During the year, there was no movement in the convertible preference shares of the Company.

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 2019 amounted to HK$317,593,000 (2018: HK$390,477,000), which comprised contributed surplus of HK$30,748,000 (2018: HK$30,748,000) and retained profits of HK$286,845,000 (2018: HK$359,729,000).

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. Siu Kin Wai
Mr. Terence Chang Xiang Wen
Mr. Cheng Yu
Mr. Phen Chun Shing Vincent
Mr. Chong Lee Chang (resigned on 15 March 2019)

In accordance with Bye-law 110(A) of the Company's Bye-laws, Mr. Ashok Kumar Sahoo, Ms. Lim Beng Kim, Lulu and Mr. Terence Chang Xiang Wen shall retire from office by rotation at the forthcoming annual general meeting of the Company. Being eligible, Mr. Ashok Kumar Sahoo, Ms. Lim Beng Kim, Lulu and Mr. Terence Chang Xiang Wen 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 18 to 22 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 2018 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 resigned as the independent non-executive Director with effect from 15 March 2019.

DIRECTORS' SERVICE CONTRACTS

Mr. Terence Chang Xiang Wen has entered into a service contract with the Company for a period of one year commenced on 1 August 2018 and is subject to termination by either party giving not less than one month's written notice. His appointment is 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, India 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 2019, 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	**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	55.89%
Mr. Ng Xinwei (Note 2)	3,550,453,332	11,000,000	3,561,453,332	55.87%
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%

Note:

(1) This represents (i) 3,550,453,332 shares of the Company held by Agritrade International Pte Ltd. ("**AIPL**") and its associates, in which as at 31 March 2019, 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 of the Company held by AIPL and its associates, in which as at 31 March 2019, AIPL was owned as to 42.73% 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 2019, 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 2019, 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 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 2019, 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 2019.

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

For the year ended 31 March 2019, there was no 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 2019 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	55.70%
Gain Amber Limited (Note 2)	Interests of controlled corporations	1,527,153,332	23.96%
Ritze Investment Limited (Note 3)	Interests of controlled corporations	2,023,300,000	31.74%
Amber Future Investments Limited	Beneficial owner	2,023,300,000	31.74%
Fortunella Investments Limited	Beneficial owner	1,527,153,332	23.96%

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 indirectly wholly-owned subsidiaries of AIPL.

(2) This represents 1,527,153,332 ordinary shares of the Company held through its wholly-owned subsidiary Fortunella Investments Limited.

(3) This represents 2,023,300,000 ordinary shares of the Company held through its wholly-owned subsidiary Amber Future Investments Limited.

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.

EMOLUMENT POLICY

As at 31 March 2019, the Group had 1,313 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 2019, the Group did not have forfeited contributions available to reduce the existing level of contributions to the pension schemes (2018: 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 two coal mines located in Indonesia and their operation and management were separated from AIPL. The Group also had its own established customer base. 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 2019, 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	29%	
Five largest customers in aggregate	53%	
The largest supplier		15%
Five largest suppliers in aggregate		34%

Save as disclosed 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 2019.

EVENTS AFTER THE REPORTING PERIOD

Details of significant events after the reporting period are disclosed in note 42 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, 28 June 2019

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 2019.

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 eight Board members, including four executive Directors and four 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 18 to 20 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 Board Diversity Policy places emphasis on ensuring a balanced composition of skills and experience at the Board level in order to provide a range of perspectives, insights and challenge that enable the Board to discharge its duties and responsibilities effectively, support good decision making in view of the core businesses and strategy of the Group, and support succession planning and development of the Board. For the purpose of achieving an optimal composition of the Board, additional measurable objectives and specific diversity targets may be set and reviewed from time to time to ensure their appropriateness.

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 four 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 meetings	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)*	12/12	–	–	–	–	1/1
Mr. Ng Xinwei *(Chief Executive Officer)*	12/12	2/2	–	–	–	0/1
Mr. Ashok Kumar Sahoo *(Chief Financial Officer)*	12/12	2/2	–	–	–	1/1
Ms. Lim Beng Kim, Lulu	9/12	0/2	–	–	–	0/1
Independent Non-executive Directors:						
Mr. Siu Kin Wai	0/12	–	2/2	1/1	1/1	0/1
Mr. Terence Chang Xiang Wen	6/12	–	2/2	1/1	1/1	0/1
Mr. Cheng Yu	0/12	–	–	–	–	0/1
Mr. Phen Chun Shing Vincent	9/12	–	–	–	–	1/1
Mr. Chong Lee Chang (resigned on 15 March 2019)	0/9	–	0/2	1/1	1/1	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 12 meetings (including regular Board meetings) during the year ended 31 March 2019. 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 the handling of 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. Phen Chun Shing Vincent 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.

3. Nomination Committee

The Nomination Committee comprised three members as at the date of this report, namely Mr. Phen Chun Shing Vincent (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 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. Phen Chun Shing Vincent 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 2018 and the interim report and interim results announcement for the six months ended 30 September 2018;

(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 2018;

(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; and

(d) reviewed the external auditors' audit plan, audit strategy and scope of work for the year under review.

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 2019, 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$2,050,000. Non-audit services (mainly the service for preparation of accountants' reports on historical financial information and pro forma financial information for transaction purpose) were provided by auditors at total fees of approximately HK$2,100,000 for the year.

DIVIDEND POLICY

The Company has adopted a dividend policy which is summarised as follows:

(i) In deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account, inter alia:

   (a) the general financial condition of the Group and the Company;

   (b) capital and debt level of the Group and the Company;

   (c) future cash flow requirements and availability for business operations, expansion, business strategies and future development needs;

   (d) any restrictions on payment of dividends that may be imposed by the Group's lenders;

   (e) the general market conditions; and

   (f) any other factors that the Board considers appropriate.

(ii) The payment of the dividend by the Company is also subject to any restrictions under the Companies Act 1981 of Bermuda and the Bye-Laws of the Company, as the case may be. Any final dividends declared by the Company should be approved by an ordinary resolution of the shareholders at an annual general meeting and must not exceed the amount recommended by the Board. The Board may from time to time pay to the shareholders such interim and/or other distributions as the Board thinks fit and shall not be limited in any way save by the Companies Act of Bermuda.

(iii) The Board endeavours to strike a balance between the shareholders' interests and prudent capital management towards growth of the business with a sustainable dividend policy. The Board will review the dividend policy from time to time and may exercise at its sole and absolute discretion to update, amend and/or modify the policy at any time as it deems fit and necessary.

Details of dividends are disclosed in note 15 to the consolidated financial statements.

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 91 to 95 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. Siu Kin Wai	✔	✔
Mr. Terence Chang Xiang Wen	✔	✔
Mr. Cheng Yu	✔	✔
Mr. Phen Chun Shing Vincent	✔	✔
Mr. Chong Lee Chang (resigned on 15 March 2019)	✔	✔

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

HLB 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 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 96 to 179, which comprise the consolidated statement of financial position as at 31 March 2019, 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 2019, 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 year. 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 accounting policy Note 4(c) and Note 17 to the consolidated financial statements. As at 31 March 2019, the Group's property, plant and equipment amounted to HK$10,054,810,000, 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$4,509,320,000, thermal power plant of HK$3,774,657,000, mining-related plant and machinery of HK$1,207,071,000 and vessels of HK$41,253,000. 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 sources 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 audit 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 usef,ul lives of key assets by considering internal and external available data 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.

The key audit matter	How the matter was addressed in our audit

Accounting for the acquisition of SKSPGL

Refer to accounting policy Note 4(a) and Note 41 to the consolidated financial statements.

During the year ended 31 March 2019, the Group completed an acquisition of a subsidiary, SKS Power Generation (Chhattisgarh) Limited ("SKSPGL") at a consideration of INR21,700,000,000 (equivalent to approximately HK$2,485,397,000). The total fair value of identifiable net assets acquired amounted to approximately HK$3,489,249,000 was assessed by the management based on independent valuation performed by external valuers which required the exercise of significant judgement and estimation.

A gain on a bargain purchase arising from this acquisition amounted to approximately HK$1,003,852,000 which represented the excess of the fair value of the identifiable net assets of the acquired business over the consideration paid.

Accounting for the acquisitions is an area of focus because of (a) the significance of the acquisitions, and (b) valuation of the assets and liabilities that are recognised. When determining the fair value of assets and liabilities recognised in the acquisitions, valuations based on discounted cash flow model were primarily used. Key assumptions used include discount rates, revenue growth rates and gross margins. Any significant changes in the fair value of the acquired asses and liabilities, which directly impact the gain on bargain purchase recognised.

Our audit procedures in relation to the accounting for the acquisition of SKSPGL included:

- Obtaining and reviewing relevant contracts related to the acquisitions to understand the nature of the transaction and evaluating the accounting treatment adopted by the Group for the acquisition;

- Assessing the competence, capabilities and objectivity of management's external valuers;

- Obtaining the valuation reports and discussed with the external valuers on the methodologies and key assumptions used;

- Involving our valuation experts to evaluate the methodologies used to determine the fair values of assets and liabilities recognised, and benchmarked the discount rates applied to other comparable companies in the same industry; and

- Assessing the reasonableness of key assumptions such as revenue growth rates and gross margins applied by management by comparing them with economic and industry forecasts to assess the reasonableness of management forecasts.

We found the acquisition-date fair values of the net identifiable assets acquired and the accounting for acquisition made by management are supportable by 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.

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.

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

- 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.

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 Shek Lui.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Shek Lui
Practising Certificate Number: P05895

Hong Kong, 28 June 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2019

	Notes	**2019** **HK$'000**	2018 HK$'000
Revenue	7	**1,904,726**	2,237,335
Cost of sales and services		**(1,285,797)**	(1,360,937)
Gross profit		**618,929**	876,398
Gain on bargain purchase of a subsidiary	41	**1,003,852**	–
Allowance for credit losses, net	39	**(3,264)**	–
Other income, and gains and losses, net	8	**(21,316)**	87,332
Administrative expenses		**(184,369)**	(139,934)
Finance costs	13	**(68,329)**	(58,284)
Profit before income tax		**1,345,503**	765,512
Income tax	14	**(160,435)**	(154,473)
Profit for the year	9	**1,185,068**	611,039
Other comprehensive income/(loss):			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**17,922**	(928)
Total comprehensive income for the year		**1,202,990**	610,111
Profit for the year attributable to:			
— Owners of the Company		**1,068,077**	424,452
— Non-controlling interests		**116,991**	186,587
		1,185,068	611,039
Total comprehensive income for the year attributable to:			
— Owners of the Company		**1,075,958**	426,434
— Non-controlling interests		**127,032**	183,677
		1,202,990	610,111
Earnings per share	16		
— Basic		**HK16.6 cents**	HK6.7 cents
— Diluted		**HK16.2 cents**	HK6.5 cents
Proposed dividend per share	15	**HK0.5 cent**	HK0.5 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 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment	17	**10,054,810**	6,717,148
Prepaid lease payments	18	**188,092**	145,955
Exploration and evaluation assets	19	**12,891**	13,472
Other receivables, deposits and prepayments	21	**391,549**	–
		10,647,342	6,876,575
Current assets			
Inventories	20	**143,163**	124,844
Trade receivables	21	**219,405**	172,415
Other receivables, deposits and prepayments	21	**575,247**	304,073
Derivative financial assets	22	**–**	729
Amounts due from related parties	36(b)	**237,840**	145,177
Pledged bank deposit		**7,740**	7,740
Bank balances and cash		**642,364**	457,125
		1,825,759	1,212,103
Current liabilities			
Trade payables	23	**263,972**	161,496
Other payables, accruals and deposits received	23	**740,055**	165,212
Derivative financial liabilities	22	**1,094**	13,565
Obligation under finance leases	30	**150**	2,668
Amounts due to related parties	36(b)	**5,261**	721
Provision for close-down, restoration and environmental costs	24	**5,349**	5,349
Borrowings	25	**368,582**	322,354
Deferred revenue	28	**6,018**	–
Tax payable		**260,528**	269,372
		1,651,009	940,737
Net current assets		**174,750**	271,366
Total assets less current liabilities		**10,822,092**	7,147,941

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

	Notes	**2019** **HK$'000**	2018 HK$'000
Non-current liabilities			
Amounts due to related parties	36(b)	**94,701**	59,945
Obligation under finance leases	30	**–**	148
Borrowings	25	**2,560,693**	313,103
Deferred revenue	28	**232,045**	–
Deferred tax	26	**1,068,634**	1,091,715
		3,956,073	1,464,911
Net assets		**6,866,019**	5,683,030
Capital and reserves			
Share capital	29	**159,362**	159,207
Reserves		**4,376,755**	3,321,409
Equity attributable to owners of the Company		**4,536,117**	3,480,616
Non-controlling interests		**2,329,902**	2,202,414
Total equity		**6,866,019**	5,683,030

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 28 June 2019.

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 2019

	Attributable to owners of the Company										
	Share capital HK$'000 (Note 29)	Share premium HK$'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 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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2019

	Attributable to owners of the Company										
	Share capital HK$'000 (Note 29)	**Share premium HK$'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 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
Impact on initial application of HKFRS 9 (Note 2(a)(i))	–	–	–	–	–	–	(6,123)	–	(6,123)	–	(6,123)
At 1 April 2018 (restated)	159,207	1,400,086	85,492	18,430	20,136	(57,384)	1,816,679	31,847	3,474,493	2,202,414	5,676,907
Profit for the year	–	–	–	–	–	–	1,068,077	–	1,068,077	116,991	1,185,068
Other comprehensive income for the year:											
Exchange differences arising on translation of foreign operations	–	–	–	7,881	–	–	–	–	7,881	10,041	17,922
Total comprehensive income for the year	–	–	–	7,881	–	–	1,068,077	–	1,075,958	127,032	1,202,990
Exercise of share options	155	2,606	–	–	(695)	–	–	–	2,066	–	2,066
Acquisition of a subsidiary (Note 41)	–	–	–	–	–	15,447	–	–	15,447	–	15,447
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	456	456
Dividends paid/declared	–	–	–	–	–	–	–	(31,847)	(31,847)	–	(31,847)
Proposed final dividend 2019	–	–	–	–	–	–	(31,872)	31,872	–	–	–
At 31 March 2019	159,362	1,402,692	85,492	26,311	19,441	(41,937)	2,852,884	31,872	4,536,117	2,329,902	6,866,019

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 that are recorded at the proceeds received, net of direct issue costs.

(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 2019

	2019 **HK$'000**	2018 HK$'000
Operating activities		
Profit before income tax	**1,345,503**	765,512
Adjustments for:		
Depreciation and amortisation of property, plant and equipment	**271,012**	307,787
Release of prepaid lease payments	**1,554**	1,603
Interest income	**(3,402)**	(561)
Fair value changes on financial instruments, net	**(3,407)**	(4,271)
Loss on disposal of derivative financial instruments, net	**323**	30,872
Finance costs	**68,329**	58,284
Loss/(gain) on disposal of property, plant and equipment, net	**151,887**	(7,462)
Equity-settled share-based payment	**–**	7,633
Reversal of contingent consideration payable	**–**	(77,400)
Allowance for credit losses, net	**3,264**	–
Gain on bargain purchase of a subsidiary	**(1,003,852)**	–
Operating cash flows before movements in working capital	**831,211**	1,081,997
Increase in inventories	**(1,726)**	(41,800)
(Increase)/decrease in trade nature amounts due from related parties	**(19)**	137,769
(Increase)/decrease in trade and other receivables, deposits and prepayments	**(232,394)**	26,808
Increase/(decrease) in trade and other payables, accruals and deposits received	**108,721**	(9,023)
Cash generated from operations	**705,793**	1,195,751
Income taxes paid	**(192,360)**	(127,505)
Interest paid	**(58,280)**	(52,570)
Net cash generated from operating activities	**455,153**	1,015,676
Investing activities		
Interest received	**3,402**	561
Increase in amounts due from related parties	**(90,975)**	(113,265)
Purchase of property, plant and equipment	**(670,525)**	(648,149)
Proceeds from disposal of property, plant and equipment	**675,512**	10,229
Addition in prepaid lease payments	**(781)**	(451)
Net cash outflow of acquisition of a subsidiary	**(2,307,747)**	–
Purchase of financial instruments	**(9,064)**	(130,651)
Proceeds from disposal of financial instruments	**406**	100,340
Net cash used in investing activities	**(2,399,772)**	(781,386)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2019

	2019 HK$'000	2018 HK$'000
Financing activities		
Increase/(decrease) in borrowings, net	**1,987,116**	(165,079)
Repayment of obligation under finance leases	**(2,666)**	(61,154)
Proceeds from exercise of share options	**2,066**	617
Increase in amounts due to related parties	**39,752**	65,490
Dividends paid	**(31,847)**	(15,213)
Net cash generated from/(used in) financing activities	**1,994,421**	(175,339)
Net increase in cash and cash equivalents	**49,802**	58,951
Cash and cash equivalents at beginning of the year	**457,125**	387,729
Effect of foreign exchange rate changes	**135,437**	10,445
Cash and cash equivalents at end of the year, representing bank balances and cash	**642,364**	457,125

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

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) Application of new and revised HKFRSs — effective on 1 April 2018

In the current year, the Group has applied, for the first time, the following new and amendments to the HKFRSs (the "**new and revised HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), which are effective for the Group's financial year beginning from 1 April 2018. A summary of the new and revised HKFRSs applied by the Group is set out as follows:

Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
Amendments to HKAS 40	Transfers of Investment Property
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 1 and HKAS 28	Annual Improvements to HKFRSs 2014–2016 Cycle

Except as described below, the application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in the annual report.

The above new and revised HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

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

(a) Application of new and revised HKFRSs — effective on 1 April 2018 *(continued)*

(i) Impact on the consolidated financial statements

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the application of new and revised HKFRSs have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by standard below:

Consolidated statement of financial position (extract)	**31 March 2018** HK$'000	**HKFRS 9** HK$'000	**1 April 2018** HK$'000
Current assets			
Trade receivables	172,415	(2,346)	170,069
Other receivables, deposits and prepayments	79,672	(2,103)	77,569
Amounts due from related parties	145,177	(1,674)	143,503
Reserves			
Retained profits	1,822,802	(6,123)	1,816,679

HKFRS 9 Financial instruments

In the current year, the Group has applied HKFRS 9 Financial Instruments and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities; 2) expected credit losses ("**ECL**") for financial assets; and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised at 1 April 2018. The difference between carrying amounts at 31 March 2018 and the carrying amounts at 1 April 2018 are recognised in the opening accumulated losses and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 Financial Instruments: Recognition and Measurement.

Accounting policies resulting from application of HKFRS 9 are disclosed in note to consolidated financial statements.

Below illustrates the classification and measurement (including impairment) of financial assets and financial liabilities and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 April 2018.

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

(a) Application of new and revised HKFRSs — effective on 1 April 2018 *(continued)*

HKFRS 9 Financial instruments *(continued)*

(i) Classification and measurement of financial assets and financial liabilities

All financial assets and financial liabilities continue to be measured on the same bases as were previously measured under HKAS 39.

(ii) Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. To measure the ECL, trade receivables have been assessed individually, the remaining balances have been grouped based on shared credit risk characteristics.

Loss allowances for other financial assets at amortised cost mainly comprise of other receivables, amounts due from related parties, pledged bank deposits and bank balances, are assessed on 12-month ECL ("**12m ECL**") basis as there had been no significant increase in credit risk since initial recognition, which are assessed and measured on lifetime ECL basis as those credit risk had increased significantly since initial recognition.

For pledged bank deposits and bank balances, the Group only transacts with reputation banks with high credit ratings assigned by international credit-rating agencies and consider the risk of default is regard as low and 12m ECL is insignificant.

For other receivables and amounts due from related parties, the directors make periodic collective as well as individual assessment on the recoverability of other receivables and amounts due from related parties based on historical settlement records and past experience with available reasonable and supportive forward-looking information. Based on assessment by the management of the Group, the directors considers the ECL for other receivables and amounts due from related parties have been assessed individually for significant balances.

At 1 April 2018, additional credit loss allowance approximately of HK$6,123,000 has been recognised against retained earnings and is charged against the respective assets.

	Trade receivables HK$'000	**Other receivables** HK$'000	**Amounts due from related parties** HK$'000
At 31 March 2018 — HKAS 39	1,350	–	–
Amounts re-measured through opening — retained profits	2,346	2,103	1,674
At 1 April 2018 — HKFRS 9	3,696	2,103	1,674

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

(a) Application of new and revised HKFRSs — effective on 1 April 2018 *(continued)*

HKFRS 15 Revenue from Contracts with Customers and the related Amendments

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 April 2018. Any difference at the date of initial application is recognised in the opening retained earnings (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to the contracts that are not completed at 1 April 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared with HKAS 18 Revenue and HKAS 11 Construction Contracts and the related interpretations.

The Group recognises revenue mainly from following major sources which arise from contracts with customers.

— Sale of coals

— Sale of thermal power

— Sale of biodiesel

— Vessel charter income

— Vessel storage service income

Information about the Group's performance obligations and the accounting policies resulting from application of HKFRS 15 are disclosed in Note 4.

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 Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 9	Prepayment Feature with Negative Compensation[1]
Amendments to HKFRS	Annual Improvements to HKFRSs 2015–2017 Cycle[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 10 and HKAS 28	Sale of Contribution of Assets between and Investor and its Associate or Joint Venture[5]
HKFRS 16	Leases[1]
HKFRS 17	Insurance contracts[4]
Amendments to HKAS 1 and HKAS 8	Definition of Material[3]
Amendments to HKAS 19	Plan Amendments, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term interests in Associates and joint Venture[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]

1 Effective for annual periods beginning on or after 1 January 2019.

2 Effective for business combination and assets acquisition for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

3 Effective for annual periods beginning on or after 1January 2020.

4 Effective for annual periods beginning on or after 1 January 2021.

5 Effective for annual periods beginning on or after a date to be determined.

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 classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows.

Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

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

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" *(continued)*

At 31 March 2019, the Group has non-cancellable operating lease commitments of approximately HK$77,290,000 as disclosed in Note 30 to the consolidated financial statements. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained earnings without restating comparative information.

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.

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 reassessment.

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

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

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

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 amortization 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%
Thermal power plant	3%–33%

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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.

(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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, prepaid lease payments and investments in subsidiaries to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have 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.

(g) Financial instruments

Financial instruments (Upon application of HKFRS 9 in accordance with the transition in Note 2)

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 since 1 April 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

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.

Effective Interest Method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Financial instruments *(continued)*

Financial instruments (Upon application of HKFRS 9 in accordance with the transition in Note 2) *(continued)*

Financial assets

(i) Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVPL, except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in OCI if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 Business Combinations applies.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVOCI as measured at FVPL if doing so eliminates or significantly reduces an accounting mismatch.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments/receivables subsequently measured at FVOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Financial instruments *(continued)*

Financial instruments (Upon application of HKFRS 9 in accordance with the transition in Note 2) *(continued)*

Financial assets (continued)

(i) Classification and subsequent measurement of financial assets *(continued)*

Debt instruments/receivables classified as at FVOCI

Subsequent changes in the carrying amounts for debt instruments/receivables classified as at FVOCI as a result of interest income calculated using the effective interest method and foreign exchange gains and losses are recognised in profit or loss. All other changes in the carrying amount of these debt instruments/receivables are recognised in OCI and accumulated under the heading of FVOCI reserve. Impairment allowances are recognised in profit or loss with corresponding adjustment to OCI without reducing the carrying amounts of these debt instruments/receivables. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these debt instruments/receivables had been measured at amortised cost. When these debt instruments/receivables are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

Equity instruments designated as at FVOCI

Investments in equity instruments at FVOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the FVOCI reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" in profit or loss.

Financial assets at FVPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVOCI or designated as FVOCI are measured at FVPL.

Financial assets at FVPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other gains and losses".

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Financial instruments *(continued)*

Financial instruments (Upon application of HKFRS 9 in accordance with the transition in Note 2) *(continued)*

Financial assets (continued)

(ii) Impairment of financial assets

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade receivables, deposits, other receivables, amounts due from related parties, pledged bank deposits and cash and bank balances). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

The Group always recognises lifetime ECL for trade receivables. The ECL on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12 month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12 month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(a) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward looking information that is available without undue cost or effort. Forward looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Financial instruments *(continued)*

Financial instruments (Upon application of HKFRS 9 in accordance with the transition in Note 2) *(continued)*

Financial assets (continued)

(ii) Impairment of financial assets *(continued)*

(a) Significant increase in credit risk *(continued)*

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 120 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date.

A financial instrument is determined to have low credit risk if:

- The financial instrument has a low risk of default,

- The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and

- Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Financial instruments *(continued)*

Financial instruments (Upon application of HKFRS 9 in accordance with the transition in Note 2) *(continued)*

Financial assets (continued)

(ii) Impairment of financial assets *(continued)*

(b) Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or

- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 180 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(c) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;

- a breach of contract, such as a default or past due event;

- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

- the disappearance of an active market for that financial asset because of financial difficulties.

(d) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Financial instruments *(continued)*

Financial instruments (Upon application of HKFRS 9 in accordance with the transition in Note 2) *(continued)*

Financial assets (continued)

(ii) Impairment of financial assets *(continued)*

(e) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forwardlooking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables are each assessed as a separate group. Loans to related parties are assessed for expected credit losses on an individual basis);

- Past-due status;

- Nature, size and industry of debtors; and

- Internal credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Except for investments in debt instruments/receivables that are measured at FVOCI, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account. For investments in debt instruments that are measured at FVOCI, the loss allowance is recognised in OCI and accumulated in the FVOCI reserve without reducing the carrying amount of these debt instruments.

Financial liabilities

(i) Financial liabilities at amortised cost

Financial liabilities including trade and other payables are subsequently measured at amortised cost, using the effective interest method.

(ii) Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Financial instruments *(continued)*

Financial instruments (Prior to 1 April 2018)

Financial assets

(i) Classification and subsequent measurement of financial assets

Financial assets are classified into the following specified categories: financial assets at FVPL, held-to-maturity investments, AFS financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

(a) Financial assets at FVPL

Financial assets are classified as at FVPL when the financial asset is (i) held for trading (ii) it is designated as at FVPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or

- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profittaking; or

- it is a derivative that is not designated and effective as a hedging instrument.

- A financial asset other than a financial asset held for trading (or contingent consideration that may be received by an acquirer as part of a business combination) may be designated as at FVPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVPL.

Financial assets at FVPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the 'other gains and losses'.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Financial instruments *(continued)*

Financial instruments (Prior to 1 April 2018) *(continued)*

Financial assets (continued)

(i) Classification and subsequent measurement of financial assets *(continued)*

(b) AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVPL.

Equity and debt securities held by the Group that are classified as AFS financial assets are measured at fair value at the end of each reporting period except for unquoted equity investments whose fair value cannot be reliably measured. Changes in the carrying amount of AFS debt instruments relating to interest income calculated using the effective interest method, and changes in foreign exchange rates, are recognised in profit or loss. Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of revaluation reserve.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

(c) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, other receivables and loan receivable) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Financial instruments *(continued)*

Financial instruments (Prior to 1 April 2018) *(continued)*

Financial assets (continued)

(ii) Impairment of financial assets

Financial assets, other than those at financial assets at FVPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For all other financial assets, objective evidence of impairment could include:

(1) significant financial difficulty of the issuer or counterparty;

(2) breach of contract, such as a default or delinquency in interest or principal payments; or

(3) it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period over 180 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, 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.

For financial assets carried at cost, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Financial instruments *(continued)*

Financial instruments (Prior to 1 April 2018) *(continued)*

Financial assets (continued)

(iii) Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in a debt instrument classified as at FVOCI upon application of HKFRS 9, the cumulative gain or loss previously accumulated in the FVOCI reserve is reclassified to profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVOCI upon application of HKFRS 9, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to accumulated losses.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Financial instruments *(continued)*

Financial instruments (Prior to 1 April 2018) *(continued)*

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVPL.

(i) Financial liabilities at FVPL

Financial liabilities are classified as at FVPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which HKFRS 3 applies, (ii) held for trading or (iii) it is designated as at FVPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKFRS 9/HKAS 39 permits the entire combined contract to be designated as at FVPL.

Prior to application of HKFRS 9 on 1 April 2018, financial liabilities designated at FVPL are stated at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any interest paid on the financial liability and is included in the "other gains and losses".

(ii) Financial liabilities at amortised cost

Financial liabilities including bank and other borrowings, trade payables and other payable are subsequently measured at amortised cost, using the effective interest method.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Financial instruments *(continued)*

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Financial instruments *(continued)*

Compound instruments *(continued)*

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.

Equity instruments

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

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Revenue recognition

Revenue from contracts with customers (Upon application of HKFRS 15 in accordance with transitions in Note 2)

Under HKFRS 15, the Group 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.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to a contract are accounted for an presented on a net basis.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Revenue recognition *(continued)*

Revenue from contracts with customers (Upon application of HKFRS 15 in accordance with transitions in Note 2) *(continued)*

The Group recognises revenue from the following major source which was recognised over the terms of the services contracts as the work is performed:

(i) Revenue from sales of coal and biodiesel (recognised at a point in time)
The Group sells coal or biodiesel directly to the customers and revenue is recognised when the customers obtained control of good transferred. The shipping types includes both land and water transportation. In the type of land transportation, revenue is recognised when the coal or biodiesel is delivered to the customers; in the type of water transportation, revenue is recognised when the goods pass the ship's rail.

The consideration received from the customers before the delivery of goods are recognised as contract liabilities in the Group's consolidated financial statements. There is no significant financing component or right of return arrangement in the sales contract.

(ii) Revenue from sales of thermal power (recognised at a point in time)
Revenue is recognised upon the transmission of thermal power to the power grid companies, as determined based on the volume of thermal power transmitted and the applicable fixed tariff rates agreed with the respective thermal power grid companies periodically.

(iii) Revenue from time charter and provision of floating storage service (recognised at a point in time)
Revenue is recognised when services are rendered.

Interest income

Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset.

Revenue recognition (Prior to 1 April 2018)

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Foreign currency *(continued)*

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.

(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.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(q) Related parties *(continued)*

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

(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.

(s) Government Grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

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.

(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.

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

(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.

(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.

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

(i) Provision of allowance for credit losses for trade receivables, other receivables and amounts due from related parties

The Group uses provision matrix to calculate ECL for the trade receivables. The provision rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade receivables with significant balances and credit impaired are assessed for ECL individually.

The Group makes allowances on other receivables and amounts due from related parties based on assumptions about risk of default and expected loss rates. The Group used judgement in making these assumptions and selecting the inputs to the impairment calculation based on the Group's past history, existing market conditions as well as forward looking estimates at the end of reporting period.

Where the expectation is different from the original estimate, such difference will impact the carrying amount of other receivables and amounts due from related parties and doubtful debt expenses in the period in which such estimate has been changed.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables, other receivables and amounts due from related parties are disclosed in Notes 21 and 36(b) respectively.

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.

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

6. SEGMENT REPORTING *(continued)*

(a) Reportable segments

	Mining		Shipping		Energy		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue from external customers	**1,675,252**	1,934,289	**82,644**	276,079	**146,830**	26,967	**1,904,726**	2,237,335
Reportable segment profit/(loss)	**735,795**	753,542	**(157,263)**	135,141	**(109,878)**	(21,690)	**468,654**	866,993
Interest income	**116**	47	**527**	280	**2,577**	–	**3,220**	327
Finance costs	**(30,628)**	(22,938)	**(1,985)**	(13,562)	**(20,838)**	(1,366)	**(53,451)**	(37,866)
Depreciation and amortisation	**(227,946)**	(248,000)	**(32,329)**	(57,006)	**(10,726)**	(2,753)	**(271,001)**	(307,759)
Reportable segment assets	**7,295,395**	7,041,555	**227,266**	843,835	**4,938,269**	135,629	**12,460,930**	8,021,019
Additions to non-current assets	**661,231**	597,076	**10**	711	**8,848**	50,222	**670,089**	648,009
Reportable segment liabilities	**(1,690,634)**	(1,960,935)	**(14,323)**	(358,216)	**(3,847,050)**	(72,216)	**(5,552,007)**	(2,391,367)

(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	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
Indonesia (place of domicile)	**1,688,070**	1,947,060	**6,330,217**	6,042,707
The People's Republic of China ("China") and Hong Kong	**–**	–	**16**	20
Dubai	**6,961**	12,771	**–**	–
Singapore and Malaysia	**62,865**	250,537	**26,137**	748,528
The United States of America	**126,632**	26,967	**81,551**	85,320
India	**20,198**	–	**3,817,872**	–
	1,904,726	2,237,335	**10,255,793**	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 (2018: one major customer) of the Group's mining segment amounted to HK$546,895,000 (2018: HK$616,667,000) and no major customer (2018: one major customer) of the Group's shipping segment amounted to HK$Nil (2018: HK$250,168,000), which represented 10% or more of the Group's revenue for the year.

6. SEGMENT REPORTING *(continued)*

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

	2019 HK$'000	2018 HK$'000
Profit before income tax:		
Reportable segment profit	468,654	866,993
Unallocated corporate expenses and finance costs	(127,003)	(101,481)
Gain on bargain purchase of a subsidiary	1,003,852	–
Consolidated profit before income tax	1,345,503	765,512
Assets:		
Reportable segment assets	12,460,930	8,021,019
Unallocated corporate assets	12,171	67,659
Consolidated total assets	12,473,101	8,088,678
Liabilities:		
Reportable segment liabilities	5,552,007	2,391,367
Unallocated corporate liabilities	55,075	14,281
Consolidated total liabilities	5,607,082	2,405,648

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.

	2019 HK$'000	2018 HK$'000
Revenue from contract with customers recognised at a point in time:		
Sale of coals	1,675,252	1,934,289
Sale of thermal power	20,198	–
Sale of biodiesel	126,632	26,967
Vessel charter income	19,779	25,913
Vessel storage service income	62,865	250,166
	1,904,726	2,237,335

All revenue contracts are for one year or less. As permitted by practical expedient under HKFRS 15, the transaction price allocated to unsatisfied contracts is not disclosed.

8. OTHER INCOME, OTHER GAINS AND LOSSES, NET

	2019 HK$'000	2018 HK$'000
Transportation service income	35,225	–
Equipment rental income	36,402	–
(Loss)/gain on disposal of property, plant and equipment	(151,887)	7,462
Reversal of contingent consideration payable	–	77,400
Fair value changes on financial instruments, net	3,407	4,271
Loss on disposal of derivative financial instruments, net	(323)	(30,872)
Exchange differences, net	29,627	24,893
Interest income	3,402	561
Other income	23,545	3,617
Bad debt written off	(714)	–
	(21,316)	87,332

9. PROFIT FOR THE YEAR

This is arrived at after charging:

	2019 HK$'000	2018 HK$'000
Cost of services	67,961	125,235
Cost of inventories*	1,217,836	1,235,702
	1,285,797	1,360,937
Staff costs (Note 10)	135,924	95,075
Depreciation and amortisation of property, plant and equipment	271,012	307,787
Release of prepaid lease payments	1,554	1,603
Auditors' remuneration		
— Audit services	2,050	1,850
— Other services	2,100	700
Operating lease rental	6,699	4,325
Share-based payment expenses	–	7,633

* Cost of inventories includes HK$161,444,000 (2018: HK$100,780,000) 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

	2019 HK$'000	2018 HK$'000
Staff costs (including Directors' remuneration) comprises:		
Salaries and other benefits	128,596	84,765
Post-employment benefit contributions	7,328	2,677
Equity-settled share-based payment	–	7,633
	135,924	95,075

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
2019:				
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	4,699	127	4,926
Independent non-executive directors:				
Mr. Chong Lee Chang (Note (b))	125	–	–	125
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))	120	–	–	120
	1,035	7,949	145	9,129

11. DIRECTORS' REMUNERATION *(continued)*

	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 (Note (b))	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

Notes:

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

(b) Mr. Chong Lee Chang resigned as independent non-executive director of the Company on 15 March 2019.

None of the directors has waived or agreed to waive any emolument paid or payable by the Group during the years ended 31 March 2018 and 2019.

12. FIVE HIGHEST PAID INDIVIDUAL'S REMUNERATION

Of the five individuals with highest emoluments in the Group, two (2018: two) were Directors, whose emoluments are included in the disclosure in Note 11 above. The emolument of the remaining three (2018: three) individuals is as follows:

	2019 HK$'000	2018 HK$'000
Salaries and other benefits	**6,259**	3,203
Post-employment benefit contributions	**277**	21
	6,536	3,224

12. FIVE HIGHEST PAID INDIVIDUAL'S REMUNERATION *(continued)*

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

	2019 Number of individuals	2018 Number of individuals
HK$ Nil to HK$1,000,000	**7**	7
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$4,500,000	**–**	–
HK$4,500,001 to HK$5,000,000	**1**	1

13. FINANCE COSTS

	2019 HK$'000	2018 HK$'000
Imputed interest on convertible bonds (Note 27)	**–**	14,166
Interest charged under finance leases	**2,860**	5,984
Interest on amount due to a related party (Note 36(b))	**1,540**	–
Interest on borrowings	**63,929**	38,134
	68,329	58,284

14. INCOME TAX

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

	2019 HK$'000	2018 HK$'000
Current tax — overseas		
— tax for the year	**183,516**	182,430
— under-provision in prior years	**–**	1,389
	183,516	183,819
Deferred tax (Note 26)		
— tax for the year	**(23,081)**	(29,346)
Income tax	**160,435**	154,473

Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%.

14. INCOME TAX *(continued)*

The Group considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years. No Hong Kong Profits Tax has been provided since the Company and its subsidiaries incorporated in Hong Kong had no assessable profit for the years ended 31 March 2018 and 2019.

The Singapore statutory income tax rate was 17% during the years ended 31 March 2018 and 2019. 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 2018 and 2019. 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.

The India statutory income tax rate was 30% for during the year ended 31 March 2019. Income tax expense for the Group relates wholly to the profits of the subsidiaries, which were taxed at a statutory tax rate of 30% in India.

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:

	2019 **HK$'000**	2018 HK$'000
Profit before income tax	**1,345,503**	765,512
Tax at applicable income tax rate	**222,008**	126,309
Effect of different tax rates of subsidiaries operating in other jurisdictions	**76,691**	61,580
Tax effect of expenses not deductible for tax purpose	**24,184**	2,598
Tax effect of income not taxable for tax purpose	**(162,450)**	(37,416)
Tax effect of tax losses not recognised	**2**	13
Under-provision in prior years	**–**	1,389
Income tax for the year	**160,435**	154,473

15. DIVIDENDS

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

	2019 **HK$'000**	2018 HK$'000
Proposed final dividend of HK$0.005 (2018: HK$0.005) per ordinary share of HK$0.025 (2018: HK$0.025) each	**31,872**	31,847

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.

15. DIVIDENDS *(continued)*

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

	2019 **HK$'000**	2018 HK$'000
Final dividend in respect of the previous financial year, approved and paid during the year of HK$0.005 (2018: HK$0.01) per ordinary share of HK$0.025 (2018: HK$0.1) each	**31,847**	15,213

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:

	2019 **HK$'000**	2018 HK$'000
Earnings		
Earnings attributable to owners of the Company for the purposes of basic and diluted earnings per share	**1,068,077**	424,452

	2019 **'000**	2018 '000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**6,435,872**	6,342,549
Effect of dilution — weighted average number of ordinary shares:		
Share options	**174,000**	175,578
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**6,609,872**	6,518,127

For the year ended 31 March 2019, the calculation of the diluted earnings per share has taken into account the exercise of the Company's outstanding share options.

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Mining properties HK$'000	Mining-related plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Vessels HK$'000	Biodiesel plant HK$'000	Thermal power plant HK$'000	Construction in progress HK$'000	Total HK$'000
Cost										
At 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 and 1 April 2018	39,550	5,036,395	1,394,086	31,237	90,856	901,680	88,065	–	299,191	7,881,060
Acquisition of a subsidiary (Note 41)	–	–	–	–	–	–	–	3,878,399	–	3,878,399
Exchange adjustments	(148)	–	(11,277)	(2)	(2,102)	(1,388)	–	(97,524)	(3,978)	(116,419)
Additions	–	70,203	418,932	3,582	236	–	8,848	429	168,295	670,525
Transfer	–	–	124,887	–	–	–	–	–	(124,887)	–
Disposals	–	–	(125,293)	(1)	–	(810,655)	(7,871)	(627)	–	(944,447)
At 31 March 2019	39,402	5,106,598	1,801,335	34,816	88,990	89,637	89,042	3,780,677	338,621	11,369,118
Accumulated depreciation and amortisation										
At 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 and 1 April 2018	5,818	505,790	468,654	27,023	20,339	133,543	2,745	–	–	1,163,912
Exchange adjustments	(18)	–	(2,827)	(5)	(112)	(646)	–	40	–	(3,568)
Provided for the year	1,060	91,488	128,843	2,980	3,786	32,129	4,746	5,980	–	271,012
Disposals	–	–	(406)	–	–	(116,642)	–	–	–	(117,048)
At 31 March 2019	6,860	597,278	594,264	29,998	24,013	48,384	7,491	6,020	–	1,314,308
Net carrying value										
At 31 March 2019	**32,542**	**4,509,320**	**1,207,071**	**4,818**	**64,977**	**41,253**	**81,551**	**3,774,657**	**338,621**	**10,054,810**
At 31 March 2018	33,732	4,530,605	925,432	4,214	70,517	768,137	85,320	–	299,191	6,717,148

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 and HK$66,783,000, respectively. The Group's obligation under finance leases is secured by the lessor's charge over the leased assets. During the year ended 31 March 2019, the pledged assets have been released.

(2) As at 31 March 2019, the Group's mining-related plant and machinery with an aggregate carrying value of HK$22,738,000 (2018: HK$9,076,000) and vessels of HK$22,264,000 (2018: HK$723,373,000) 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 2019 includes stripping activity assets of HK$105,949,000 (2018: HK$112,477,000) 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 2019, the Group's prepaid lease payments represent land use rights in Indonesia and India which is held under medium term leases and are analysed for reporting purposes as follows:

	2019 **HK$'000**	2018 HK$'000
Non-current assets	**188,092**	145,955

19. EXPLORATION AND EVALUATION ASSETS

	2019 **HK$'000**	2018 HK$'000
Cost and carrying amounts:		
At beginning of the year	**13,472**	14,087
Exchange alignment	**(581)**	(615)
At end of the year	**12,891**	13,472

20. INVENTORIES

	2019 **HK$'000**	2018 HK$'000
Coal	**84,466**	82,924
Biodiesel fuels and chemical	**46,203**	41,920
Diesel oil, gases and spares	**12,494**	–
	143,163	124,844

21. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2019 **HK$'000**	2018 HK$'000
Trade receivables	**223,696**	173,765
Less: Allowance for credit losses	**(4,291)**	(1,350)
	219,405	172,415
Other receivables and deposits (Note (a))	**384,328**	124,700
Receivables from contractors (Note (b))	**206,618**	–
Prepayments (Note (c))	**375,850**	179,373
	966,796	304,073
	1,186,201	476,488

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 credit losses, presented based on the invoice date at the end of reporting period:

	2019 **HK$'000**	2018 HK$'000
0–60 days	**145,044**	134,278
61–90 days	**11,412**	1,064
91–120 days	**–**	24,927
Over 120 days	**62,949**	12,146
	219,405	172,415

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 for the year ended 31 March 2018 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.

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

Ageing of trade receivables which are past due but not impaired

	2018 HK$'000
1–60 days	2,840
61–90 days	105
91–120 days	24,821
Over 120 days	12,146
	39,912

Analysed for reporting purposes as:

	2019 **HK$'000**	2018 HK$'000
Non-current assets	**391,549**	–
Current assets	**794,652**	476,488
	1,186,201	476,488

Notes:

(a) As at 1 April 2018, loss allowance on the other receivables of HK$2,103,000 was provided upon transition to HKFRS 9 Financial Instrument and further increase of HK$4,338,000 during the year ended 31 March 2019 as detailed in Note 39.

(b) As at 31 March 2019, the Group has made advance payments to an EPC contractor for supply, erection and construction amounting to HK$206,618,000 which is receivable from the contractor.

The EPC contractor engaged by the Group was referred to National Company Law Tribunal for Insolvency during the year ended 31 March 2017, resulting in the contractor abandoning the execution of the Company's project. The Group has invoked bank guarantee for the loss and damages caused to the Group by reason of default on the part of EPC contractor in discharging its obligations under the supply, civil works and erection and commissioning contract. Details of the corporate insolvency resolution process against the EPC contractor are disclosed in Note 43.

The Group is of the view that the amount will be able to recover including any liquidated damages claimed by the Group.

(c) As at 31 March 2019, included in prepayments mainly comprise prepaid water supply for cooling down the thermal power machine and deposits paid for acquisition of property, plant and equipment and raw material amounting to HK$60,366,000 and HK$55,966,000 respectively.

(d) Details of ECL assessment are set out in Note 39.

22. DERIVATIVE FINANCIAL INSTRUMENTS

	2019		2018	
	Assets	**Liabilities**	Assets	Liabilities
	HK$'000	**HK$'000**	HK$'000	HK$'000
Forward currency contracts	–	–	406	–
Future oil contracts	–	141	–	561
Coal swap	–	–	–	13,004
Interest rate swap	–	953	323	–
Total amount, classified as current	–	1,094	729	13,565

Forward currency contracts

During the year ended 31 March 2018, 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 as at 31 March 2018 which had not been designated as hedging instruments were as follows:

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

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$420,000 were credited to profit or loss during the year ended 31 March 2019 (2018: HK$561,000 debited to profit or loss).

22. DERIVATIVE FINANCIAL INSTRUMENTS *(continued)*

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 2019	As at 31 March 2018
National amount	**US$13,448,000**	US$2,500,000
Fixed rate	**2.85% p.a.**	1.39% p.a.
Expiry date	**From 24 July 2018 to 22 September 2023**	From 26 March 2017 to 26 September 2019
Fair value of interest rate swap recognised as current (liabilities)/assets (in HK'000)	**(953)**	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

	2019 HK$'000	2018 HK$'000
Trade payables	**263,972**	161,496
Deposits received	**–**	18,963
Other payables and accruals	**740,055**	146,249
	740,055	165,212
	1,004,027	326,708

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

	2019 HK$'000	2018 HK$'000
0–60 days	**176,836**	101,751
61–90 days	**1,245**	7,494
Over 90 days	**85,891**	52,251
	263,972	161,496

The average credit period on purchases of goods and services is up to 90 days (2018: 90 days) and certain suppliers grant longer credit period to the Group up to 120 days (2018:120 days) on case-by-case basis. The Group has financial risk management policies in place to ensure that all payables are within the credit timeframe.

As at 31 March 2019, other payable and accruals mainly comprised of payable for acquisition of property, plant and equipment of approximately HK$231,899,000 and accrued interest on unsecured non-convertible debentures of approximately HK$193,428,000.

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

	2019 HK$'000	2018 HK$'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. BORROWINGS

	2019 HK$'000	2018 HK$'000
Secured:		
— Bank borrowings	118,400	635,457
— Other borrowings	2,451,602	–
Unsecured:		
— Bank borrowings	47,158	–
— Other borrowings (Note)	312,115	–
	2,929,275	635,457
Fixed-rate borrowings	2,777,871	233,959
Variable-rate borrowings	151,404	401,498
	2,929,275	635,457

Note:

Other borrowings mainly included approximately HK$288,896,000, zero coupon, unsecured non-convertible debentures ("NCDs") which comprised of (i) 31,000 NCDs of INR 10,000 each will mature on 1 April 2030 (maturity date). Our subsidiary shall redeem all outstanding debentures on or before 1 April 2030 by paying the redemption price (an amount equal to the sum of thee face value of the debenture i.e. INR 10,000 and an amount which yields a return of 25% per annum on the face of the debenture, compounded annually from the date of issue and calculated on an actual/365 day basis (redemption premium); and (ii) 227,741 NCSs of INR 10,000 each (Series II NCDs) will mature on 1 April 2038 (maturity Date). Our subsidiary shall redeem all outstanding Series II NCSs from 1 April 2038 by paying the redemption price (an amount equal to the sum of the face value of the debenture i.e. INR 10,000 and an amount which yields a return of 18% per annum on the face of the debenture, compounded annually from the date of allotment and calculated on an actual/365 day basis (redemption premium).

The NCDs shall be redeemed subject to making appropriate allowances for working capital and mandatory Phase I of the Project Lender's Covenants (including adequate provisions for maintenance and capital equipment's replacement in accordance with prudent industry practice). Our subsidiary shall be obliged to use any and all free cash flows or internal accruals arising from the phase I of the project (available cash flow) to redeem debentures on or before the 5th day of each month (monthly payment date) after the commercial operations date of the phase I of the project.

No payment shall be made by our subsidiary to redeem debentures, in violation of the restricted payment conditions specified in the common loan agreement.

Each debenture may be redeemed in whole, but not in part, on the monthly payment date upon paying the redemption price.

All debentures not already redeemed on or prior to the maturity date pursuant to this requirement, shall fall due and redeemable on the maturity date.

25. BORROWINGS *(continued)*

	2019 HK$'000	2018 HK$'000
Borrowings are repayable as follows:		
On demand or within one year	368,582	322,354
After one year but within two years	1,213,518	255,775
After two years but within five years	485,408	57,328
Over five years	861,767	–
	2,929,275	635,457
Amount due within one year included in current liabilities	(368,582)	(322,354)
Amount due over one year included in non-current liabilities	2,560,693	313,103

The borrowings bear fixed interest rates ranging from 5.34% to 15.50% (2018: 5.00%) per annum, and floating interest rates ranging from 2.53% to 5.34% (2018: 3.31% to 10.50%) per annum.

As at 31 March 2018 and 2019, 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 2019, the Group had available undrawn committed banking facilities of HK$3,684,531,000 (2018: HK$286,877,000) in respect of which all conditions precedent were met.

	2019 HK$'000	2018 HK$'000
Borrowings were denominated in:		
Indonesia Rupiah ("IDR")	–	130,409
Indian Rupee ("INR")	2,044,192	–
United States dollars ("US$")	885,083	505,048
	2,929,275	635,457

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 2017	(1,121,061)
Credited to profit or loss (Note 14)	29,346
At 31 March 2018 and 1 April 2018	(1,091,715)
Credited to profit or loss (Note 14)	23,081
At 31 March 2019	(1,068,634)

At 31 March 2019, the Group has unused tax losses of HK$4,684,000 (2018: 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 during the year ended 31 March 2018 are as follows:

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

28. DEFERRED REVENUE

	2019 **HK$'000**	2018 HK$'000
Arising from government grant (Note (a))	**238,063**	–

Analysed for reporting purposes as:

	2019 **HK$'000**	2018 HK$'000
Non-current liabilities	**232,045**	–
Current liabilities	**6,018**	–
	238,063	–

Note:

(a) As at the end of each reporting period, the Group has received government grants in relation to the construction of qualifying assets. The deferred revenue will be recognised over the useful life of the qualifying assets. The government grants are not repayable.

29. SHARE CAPITAL

	Number of shares	Amount HK$'000
Authorised:		
Ordinary shares of HK$0.10 each at 1 April 2017	4,600,000,000	460,000
Effect of share subdivision (Note (i))	13,800,000,000	–
Ordinary shares of HK$0.025 each at 31 March 2018, 1 April 2018 and 31 March 2019	18,400,000,000	460,000
Convertible preference shares of HK$0.10 each at 1 April 2017, 31 March 2018, 1 April 2018 and 31 March 2019	400,000,000	40,000
Issued and fully paid:		
Ordinary shares of HK$0.10 each at 1 April 2017	1,521,065,600	152,107
Issue of shares upon exercise of share options (Note (iii))	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 (i))	4,564,546,800	–
Issue of shares upon exercise of share options (Note (iii))	400,000	10
Issue of shares upon conversion of convertible bonds (Note (ii))	281,818,181	7,045
Ordinary shares of HK$0.025 each at 31 March 2018 and 1 April 2018	6,368,280,581	159,207
Issue of shares upon exercise of share options (Note (iii))	6,200,000	155
Ordinary shares of HK$0.025 each at 31 March 2019	6,374,480,581	159,362

Notes:

(i) 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.

(ii) 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.

(iii) During the year ended 31 March 2019, options were exercised to subscribe for 6,200,000 ordinary shares of HK$0.025 (2018: 450,000 ordinary shares of HK$0.10 each and 400,000 ordinary shares of HK$0.025 each) of the Company at a total consideration of HK$2,066,000 (2018: HK$617,000) of which HK$155,000 (2018: HK$55,000) was credited to share capital and HK$1,911,000 (2018: HK$562,000) was credited to the share premium account. An amount of HK$695,000 (2018: HK$107,000) was transferred from share option reserve to the share premium account.

30. LEASES

Finance leases

Future lease payments are due as follows:

	Minimum lease payments 2019 HK$'000	**Future interest 2019 HK$'000**	**Present value 2019 HK$'000**
Not later than one year	**166**	**16**	**150**
Later than one year and not later than five years	**–**	**–**	**–**
	166	**16**	**150**

	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

The present value of future lease payments are analysed as:

	2019 HK$'000	2018 HK$'000
Current liabilities	**150**	2,668
Non-current liabilities	**–**	148
	150	2,816

30. LEASES *(continued)*

Operating leases — lessee

The Group paid minimum lease payments of HK$6,699,000 (2018: HK$4,325,000) and HK$16,973,000 (2018: HK$18,131,000) 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:

	2019 **HK$'000**	2018 HK$'000
Within one year	**24,009**	24,733
In the second to fifth year inclusive	**53,281**	63,749
	77,290	88,482

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:

	2019 **HK$'000**	2018 HK$'000
Within one year	**–**	192,320
In the second to fifth year inclusive	**–**	417,960
	–	610,280

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, 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 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, 95,000,000 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:

Category	Date of grant	Exercisable period	Exercise price per share before share subdivision (HK$)	Adjusted exercise price per share after share subdivision (HK$) (Note)	Number of share options							
					At 1/4/2017	Granted	Exercised before share Subdivision	Share subdivision (Note)	Exercised after share Subdivision	At 31/3/2018	Exercised	At 31/3/2019
1. Directors												
Mr. Ng Xinwei	30/8/2010	30/8/2010 to 29/8/2020	1.120	0.280	2,750,000	–	–	8,250,000	–	11,000,000	–	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	–	–	4,500,000	–	6,000,000	–	6,000,000
					4,250,000	–	–	12,750,000	–	17,000,000	–	17,000,000
2. Associate of shareholder												
Ms. Lim Chek Hwee	30/8/2010	30/8/2010 to 29/8/2020	1.120	0.280	3,000,000	–	–	9,000,000	–	12,000,000	–	12,000,000
3. Employees in aggregate	30/8/2010	30/8/2010 to 29/8/2020	1.120	0.280	400,000	–	–	1,200,000	(400,000)	1,200,000	(600,000)	600,000
	24/10/2016	24/10/2016 to 23/10/2026	1.520	0.380	10,000,000	–	–	30,000,000	–	40,000,000	–	40,000,000
					10,400,000	–	–	31,200,000	(400,000)	41,200,000	(600,000)	40,600,000
4. Consultants in aggregate	30/8/2010	30/8/2010 to 29/8/2020	1.120	0.280	12,450,000	–	(450,000)	36,000,000	–	48,000,000	(600,000)	47,400,000
	18/3/2011	18/3/2011 to 17/3/2021	1.122	0.2805	500,000	–	–	1,500,000	–	2,000,000	–	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	(5,000,000)	55,000,000
					12,950,000	15,000,000	(450,000)	82,500,000	–	110,000,000	(5,600,000)	104,400,000
					30,600,000	15,000,000	(450,000)	135,450,000	(400,000)	180,200,000	(6,200,000)	174,000,000

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 (2018: HK$0.28 to HK$0.38) and their weighted average remaining contractual life was 4.94 years (2018: 6.01 years).

Of the total number of share options outstanding at the end of the year, 174,000,000 (2018: 180,200,000) had vested and were exercisable at the end of the year.

During the year, 6,200,000 (2018: 850,000) 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$1.69 (2018: HK$0.63).

During the year ended 31 March 2018, 15,000,000 share options were granted to an advisor and consultant of the Company under the New Scheme. The fair value of share options granted was HK$7,633,000, which was recognised in profit or loss during the year ended 31 March 2018.

The fair value of equity-settled share options granted during the year ended 31 March 2018 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%

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 2018 and 2019.

32. STATEMENT OF FINANCIAL POSITION

	Notes	**2019** **HK$'000**	2018 HK$'000
Non-current asset			
Investments in subsidiaries		**104,790**	104,790
Current assets			
Prepayments		**10,606**	3,818
Amounts due from subsidiaries		**3,345,781**	2,343,497
Amounts due from related parties		**72,658**	7,897
Pledged bank deposit		**7,740**	7,740
Bank balances and cash		**474**	131
		3,437,259	2,363,083
Current liabilities			
Other payables and accruals		**20,824**	13,961
Borrowings		**34,147**	38,700
Amounts due to subsidiaries		**805,898**	323,390
		860,869	376,051
Net current assets		**2,576,390**	1,987,032
Total assets less current liabilities		**2,681,180**	2,091,822
Non-current liability			
Borrowings		**696,600**	36,424
Net assets		**1,984,580**	2,055,398
Capital and reserves			
Share capital	29	**159,362**	159,207
Reserves	33	**1,825,218**	1,896,191
Total equity		**1,984,580**	2,055,398

The financial statements were approved and authorised for issue by the Board of Directors on 28 June 2019.

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 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 and 1 April 2018	1,400,086	30,748	85,492	20,136	–	327,882	31,847	1,896,191
Profit and other comprehensive income for the year	–	–	–	–	–	(41,037)	–	(41,037)
Exercise of share options	2,606	–	–	(695)	–	–	–	1,911
Dividends paid/declared	–	–	–	–	–	–	(31,847)	(31,847)
Proposed final dividend 2019	–	–	–	–	–	(31,872)	31,872	–
At 31 March 2019	1,402,692	30,748	85,492	19,441	–	254,973	31,872	1,825,218

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 2019 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 2019	Proportion of effective equity interests 2018	Principal activities
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%	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
PT Merge Continental Mining	Indonesia	IDR18,110,000,000	**51%**	51%	Mining and trading
PT AGT Strategic Development ("PT AGT")	Indonesia	IDR10,000,000,000	**67%**	67% (Note)	Mining and trading
Solfuels USA LLC	United States of America	US$5,011,419	**51%**	51%	Operation of biodiesel plant
Agritrade Resources (HK) Limited*	Hong Kong	HK$1	**100%**	100%	Coal sales and marketing
SKS Power Generation (Chhattisgarh) Limited	India	INR4,768,512,640	**100%**	NA	Operation of thermal power plant

* 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 2018 and 2019.

Note: 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 (2018: 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 2019, the Group has material non-controlling interests ("NCI") which mainly represent (i) effective 32% (2018: 32%) ownership interest in PTRI and 35% (2018: 35%) proportional ownership in PT SEM; and (ii) effective 49% (2018: 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.

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

	PTRI and PT SEM		The Merge Group	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
For the year ended 31 March				
Revenue	**1,098,755**	1,137,881	**253,716**	261,185
Profit for the year	**455,420**	412,911	**16,746**	31,086
Total comprehensive income	**455,518**	423,434	**2,394**	26,058
Profit allocated to NCI	**179,407**	146,466	**8,153**	15,232
Cash flows generated from operating activities	**431,688**	615,861	**68,471**	18,838
Cash flows used in investing activities	**(419,543)**	(487,547)	**(72,845)**	(23,811)
Cash flows used in financing activities	**(183,005)**	(85,304)	**–**	–
Net cash (outflows)/inflows	**(170,860)**	43,010	**(4,374)**	(4,973)
As at 31 March				
Current assets	**651,396**	610,018	**233,759**	218,237
Non-current assets	**2,423,975**	3,287,688	**2,744,668**	2,614,588
Current liabilities	**(391,344)**	(523,866)	**(243,677)**	(97,581)
Non-current liabilities	**(505,201)**	(610,796)	**(571,968)**	(574,856)
Net assets	**2,178,826**	2,763,044	**2,162,782**	2,160,388
Accumulated NCI	**1,179,037**	999,630	**1,080,268**	1,072,115

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:

	2019 **HK$'000**	2018 HK$'000
Sales to a shareholder of the Company	–	178,633

This transaction under the coal supply agreement for the year ended 31 March 2018 constituted continuing connected transaction under Chapter 14A of the Listing Rules.

(b) Amounts with related parties are summarised below:

	2019 **HK$'000**	**Maximum amount outstanding during the year** HK$'000	2018 HK$'000
(i) Amounts due from:			
— Related company controlled by a shareholder of the Company	94	94	26
— Related company of a non-controlling owner of a subsidiary	227,130	227,130	75,838
— A shareholder of the Company	10,616	69,313	69,313
Amounts included in current assets	237,840		145,177

	2019 **HK$'000**	2018 HK$'000
(ii) Amounts due to:		
— Related company with common director	–	85
— Non-controlling owner of a subsidiary and its related companies	2,809	548
— Related company controlled by a shareholder of the Company	2,452	88
Amounts included in current liabilities	5,261	721
(iii) Amount due to:		
— Non-controlling owner of a subsidiary and its related companies	94,701	59,945
Amount included in non-current liabilities	94,701	59,945

36. RELATED PARTY TRANSACTIONS *(continued)*

(b) Amounts with related parties are summarised below: *(continued)*

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, bears interest at 3 months LIBOR rate, as at 31 March 2019, the effective interest rate is 2.42% per annum (2018: 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	**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
As at 31 March 2018 and 1 April 2018	**(60,666)**	**(2,816)**	**(635,457)**	**(698,939)**
Accrued interest	**(1,540)**	**(2,860)**	**(63,929)**	**(68,329)**
Interest paid	**1,540**	**2,860**	**53,880**	**58,280**
Acquisition of a subsidiary (Note 41)	**–**	**–**	**(296,653)**	**(296,653)**
Financing cash inflows	**(39,296)**	**–**	**(2,677,306)**	**(2,716,602)**
Financing cash outflows	**–**	**2,666**	**690,190**	**692,856**
As at 31 March 2019	**(99,962)**	**(150)**	**(2,929,275)**	**(3,029,387)**

38. COMMITMENTS

	2019 **HK$'000**	2018 HK$'000
Capital expenditure contracted but not provided for in respect of acquisition of property, plant and equipment	**56,706**	–

39. FINANCIAL RISK MANAGEMENT

The Group's major financial instruments include trade and other receivables, bank balances and cash, trade and other payables, 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 borrowings. The Group is also exposed to fair value interest rate risk related to its fixed-rate bank deposits and 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.

Credit risk

The credit risk of the Group mainly arises from bank balances, deposits, trade receivables, amounts due from related parties, pledged bank deposits and other receivables. The carrying amounts of these balances represent the Group's maximum exposure to credit risk in relation to financial assets.

In respect of cash deposited at banks, the credit risk is considered to be low as the counterparties are reputable banks. The existing counterparties do not have defaults in the past. Therefore, expected credit loss rate of cash at bank is assessed to be close to zero and no provision was made as of 31 March 2019.

The Group applies the general approach to provide for expected credit losses prescribed by HKFRS 9, which uses 12-month expected credit loss provision for all financial assets carried at amortised cost. To measure the expected credit losses, financial assets carried at amortised cost have been grouped based on shared credit risk characteristics. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit loss. It considers available reasonable and supportive forwarding-looking information.

As at 31 March 2019, financial assets carried at amortised cost that are individually significant have been separately assessed for impairment. The Group makes periodic assessments on the recoverability of the receivables based on the background and reputation of the customers, historical settlement records and past experience.

39. FINANCIAL RISK MANAGEMENT *(continued)*

Credit risk *(continued)*

Majority of the Group's revenue is received from individual customers in relation to sales of coals. The Group's trade receivables arise mainly from sales of coals. As at the end of the year, the top five debtors and the largest debtor accounted for approximately 84.4% and 34.3% respectively (2018: 88.7% and 27.5%), of the Group's trade receivables balance. In view of the history of business dealings with the debtors and the sound collection history of the receivables due from them, management believes that there is no material credit risk inherent in the Group's outstanding receivable balance due from these debtors saved for the debtor related to the impaired trade receivables disclosed in the below. Management makes periodic assessment on the recoverability of the trade and other receivables based on historical payment records, the length of overdue period, the financial strength of the debtors and whether there are any disputes with the debtors.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 180 days (2018: 90 days) from the date of billing. Normally, the Group does not obtain collateral from customers.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets at amortised costs
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL — not credit-impaired	12-month ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL — not credit-impaired	Lifetime ECL — not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL — credit impaired	Lifetime ECL — credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Company has no realistic prospect of recovery	Amount is written off	Amount is written off

39. FINANCIAL RISK MANAGEMENT *(continued)*

Credit risk *(continued)*

The tables below detail the credit risk exposures of the Group's financial assets, trade receivables, amounts due from related parties and other financial asset at amortised cost, which are subject to ECL assessment:

2019	**External credit rating**	**Internal credit rating**	**12m ECL or Lifetime ECL**	**Gross carrying amount** HK$'000	HK$'000
Financial assets at amortised costs:					
Trade receivables	B	Low risk	Lifetime ECL (not credit-impaired)	222,346	
	N/A	Loss	Lifetime ECL (credit-impaired)	1,350	**223,696**
Other receivables and deposits	B	Low risk	12m ECL	390,055	
	N/A	Write-off	Amount written off	714	**390,769**
Amounts due from related parties	B	Low risk	12m ECL	237,845	**237,845**

For trade receivables, the Company has applied the general approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Company determines the expected credit losses on these items on an individual balance basis.

The closing loss allowances for trade receivables as at 31 March 2019 reconcile to the opening loss allowances as follows:

	Lifetime ECL (not credit-impaired) HK$'000	**Lifetime ECL (credit impaired)** HK$'000
At 31 March 2018 — HKAS 39	–	1,350
Amounts re-measured through opening retained profits	2,346	–
At 1 April 2018 — HKFRS 9	2,346	1,350
Increase in loss allowance recognised in profit or loss during the year	595	–
At 31 March 2019 — HKFRS 9	2,941	1,350

Allowance for credit losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item. The gross carrying amount of HKS1,350,000 was individually considered as impaired due to recoverability of this long outstanding debts is very low.

39. FINANCIAL RISK MANAGEMENT *(continued)*

Credit risk *(continued)*

For other receivables, are assessed on general approach basis to measure the loss allowance. Except with significant outstanding balances or credit impaired as at 31 March 2019 were assessed individually.

The closing loss allowances for other receivables as at 31 March 2019 reconcile to the opening loss allowances as follows:

	12m ECL HK$'000	**Amount written off** HK$'000
At 31 March 2018 — HKAS 39	–	–
Amounts re-measured through opening retained profits	2,103	–
At 1 April 2018 — HKFRS 9	2,103	–
Increase in loss allowance recognised in profit or loss during the year	3,624	714
At 31 March 2019 — HKFRS 9	5,727	714

As at 31 March 2019, the Group has other receivables with approximately HK$714,000 being written off since the management of the Company considered these balances are uncollectible.

For amounts due from related parties, are assessed on 12m ECL basis to measure the loss allowance.

The closing loss allowances for amounts due from related parties as at 31 March 2019 reconcile to the opening loss allowances as follows:

	12m ECL HK$'000
At 31 March 2018 — HKAS 39	–
Amounts re-measured through opening retained profits	1,674
At 1 April 2018 — HKFRS 9	1,674
* Reversal of credit losses	(1,669)
At 31 March 2019 — HKFRS 9	5

* Reversal was due to recovery of debt during the year.

39. FINANCIAL RISK MANAGEMENT *(continued)*

Liquidity risk

In management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of 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
2019					
Trade payables	**263,972**	**–**	**–**	**263,972**	**263,972**
Other payables and accruals	**740,055**	**–**	**–**	**740,055**	**740,055**
Borrowings	**444,364**	**1,244,893**	**1,352,206**	**3,041,463**	**2,929,275**
Amounts due to related parties	**5,261**	**–**	**94,701**	**99,962**	**99,962**
Obligation under finance leases	**166**	**–**	**–**	**166**	**150**
	1,453,818	**1,244,893**	**1,446,907**	**4,145,618**	**4,033,414**
2018					
Trade payables	161,496	–	–	161,496	161,496
Other payables and accruals	165,212	–	–	165,212	165,212
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

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 2019, the Group had forward currency contracts on IDR with a fair value of HK$Nil (2018: HK$406,000), recognised as derivative financial instruments. The Group currently does not have a hedging policy for SGD. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

39. FINANCIAL RISK MANAGEMENT *(continued)*

Currency risk *(continued)*

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$'000
2019	
If IDR strengthens/(weakens) against US$ by 5%	**5,250**
If SGD strengthens/(weakens) against US$ by 5%	**62**
If INR strengthens/(weakens) against US$ by 5%	**88,832**
2018	
If IDR strengthens/(weakens) against US$ by 5%	8,575
If SGD strengthens/(weakens) against US$ by 5%	58
If INR strengthens/(weakens) against US$ by 5%	–

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), borrowings, amounts due to related parties, obligation under finance leases and liability component of convertible bonds.

The carrying value of these financial instruments approximates fair value.

(b) Financial instruments measured at fair value

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

The valuation techniques and significant unobservable inputs used in determining the fair value measurement of Level 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.

39. FINANCIAL RISK MANAGEMENT *(continued)*

Fair value *(continued)*

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

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.

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

As at 31 March 2019

	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				
Derivative financial instruments				
— Interest rate swap	**–**	**(953)**	**–**	**(953)**
— Future oil contracts	**(141)**	**–**	**–**	**(141)**
	(141)	**(953)**	**–**	**(1,094)**

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 2018 and 2019, the Group has no financial instrument carried at fair value under Level 3 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 borrowings, amounts due to related parties, obligation under finance leases and derivative financial liabilities. 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 2018 and 2019 are as follows:

	2019 **HK$'000**	2018 HK$'000
Total borrowings	**3,030,481**	712,504
Equity attributable to owners of the Company	**4,536,117**	3,480,616
Total capital	**7,566,598**	4,193,120
Gearing ratio	**40%**	17%

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. ACQUISITION OF A SUBSIDIARY

On 18 March 2019, the Group acquired 100% of the issued share capital of SKS Power Generation (Chhattisgarh) Limited ("SKSPGL") for consideration of INR21,700,000,000 (equivalent to approximately HK$2,485,397,000). This acquisition has been accounted for using the purchase method. The amount of gain on bargain purchase arising as a result of the acquisition was approximately HK$1,003,852,000. SKSPGL is engaged in the business of coal-based thermal power plant and the construction, development and operation of the project of setting up a 1,200 (4X300) megawatt domestic coal based thermal power plant comprising of 4 units of 300 megawatt each, in 2 phases of 600 megawatt each, at village Binjkote & Durramuda, Raigarh, in the State of Chhattisgarh, India. SKSPGL was acquired so as to expand its business to the energy-related thermal power plant operation, as well as to diversify its customer base into emerging markets like India.

Consideration transferred

	HK$'000
Cash	2,485,397

Acquisition-related costs of approximately HK$8,250,000 have been excluded from the consideration transferred and have been recognised as an expense in the current year, within the administrative expenses line item in the consolidated statement of profit or loss and other comprehensive income.

41. ACQUISITION OF A SUBSIDIARY *(continued)*

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	HK$'000
Property, plant and equipment	3,878,399
Prepaid lease payments	44,507
Trade receivables	23,569
Other receivables, deposits and prepayments	458,205
Inventories	16,593
Bank balances and cash	177,650
Trade payables	(112,559)
Other payables and accruals	(224,272)
Retention payables	(231,767)
Borrowings	(296,653)
Deferred revenue	(244,423)
	3,489,249

Gain on bargain purchase arising on acquisition:

	HK$'000
Consideration transferred	2,485,397
Less: net assets acquired	(3,489,249)
Gain on bargain purchase arising on acquisition	(1,003,852)

The Group recognised a gain on bargain purchase of approximately HK$1,003,852,000 in the consolidated statement of profit or loss as a result of acquisition of SKSPGL. SKSPGL has been facing challenges to meet its debt obligation and non-tie up of the entire capacity of the power generated in the project. The main reason giving rise to the bargain purchase was that the total consideration was set at a substantial discount below the provisional fair value of the acquired net identifiable assets of SKSPGL with reference to independent valuation.

41. ACQUISITION OF A SUBSIDIARY *(continued)*

Net cash outflow on acquisition of SKSPGL

	HK$'000
Cash consideration paid	2,485,397
Less: cash and cash equivalent balances acquired	(177,650)
	2,307,747

Included in the profit for the year is approximately HK$47,204,000 loss attributable to the additional business arising by SKSPGL. Revenue for the year includes HK$20,198,000 generated from SKSPGL. Had the acquisition been completed on 1 April 2018, total group revenue for the year would been approximately HK$561,000,000, and loss for the year would have been HK$975,893,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2018, nor is it intended to be a projection of future results.

42. EVENT AFTER THE REPORTING PERIOD

Acquisition of coal mine in China

Subsequent to the financial year end date, the Group has acquired a coal mine located in Shaanxi Province of China at a consideration of RMB243 million (equivalent to approximately HK$283 million). The coal mine reserve is preliminarily estimated at approximately 19 million tonnes. The coal quality is expected to be low volatile matter, medium-ash and high-sulphur content with medium-high calorific value of approximately 4,800–5,400 kcal/kg. It is expected that the mine will start to contribute to the performance of the Group's mining segment upon commencement of its operation from FY2020 onwards. Pursuant to the Listing Rules, the acquisition is exempted from any requirements of Chapter 14 of the Listing Rules as all applicable percentage ratios under Rule 14.07 are below 5%.

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

43. LITIGATION *(continued)*

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.

As at the date hereof, the Jakarta Proceedings at the District Court and High Court level have been completed. At the District Court level, the court issued a final judgment in favour of the Group and rejected the Plaintiffs' claim. Thereafter, the Plaintiffs lodged an appeal to the High Court. On appeal, the High Court rejected the Plaintiffs' appeal in its entirety and further awarded costs against the Plaintiffs.

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.

EPC Contractor case

SKSPGL is setting up a 1200 MW coal based thermal power plant ("the Project") in Raigarh district, Chhattisgarh, in 2 Phases, each comprising of 2 units of 300 MW each. The SKSPGL has achieved Commercial Operation Date ("COD") of Unit 2 (1x300 MW) of Phase I on 6 October 2017 and that of Unit 1 on 1 April 2018. Majority of the work pertaining to common facilities for Phase I and II have been completed/constructed and work specifically pertaining to Phase II shall commence after successful completion of resolution plan.

The main EPC Contractor (the "Contractor") was responsible for Design, Engineering, Supply, Civil Works, Erection and Commissioning for the Project. Due to financial stress faced by them, they were not in compliance with the respective Contracts entered into for execution of the Project. At the request of the Contractor, in the prior years the SKSPGL made on account payments against the Contracts and also made payments to its vendors for the Project and its employees connected with execution of the Project and these payments were being adjusted against the invoices/proforma invoices raised by the Contractor for the work executed. On 12 November 2013, the SKSPGL and the EPC Contractor had entered into Amendment Agreement, pursuant to which the SKSPGL has taken over the entire site management under its control effective 30 December 2013, except supply contract which continued with the said EPC Contractor. Under the said Amendment Agreement, it was decided that the EPC Contractor shall pay liquidated damages aggregating to INR 750,000,000 (approximately HK$82 million) in three tranches, which shall be accounted as and when received, the first tranche was payable on or before 31 December 2014, second tranche was payable on or before 31 March 2016 and third tranche was payable on or before 31 March 2017 for which the SKSPGL had been in discussion with Contractor for payment. Pending civil and erection work related to the said EPC Contractor was carried out by the other contractors/sub-contractors with whom the SKSPGL signed new contracts.

43. LITIGATION *(continued)*

EPC Contractor case *(continued)*

The EPC Contractor had issued proforma invoices during the previous year against the supply of material amounting to INR 1,813,300,000 (approximately HK$199 million) for which no details/supportings have been furnished by the EPC Contractor and the Company based on its records/available information accounted INR 630,800,000 (approximately HK$69 million). The amount recoverable from the EPC contractor of INR 1,594,300,000 (approximately HK$175 million) (excluding Retention money) as at year end and after adjustment of encashment of BG referred to below of INR 330,000,000 (approximately HK$36 million).

Pursuant to the petition filed by a creditor of the EPC contractor, the National Company Law Tribunal ("NCLT"), Division Bench, Chennai has ordered commencement of a Corporate Insolvency Resolution Process against the said EPC contractor vide its Order No CP/511/(IB) 2017 dated 16 June 2017. The Interim Insolvency Resolution Professional ("IRP") appointed by NCLT issued a notice dated 20 July 2017 to the creditors of the said EPC contractor to submit their respective claims to IRP. In response to the notice, the SKSPGL, on 3 August 2017, submitted its claim amounting to INR 3,430,000,000 (approximately HK$376 million) (including Liquidated damages, interest and other cost overrun suffered by the SKSPGL due to reason attributed to the EPC contractor and after adjustment of advances) to the IRP. The claim shall be accounted for as and when settled by the IRP.

The SKSPGL has invoked Bank Guarantees ("BGs") of aggregate amount of INR 2,119,500,000 (approximately HK$232 million) (Advance and Performance Bank Guarantees) for the loss and damages caused to the SKSPGL by reason of default on the part of EPC Contractor in discharging its obligations under the Supply, Civil Works and Erection and Commissioning contracts. The EPC Contractors/Bankers objected and filed a suit against the encashment of the said BGs which has been legally challenged before various High Courts. The Hon'ble Bombay High Court has allowed encashment of BGs aggregating to INR 330,000,000 (approximately HK$36 million) pertaining to civil contracts for which amount has been received during the year. Considering this the management is confident that its appeals before other High Courts would be decided in favour of the SKSPGL. The SKSPGL has also obtained a legal opinion on the matter which supports management's conclusion. Accordingly, the Company is of the view that it has a strong case that its dues will be recovered and no additional liability will devolve on the Company.

44. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

	2019 **HK$'000**	2018 HK$'000
Financial assets		
Fair value through profit or loss		
— Derivative financial assets	–	729
Loans and receivables (including bank balances and cash)	–	907,157
Financial assets (including bank balances and cash), at amortised cost	**1,365,539**	–
Financial liabilities		
Fair value through profit or loss		
— Derivative financial liabilities	**1,094**	13,565
Financial liabilities, at amortised cost	**4,033,414**	1,025,647

45. COMPARATIVE FIGURES

The Group has initially applied HKFRS 15 and HKFRS 9 at 1 April 2018. Under the transition methods, comparative information is not restated. Further details of the changes in accounting policies are disclosed in Note 4.

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:

	2015 HK$'000	2016 HK$'000	2017 HK$'000	2018 HK$'000	**2019 HK$'000**
Revenue	1,234,468	1,152,468	1,441,539	2,237,335	**1,904,726**
Profit before income tax	212,815	509,207	387,900	765,512	**1,345,503**
Income tax expense	(31,956)	(43,594)	(75,382)	(154,473)	**(160,435)**
Profit for the year	180,859	465,613	312,518	611,039	**1,185,068**
Attributable to:					
Owners of the Company	146,858	470,782	233,919	424,452	**1,068,077**
Non-controlling interests	34,001	(5,169)	78,599	186,587	**116,991**
	180,859	465,613	312,518	611,039	**1,185,068**

ASSETS AND LIABILITIES

	2015 HK$'000	2016 HK$'000	2017 HK$'000	2018 HK$'000	**2019 HK$'000**
Total assets	4,029,154	7,092,104	7,702,556	8,088,678	**12,473,101**
Total liabilities	(1,522,357)	(2,554,044)	(2,773,060)	(2,405,648)	**(5,607,082)**
	2,506,797	4,538,060	4,929,496	5,683,030	**6,866,019**
Attributable to:					
Owners of the Company	1,600,189	2,695,642	2,935,678	3,480,616	**4,536,117**
Non-controlling interests	906,608	1,842,418	1,993,818	2,202,414	**2,329,902**
	2,506,797	4,538,060	4,929,496	5,683,030	**6,866,019**