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鴻寶資源有限公司

AGRITRADE RESOURCES LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 1131)

- (1) MAJOR TRANSACTION --- PROPOSED ACQUISITION OF
51% INTEREST IN MERGE MINING HOLDING LIMITED;
(2) PROPOSED FORMATION OF A JOINT VENTURE;
(3) PROPOSED GRANT OF SPECIFIC MANDATES TO ISSUE AND ALLOT
CONVERTIBLE PREFERENCE SHARES AND CONVERSION SHARES; AND
(4) CANCELLATION AND RECLASSIFICATION AND REDESIGNATION OF
AUTHORISED SHARE CAPITAL**

Financial Adviser to the ARL



MAJOR TRANSACTION

The Board is pleased to announce that on 28 October 2015, ARL, SIL and MMHL entered into each of the Acquisition and Subscription Agreement and the Shareholders Agreement. Pursuant to the terms and conditions of the Acquisition and Subscription Agreement, subject to the fulfilment or waiver (as the case may be) of the Conditions: (i) in relation to the Acquisition, SIL has agreed to sell and ARL has agreed to purchase, or has agreed to designate its nominee to purchase, the Sale Shares, representing (i) 29.4% of the issued share capital of MMHL as at the date of this announcement and (ii) 20.4% of the issued share capital of MMHL as enlarged by the Subscription Shares upon First Completion and assuming no other change in the issued share capital of MMHL; and (ii) in relation to the Subscription, MMHL has agreed to issue and ARL has agreed to subscribe for, or has agreed to designate its nominee to subscribe for the Subscription Shares, representing (i) 44.0% of the issued share capital of MMHL as at the date of this announcement and (ii) 30.6% of the issued share capital of MMHL as enlarged by the Subscription Shares upon First Completion and assuming no other change in the issued share capital of MMHL, so that, upon First Completion of the Acquisition and the Subscription, ARL or its nominee will hold 51.0% of the then issued share capital of MMHL.

In the event that the First Conditions (but not the Second Conditions) are satisfied or waived (as the case may be) by the First Long Stop Date, the Consideration payable at the First Completion shall be US\$50 million, and in the event that the Second Conditions are also satisfied or waived (as the case may be) by the Second Long Stop Date (in addition to the satisfaction or waiver of the First Conditions), the Consideration payable at the Second Completion shall be US\$103 million, and the aggregate Consideration payable at the First Completion and the Second Completion shall become US\$153 million.

MMHL is an exempted company with limited liability incorporated under the laws of the Cayman Islands. MMHL, through its subsidiaries, owns a 100% interest in the Target Mine. The Target Mine will be the first large operating scale mechanized longwall underground coal mine in Indonesia with total JORC compliant Proven and Probable Reserves of 92.0 mt.

ARL will issue to SIL (i) upon First Completion, 63,265,306 Class A Convertible Preference Shares credited as fully paid and (ii) upon Second Completion, 115,459,184 Class A Convertible Preference Shares credited as fully paid and 178,724,490 Class B Convertible Preference Shares credited as fully paid as settlement of part of the Consideration for the Acquisition and the Subscription. The Convertible Preference Shares will be issued pursuant to the Specific Mandates to be sought at the SGM.

The Transactions and subsequent consolidation of MMHL into ARL represent and are consistent with ARL's strategy and commitment to the Indonesian coal market as well as enable ARL to tap into different markets outside Indonesia in terms of coal trading, sale, production and coal mining technique. The Transactions also represent an opportunity for ARL to acquire a quality (high CV, low inherent moisture and low sulphur content) coal mine. Its significant Reserves and Resources provide for a mine life which can drive sustainable growth and profitability.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under Chapter 14 of the Listing Rules) in respect of the Transactions exceeds 25% but is less than 100%, the Transactions constitute a major transaction for ARL and is subject to approval by the Shareholders at the SGM pursuant to Chapter 14 of the Listing Rules.

The SGM will be convened and held for Shareholders to consider and, if thought fit, to approve the following: (i) the Acquisition and Subscription Agreement, the Shareholders Agreement and the transactions contemplated thereunder (including but not limited to the set up of a joint venture, the Equalisation Option and the conversion of any Convertible Preference Shares by SIL in accordance with the terms of the Acquisition and Subscription Agreement); (ii) the proposed grant of the Specific Mandates for the allotment and issue of the Class A Convertible Preference Shares and Class B Convertible Preference Shares and the allotment and issue of the Conversion Shares of ARL upon full conversion of the Class A Convertible Preference Shares and Class B Convertible Preference Shares; and (iii) the proposed Cancellation and Redesignation of the authorised share capital of ARL.

As no Shareholders have any material interest in (i) the Transactions (including but not limited to the set up of a joint venture, the Equalisation Option and the conversion of any Convertible Preference Shares by SIL in accordance with the terms of the Acquisition and Subscription Agreement), (ii) the proposed grant of the Specific Mandate, and (iii) the proposed Cancellation and Redesignation of the authorised share capital of ARL, no Shareholders are required to abstain from voting at the SGM on the resolutions to approve the above matters.

In connection with the SGM, ARL will prepare the circular containing further details which is expected to be despatched to the Shareholders on or before 30 November 2015, since it is expected that further time is required to finalise the contents and the financial information to be included in the circular.

As completion of the Transactions is conditional upon satisfaction (or, if applicable, waiver) of certain conditions, the Transactions may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the Shares.

INTRODUCTION

The Board is pleased to announce that on 28 October 2015, ARL, SIL and MMHL entered into each of the Acquisition and Subscription Agreement and the Shareholders Agreement. A summary of the major terms of each of the Acquisition and Subscription Agreement and the Shareholders Agreement is set out below.

THE ACQUISITION AND SUBSCRIPTION AGREEMENT

Date: 28 October 2015

Parties:

- (i) ARL, in respect of the Acquisition, as purchaser; and in respect of the Subscription, as subscriber;
- (ii) SIL, in respect of the Acquisition, as vendor; and
- (iii) MMHL, in respect of the Acquisition, as target company; and in respect of the Subscription, as issuer.

ARL, as lender, and MMHL, as borrower, are parties to the Interim Loan Agreement, amounts outstanding under which will be set off against part of the Consideration as disclosed in the paragraph headed “Consideration and Payment Terms” below.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, SIL and MMHL and their ultimate beneficial owner(s) are independent of ARL and its connected persons (as defined in the Listing Rules).

Acquisition of the Sale Shares and Subscription of the Subscription Shares

Pursuant to the terms and conditions of the Acquisition and Subscription Agreement, subject to the fulfilment or waiver (as the case may be) of the Conditions:

- (i) in relation to the Acquisition, SIL has agreed to sell and ARL has agreed to purchase, or has agreed to designate its nominee to purchase, the Sale Shares, representing (i) 29.4% of the issued share capital of MMHL as at the date of this announcement and (ii) 20.4% of the issued share capital of MMHL as enlarged by the Subscription Shares upon First Completion and assuming no other change in the issued share capital of MMHL; and
- (ii) in relation to the Subscription, MMHL has agreed to issue and ARL has agreed to subscribe for, or has agreed to designate its nominee to subscribe for the Subscription Shares, representing (i) 44.0% of the issued share capital of MMHL as at the date of this announcement and (ii) 30.6% of the issued share capital of MMHL as enlarged by the Subscription Shares upon First Completion and assuming no other change in the issued share capital of MMHL,

so that, upon First Completion of the Acquisition and the Subscription, ARL or its nominee will hold 51.0% of the then issued share capital of MMHL. Second Completion of the Acquisition and the Subscription does not involve any issue of new shares by MMHL or any transfer in the shares of MMHL.

As at the date of this announcement, ARL has, pursuant to the terms of the Acquisition and Subscription Agreement, designated the Nominee as its nominee to perform certain rights and obligations under the Acquisition and Subscription Agreement.

Consideration and Payment Terms

In the event that the First Conditions (but not the Second Conditions) are satisfied or waived (as the case may be) by the First Long Stop Date, the Consideration payable at the First Completion shall be US\$50 million, and in the event that the Second Conditions are also satisfied or waived (as the case may be) by the Second Long Stop Date (in addition to the satisfaction or waiver of the First Conditions), the Consideration payable at the Second Completion shall be US\$103 million, and the aggregate Consideration payable at the First Completion and the Second Completion shall become US\$153 million. The Consideration shall be settled in the following manner:

- (i) subject to the satisfaction or waiver of the First Conditions, at First Completion,
 - (a) Nominee will subscribe from MMHL and MMHL will allot and issue to Nominee the Subscription Shares;
 - (b) Nominee will receive from SIL and SIL will transfer to Nominee the Sale Shares;
 - (c) Nominee will pay a subscription price of US\$30 million to MMHL (I) in cash or (II) through a combination of cash and by way of set off against the same dollar value of some or all of the principal, interest and any other amounts outstanding from MMHL to ARL under the Interim Loan Agreement;
 - (d) ARL will allot and issue to SIL and SIL will receive from ARL 63,265,306 Class A Convertible Preference Shares having an aggregate notional value of US\$20 million; and
- (ii) subject to the satisfaction or waiver of the Second Conditions, at Second Completion,
 - (a) ARL will pay an additional payment of US\$10 million to SIL in cash;
 - (b) ARL will allot and issue to SIL and SIL will receive from ARL 115,459,184 Class A Convertible Preference Shares having an aggregate notional value of US\$36.5 million; and
 - (c) ARL will allot and issue to SIL and SIL will receive from ARL 178,724,490 Class B Convertible Preference Shares having an aggregate notional value of US\$56.5 million.

The Consideration has been determined after arm's length negotiations between ARL and SIL taking into account factors including but not limited to, (i) the estimated value of the Target Mine; (ii) the current coal market environment; (iii) the risk in association with the development and assets of the Target Mine; and (iv) the benefits of the Transactions as disclosed in "Reasons for the Acquisition and the Subscription" of this announcement. The board of Directors of ARL is of the opinion that the Consideration is fairly and reasonably determined and in the interests of Shareholders. A valuation report on the Target Mine in compliance with the requirements of Chapter 18 of the Listing Rules will be included in the circular to be despatched to the Shareholders.

First Conditions

The First Completion is conditional upon the fulfilment or waiver of, as the case may be, the following First Conditions on or before the First Long Stop Date:

- (i) each of the Transaction Documents has been entered into by the parties to it;
- (ii) the designated persons have been appointed to the boards of MMI and all actions taken by MMI since the expiry of the terms of office of its previous boards have been duly ratified by the shareholders of MMI;
- (iii) installation of the equipment necessary to complete the first longwall has commenced;
- (iv) all indebtedness owed by MMHL or its subsidiaries has either been repaid in full or released, except for (a) the indebtedness under the Interim Loan Agreement and (b) indebtedness in respect of costs for the first longwall;
- (v) a financial consulting company has confirmed to ARL that all taxes owed by MMHL or its subsidiaries have been duly paid (including any tax penalty);
- (vi) a financial consulting company has confirmed to ARL that all shares issued by MMHL or its subsidiaries have been fully paid up in cash;
- (vii) Tactwill International Investment Limited has transferred all of the shares it holds in MMHL to SIL so that SIL holds 100% of the issued shares of MMHL;
- (viii) all approvals required under the laws of Bermuda for the issuance of the Convertible Preference Shares have been obtained; and
- (ix) all necessary approvals for the transaction of the Acquisition and the Subscription Agreement required under the Bye-laws of ARL, the Listing Rules and otherwise have been obtained, including:
 - (a) the passing of resolutions by the requisite majority of shareholders of ARL in a general meeting required under relevant laws, rules and regulations, including pursuant to the Listing Rules in respect of, among other things:

- I. the Subscription and the Acquisition;
 - II. the Specific Mandates for the allotment and issuance of the Class A Convertible Preference Shares and Class B Convertible Preference Shares and the allotment and issuance of the Conversion Shares of ARL upon full conversion of the Class A Convertible Preference Shares and Class B Convertible Preference Shares; and
 - III. the Cancellation and Redesignation of the authorized share capital of ARL;
- (b) the granting of the approval for (i) the issuance of the Class A Convertible Preference Shares and Class B Convertible Preference Shares and (ii) the listing of, and permission to deal in the Conversion Shares of ARL upon full conversion of the Class A Convertible Preference Shares and Class B Convertible Preference Shares by the Stock Exchange.

Subject to or conditional upon the compliance with the applicable laws and the Listing Rules, all the First Conditions above may be waived by ARL in writing.

As at the date of this announcement, First Condition no. (vii) has been fulfilled.

Second Conditions

The Second Completion is conditional upon the fulfilment or waiver of, as the case may be, the following Second Conditions on or before the Second Long Stop Date:

- (i) First Completion has occurred in accordance with the Acquisition and Subscription Agreement;
- (ii) Ministry of Energy and Mineral Resources of the Republic of Indonesia has re-issued the MESD IUP;
- (iii) SIL is not in default of any of its obligations under each of the Transaction Documents; and
- (iv) MMI has commenced commercial production of run-of-mine coal.

All the Second Conditions above may be waived by ARL in writing.

As at the date of this announcement, none of the above Second Conditions has been fulfilled.

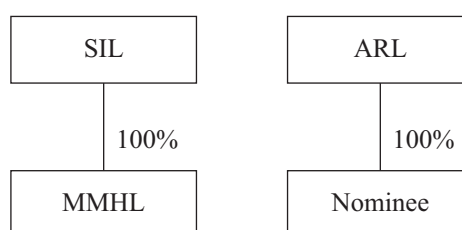
If (i) the First Conditions are not fulfilled or waived by ARL (as the case may be) by the First Long Stop Date, or (ii) the Conditions are not fulfilled or waived by ARL (as the case may be) by the Second Long Stop Date, then:

- (i) if First Completion has not occurred, (a) ARL shall not be bound to proceed with the subscription of the Subscription Shares and the acquisition of the Sale Shares and (b) SIL shall no longer have an entitlement to the part of Consideration payable at First Completion;
- (ii) if First Completion has already occurred, SIL shall no longer have an entitlement to the part of Consideration payable at Second Completion; and
- (iii) the Acquisition and Subscription Agreement shall be terminated and cease to be of any effect save for any provision such as those relating to the confidentiality obligations and any claims arising out of any antecedent breach of the Acquisition and Subscription Agreement.

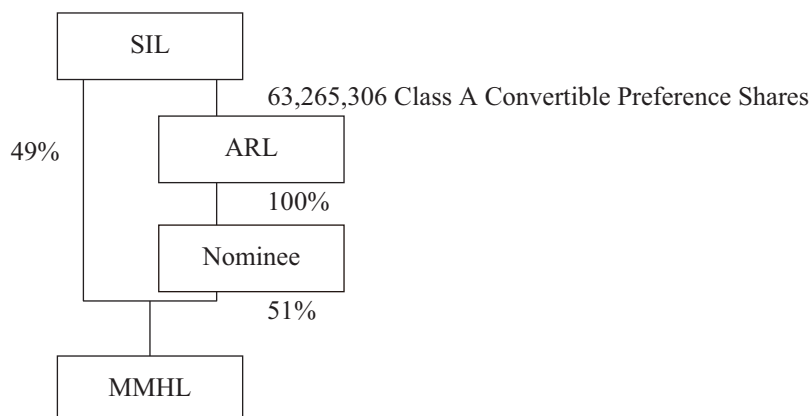
Completion

Subject to the fulfilment or waiver of the First Conditions or the Second Conditions (as the case may be), each of the First Completion and the Second Completion is expected to take place on the First Completion Date and the Second Completion Date respectively. Upon the First Completion, MMHL will become a non-wholly-owned subsidiary of ARL and the accounts of MMHL will be consolidated into the financial statements of ARL.

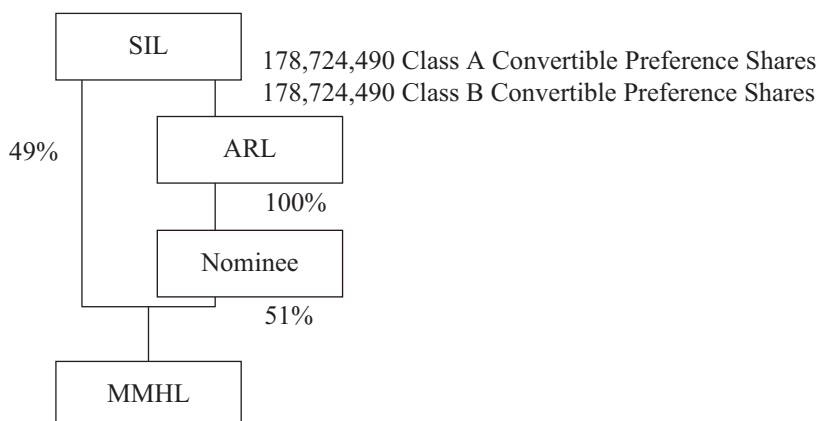
The following diagram shows the shareholding and corporate structure of ARL, SIL and MMHL as at the date of this announcement:



The following diagram shows the shareholding and corporate structure of ARL, SIL and MMHL immediately after the First Completion but before the Second Completion:



The following diagram shows the shareholding and corporate structure of ARL, SIL and MMHL immediately after the Second Completion:



In the event that the Second Completion occurs, and upon conversion of all the Convertible Preference Shares held by SIL into the Conversion Shares, SIL will not become a controller for the propose of Rule 14A.28 of the Listing Rules.

SIL's Lock-up Undertakings

Pursuant to the terms of the Acquisition and Subscription Agreement, SIL agrees that

- (i) it shall not transfer the Convertible Preference Shares unless ARL has given its express consent to such transfer and such transfer is made in accordance with the laws and rules;
- (ii) upon conversion of any Convertible Preference Shares to Conversion Shares in ARL, it will not transfer those Conversion Shares for a period of two years from the date of conversion; and

- (iii) from First Completion until the date which is two years after the date of the last conversion of the Convertible Preference Shares to Conversion Shares in ARL, there shall be no change in control of SIL.

SIL's Undertakings

After the First Completion, SIL undertakes that it will not, other than as a holder of shares in MMHL or in a company carrying on such business where the shareholding is for investment purpose only, carry on or be engaged in any business ("**Competing Business**") which competes with the business carried on by MMHL or its subsidiaries in South Kalimantan, unless:

- (i) SIL has offered to ARL an opportunity to participate in that Competing Business on the same terms as SIL proposes to participate in that Competing Business (on the basis that ARL will have the right to participate (own an interest in the costs and benefits of SIL's opportunity) on an up to 50% basis, as between SIL and ARL) ("**SIL's Offer**"); and
- (ii) either:
 - (a) ARL notifies SIL that it declines SIL's Offer; or
 - (b) ARL notifies SIL that it accepts SIL's Offer, and in which case, SIL and ARL must use all reasonable endeavours to pursue the Competing Business together in accordance with SIL's Offer; or
 - (c) 60 days after receiving SIL's Offer, ARL has not accepted or declined SIL's Offer.

SIL further undertakes that upon each of the Indemnity Events occurring, it shall pay in cash to restore ARL on demand a sum equal to the aggregate of:

- (i) the amount which, if received by any of MMHL or its subsidiaries, would be necessary to that company into the financial position which would have existed had the Indemnity Event not occurred; and
- (ii) all losses suffered or incurred by ARL, MMHL or its subsidiaries as a result of the Indemnity Events.

A summary of key Indemnity Events, amongst others, are as follows:

- (i) Spouse(s) of any historic transferor of shares in share capital of the Indonesian Subsidiaries makes a claim to be entitled to any of the shares in the Indonesian Subsidiaries on the basis that the spouse did not give their consent to the historic share transfer;
- (ii) Any employee of the Indonesian Subsidiaries makes a claim for employee entitlements triggered by the change in control of the Indonesian Subsidiaries on First Completion;
- (iii) PT Hutan Rindang Banua makes a claim against MMHL or its subsidiaries in respect of trespass in the relevant areas; and
- (iv) PD Baramarta makes a claim against any of MMHL or its subsidiaries in respect of trespass in the relevant areas.

CONVERTIBLE PREFERENCE SHARES

ARL will issue to SIL (i) upon First Completion, 63,265,306 Class A Convertible Preference Shares credited as fully paid and (ii) upon Second Completion, 115,459,184 Class A Convertible Preference Shares credited as fully paid and 178,724,490 Class B Convertible Preference Shares credited as fully paid as settlement of part of the Consideration for the Acquisition and the Subscription. The Convertible Preference Shares will be issued pursuant to the Specific Mandates to be sought at the SGM.

Class A Convertible Preference Shares

The principal terms of the Class A Convertible Preference Shares are as follows:

Issuer:	ARL
Notional value:	HK\$2.45 per Class A Convertible Preference Share
Conversion ratio:	Each Class A Convertible Preference Share of the abovementioned notional value of an amount equivalent to HK\$2.45 shall be convertible into one Conversion Share in ARL
Dividends:	Each Class A Convertible Preference Share has no dividend entitlement until converted into a Conversion Share

Conversion right:	<p>Each Class A Convertible Preference Share is convertible at the option of the holder at any time after the Class A CPS Conditions Fulfilment Date until the earlier of:</p> <ul style="list-style-type: none"> (a) 2 years after the Class A CPS Conditions Fulfilment Date; and (b) the date on which all of the Class A Convertible Preference Shares have been converted, <p>provided that no Class A Convertible Preference Shares may be converted to the extent that following such exercise:</p> <ul style="list-style-type: none"> (a) the minimum public float requirement of ARL under the Listing Rules cannot be satisfied; or (b) a holder of Class A Convertible Preference Shares and parties acting in concert with it will trigger a mandatory offer obligations under Rule 26 of the Hong Kong Takeovers Code
Class A CPS Conditions Fulfilment Date:	Class A CPS Conditions Fulfilment Date is the date on which a notice has been served by ARL to holders of the Class A Convertible Preference Shares that sustainable production of 3.0 million tonnes of annualized production by the relevant subsidiaries of MMHL has been achieved
Ranking:	<p>The Class A Convertible Preference Shares rank:</p> <ul style="list-style-type: none"> (a) pari passu to the Class B Convertible Preference Shares; (b) pari passu to the Shares of ARL as to return of capital; and (c) beneath the Shares of ARL and any other shares of ARL having a dividend entitlement as to dividends
Voting rights:	Holders of Class A Convertible Preference Shares are not permitted to attend or vote at meetings of ARL, unless a resolution is proposed to vary the rights of holders of the Class A Convertible Preference Shares or a resolution is proposed for the winding up of ARL

Transferability:	The Class A Convertible Preference Shares may not be transferred until converted to Conversion Shares of ARL
Redemption:	Subject to applicable law, holders of Class A Convertible Preference Shares shall have no right to redeem the Class A Convertible Preference Shares
Return of capital:	On winding up of ARL, the Class A Convertible Preference Shares shall rank pari passu with the ordinary shares of ARL
Listing:	No application will be made for the listing of the Class A Convertible Preference Shares on the Stock Exchange or any other stock exchange

Class B Convertible Preference Shares

The principal terms of the Class B Convertible Preference Shares are as follows:

Issuer:	ARL
Notional value:	HK\$2.45 per Class B Convertible Preference Share
Conversion ratio:	Each Class B Convertible Preference Share of the abovementioned notional value of an amount equivalent to HK\$2.45 shall be convertible into one Conversion Share in ARL
Dividends:	Each Class B Convertible Preference Share has no dividend entitlement until converted into a Conversion Share
Conversion right:	<p>Each Class B Convertible Preference Share is convertible at the option of the holder at any time after the Class B CPS Conditions Fulfilment Date until the earlier of:</p> <ul style="list-style-type: none"> (a) 2 years after the Class B CPS Conditions Fulfilment Date; and (b) the date on which all of the Class B Convertible Preference Shares have been converted, <p>provided that no Class B Convertible Preference Shares may be converted to the extent that following such exercise:</p>

- (a) the minimum public float requirement of ARL under the Listing Rules cannot be satisfied; or
- (b) a holder of Class B Convertible Preference Shares and parties acting concert with it will trigger a mandatory offer obligations under Rule 26 of the Hong Kong Takeovers Code.

Class B CPS
Conditions
Fulfilment Date:

Class B CPS Conditions Fulfilment Date is the date on which a notice has been served by ARL to holders of the Class B Convertible Preference Share that:

- (a) sustainable production of 3.0 million tonnes of annualized production by the relevant subsidiaries of MMHL has been achieved; and
- (b) the mining business licence for coal mining held by PT Merge Energy Sources Development has been added to the “Clean and Clear List” maintained by the Indonesian Ministry of Energy and Mineral Resources.

Ranking:

The Class B Convertible Preference Shares rank:

- (a) pari passu to the Class A Convertible Preference Shares;
- (b) pari passu to the Shares of ARL as to return of capital; and
- (c) beneath the Shares of ARL and any other shares of ARL having a dividend entitlement as to dividends

Voting rights:

Holders of Class B Convertible Preference Shares are not permitted to attend or vote at meetings of ARL, unless a resolution is proposed to vary the rights of holders of the Class B Convertible Preference Shares or a resolution is proposed for the winding up of ARL

Transferability:

The Class B Convertible Preference Shares may not be transferred until converted to Conversion Shares of ARL

Redemption:

Subject to applicable law, holders of Class B Convertible Preference Shares shall have no right to redeem the Class B Convertible Preference Shares

Return of capital: On winding up of ARL, the Class B Convertible Preference Shares shall rank pari passu with the ordinary shares of ARL

Listing: No application will be made for the listing of the Class B Convertible Preference Shares on the Stock Exchange or any other stock exchange

The terms of the Convertible Preference Shares will be effective upon allotment and issuance of the Convertible Preference Shares, which is subject to the relevant First Conditions and Second Conditions as set out in the paragraphs headed “First Conditions” and “Second Conditions” respectively.

No application will be made for the listing of, or permission to deal in, the Convertible Preference Shares on the Stock Exchange or any other stock exchange.

At the First Completion and the Second Completion, ARL will allot and issue to SIL a total of 178,724,490 Class A Convertible Preference Shares. At the Second Completion, ARL will allot and issue to SIL 178,724,490 Class B Convertible Preference Shares. Each Class A Convertible Preference Share and each Class B Convertible Preference Share of the notional value of an amount equivalent to HK\$2.45 shall be convertible into one Conversion Share. The issue price of each Convertible Preference Share at HK\$2.45 represents:

- (i) a premium of approximately 56.1% over the closing price of HK\$1.57 per Share as quoted on the Stock Exchange on 28 October 2015, being the date of the Acquisition and Subscription Agreement;
- (ii) a premium of approximately 57.7% over the average closing price of approximately HK\$1.554 per Share as quoted on the Stock Exchange for the last five trading days immediately prior to and including the date of the Acquisition and Subscription Agreement;
- (iii) a premium of approximately 61.2% over the average closing price of approximately HK\$1.52 per Share as quoted on the Stock Exchange for the last ten trading days immediately prior to and including the date of the Acquisition and Subscription Agreement; and
- (iv) a premium of approximately 32.4% over the audited consolidated net assets value per Share attributable to the Shareholders as at 31 March 2015 of approximately HK\$1.85.

The issue price of HK\$2.45 per each Convertible Preference Share was arrived at by ARL and SIL after arm’s length negotiation with reference to, among others, (i) the estimated value of the coal Target Mine; and (ii) the pro forma financials and the enlarged market capitalisation of ARL upon First Completion and Second Completion.

Conversion of the Convertible Preference Shares

Upon full conversion of the Class A Convertible Preference Shares to be issued at the First Completion, a total number of not more than 63,265,306 Conversion Shares will be issued and credited as fully paid by ARL, which represents:

- (i) approximately 4.2% of the total issued share capital of ARL as at the date of this announcement, and
- (ii) approximately 4.0% of the enlarged issued share capital of ARL immediately after the issue and allotment of such 63,265,306 Conversion Shares upon conversion of such Class A Convertible Preference Shares at the conversion ratio.

Upon full conversion of all Convertible Preference Shares to be issued at the First Completion and the Second Completion, a total number of not more than 357,448,980 Conversion Shares will be issued by ARL, which represents:

- (i) approximately 23.5% of the total issued share capital of ARL as at the date of this announcement, and
- (ii) approximately 19.0% of the enlarged issued share capital of ARL immediately after the issue and allotment of such 357,448,980 Conversion Shares upon conversion of all such Convertible Preference Shares at the conversion ratio.

The Conversion Shares are to be issued pursuant to the Specific Mandates to be sought in the SGM. The Conversion Shares shall rank *pari passu* in all respects with the Shares. An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

EFFECTS ON SHAREHOLDING STRUCTURE

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the following chart sets out the shareholding structure of ARL (i) as at the date of this announcement; and (ii) for illustrative purpose, immediately upon First Completion and Second Completion as defined below assuming full conversion of the Convertible Preference Shares:—

	As at the date of this announcement		Immediately upon the conversion of the Class A Convertible Preference Shares to be issued at First Completion at the conversion ratio (assuming no other change in the issued share capital of ARL and the number of Shares owned by each of the Shareholders below between the date of this announcement and the date of the issue of the Conversion Shares remain unchanged)		Immediately upon the conversion of the Convertible Preference Shares to be issued at the First Completion and the Second Completion at the conversion ratio (assuming no other change in the issued share capital of the ARL and the number of Shares owned by each of the Shareholders below between the date of this announcement and the date of the issue of the Conversion Shares remain unchanged)	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
AIPL ⁽¹⁾	375,173,333	24.67	375,173,333	23.68	375,173,333	19.97
Amber Future Investments Limited ⁽²⁾	485,360,000	31.91	485,360,000	30.64	485,360,000	25.84
Berrio Global Limited ⁽³⁾	48,854,000	3.21	48,854,000	3.08	48,854,000	2.60
Ms. Lim Beng Kim, Lulu ⁽⁴⁾	45,966,667	3.02	45,966,667	2.90	45,966,667	2.45
Mrs. Chen Chou Mei Mei and her associates ⁽⁵⁾	10,110,000	0.67	10,110,000	0.64	10,110,000	0.54
Shieldman Limited ⁽⁶⁾	3,760,000	0.25	3,760,000	0.24	3,760,000	0.20
SIL	—	—	63,265,306	3.99	357,448,980	19.03
Sub-total	969,224,000	63.73	1,032,489,306	65.17	1,326,672,980	70.63
Public Shareholders	551,701,600	36.27	551,701,600	34.83	551,701,600	29.37
Total	1,520,925,600	100.00	1,584,190,906	100.00	1,878,374,580	100.00

Notes:

1. AIPL is owned as to 80% by Mr. Ng Say Pek, the chairman of the Board and a non-executive Director, and as to 20% by his spouse.
2. Amber Future Investments Limited is wholly-owned by AIPL.
3. Berrio Global Limited is wholly-owned by Mr. Ashok Kumar Sahoo, an executive Director.
4. Ms. Lim Beng Kim, Lulu is an executive Director.
5. Mrs. Chen Chou Mei Mei is a former non-executive Director who resigned on 24 September 2015.
6. Shieldman Limited is wholly-owned by Mr. Chong Lee Chang, an independent non-executive Director.

As illustrated above, upon conversion of all Convertible Preference Shares, there will not be a change in control in ARL.

KEY TERMS OF THE SHAREHOLDERS AGREEMENT

Following the execution of the Acquisition and Subscription Agreement, Nominee, SIL and MMHL entered into the Shareholders Agreement on 28 October 2015 regulating the rights and obligations of Nominee and SIL as shareholders of MMHL.

Date: 28 October 2015

Parties:

- (i) Nominee;
- (ii) SIL; and
- (iii) MMHL.

As at the date of this announcement, to the best of the Director's knowledge, information and belief, having made all reasonable enquiries, SIL and MMHL, and their ultimate beneficial owner(s) are independent of ARL and its connected persons (as defined in the Listing Rules).

The Shareholders Agreement will take effect upon the First Completion of the Transactions (save for provisions such as those relating to confidentiality and governing laws which will take effect from the date of the Shareholders Agreement).

Parties to the Shareholders Agreement agree that any transactions pursuant to or contemplated under each of the Transaction Documents shall be subject to and conditional upon compliance with all requirements under laws and rules (including the Listing Rules) which apply to ARL, Nominee or their affiliates.

Scope of Business

Unless otherwise approved by resolutions of Nominee and SIL, the businesses of MMHL include:

- (i) the exploration, production, and sale of coal and ancillary activities by Indonesian Subsidiaries; and
- (ii) coal preparation and washing and ancillary activities by Indonesian Subsidiaries.

Offer of New Securities

After completion of the Transactions, if MMHL proposes to issue new securities to any person, it shall first serve a notice on MMHL Securities Holders, whom shall have the right to subscribe for such number of new securities proportional to their respective percentage of the same type of securities in MMHL within a certain period of time after the services of such notice. If a MMHL Securities Holder does not exercise such right to subscribe, MMHL must offer each other MMHL Securities Holder the right to subscribe for such number of new securities in accordance with the terms of the Shareholders Agreement. If after following the above process, offers from MMHL Securities Holder are fewer than the total number of new securities to be issued, MMHL may issue the balance to a person independent of the existing MMHL Securities Holder.

Future Capital Contribution

After First Completion of the Transactions, in the event that:

- (i) a second longwall is needed and MMHL's funds are insufficient to pay for the cost of a second longwall, such cost will be contributed by the MMHL Securities Holder by way of issue of new securities by MMHL in accordance with the procedures as set out in the paragraph headed "Offer of New Securities", except that each MMHL Securities Holder is obliged to subscribe for the new securities to be issued. In the event that SIL fails to pay to MMHL the subscription moneys for the said new securities, Nominee may elect to (A) loan the additional funds necessary to MMHL on such terms as may be agreed between Nominee and MMHL; or (B) pay the subscription funds to MMHL on behalf of SIL, in which case the amount paid by Nominee will immediately become a debt due by SIL to Nominee; and
- (ii) MMHL's capital is insufficient, MMHL will raise additional capital as follows: (A) first, by way of bank borrowings; (B) if bank borrowings are unavailable, by way of other alternative including loans from MMHL Securities Holders; (C) next, by offering new securities in accordance with the terms of the Shareholders Agreement; and (D) next, in any other manner determined by the board of MMHL in accordance with the terms of the Shareholders Agreement.

Management of MMHL

The board of directors of MMHL shall comprise of a maximum of 5 directors, of which 2 directors shall be appointed by SIL and 3 directors shall be appointed by Nominee. The right of a MMHL Securities Holder to appoint a director shall cease immediately upon MMHL Securities Holder ceasing to hold at least 25% of the shares in MMHL.

The quorum of the board of directors of MMHL shall be 3 directors, including for so long as each of SIL and Nominee is entitled to appoint directors under the Shareholders Agreement, at least one director to be nominated by each of SIL and Nominee. The board of directors of MMHL shall decide by a simple majority vote and the chairman of the board is not entitled to a second or casting vote.

Each of chief executive officer, chief financial officer, chief operating officer, chief marketing officer and chief technical officer of MMHL will initially be appointed from candidates approved by both SIL and Nominee. Each of them shall have the specific powers, duties and entitlements as delegated by the board of directors.

Deed of Adherence

If MMHL proposes to issue securities to any party independent of ARL and SIL, or an existing MMHL Securities Holder proposes to dispose of the securities of MMHL to any such person, that person must execute a deed of adherence under which that person agrees to be bound by the Shareholders Agreement as if named as a party.

First Rights of Refusal

After completion of the Transactions, if a MMHL Securities Holder proposes to dispose of any number of securities of MMHL to any person independent of ARL and SIL, it shall first serve a notice on other MMHL Securities Holders setting out, among others, the price and terms of such offer. The other MMHL Securities Holders shall have the right to purchase all of the said securities in accordance with the terms of the Shareholder Agreement within a certain period of time after the services of such notice.

If the selling MMHL Securities Holder receives an offer to purchase:

- (i) all of the securities to be sold, then the selling MMHL Securities Holders must sell to the other MMHL Securities Holders all of such securities on the terms as set out in the said notice;
- (ii) none or fewer than all of the said securities, then the selling MMHL Securities Holder is not obliged to sell any of the said securities to the other MMHL Securities Holders, and may sell all of the said securities to the said person at a sale price not lower than the one as set out in the said notice.

Tag Along Rights

After completion of the Transactions, if either SIL or Nominee (the “Selling Shareholder”) proposes to dispose of any number of securities of MMHL to any person independent of ARL and SIL, the Selling Shareholder shall first serve a notice (“Tag Along Notice”) on MMHL and the other party to the Shareholders Agreement (the “Tag Along Shareholder”) setting out, among others, (i) the total number of such securities proposed to be sold and the price per such security, (ii) the terms of such proposed disposal, (iii) details of the proposed buyer who is a person independent of ARL and SIL, (iv) the date of completion of the proposed disposal and (v) the right of the Tag Along Shareholder to dispose all of its securities (“Tagged Securities”) of MMHL of the same class as the securities proposed to be sold by the Selling Shareholder (to the extent known at the date of the Tag Along Notice).

Within a certain period of time after the services of the Tag Along Notice, the Tag Along Shareholder may serve, in response, an irrevocable notice on the Selling Shareholder and MMHL specifying that the Selling Shareholder must use its reasonable endeavours to cause that person to also purchase the Tagged Securities on terms set out in the Tag Along Notice.

If the Tag Along Shareholder serves the said irrevocable notice in response to the Tag Along Notice, the Selling Shareholder must not dispose of any of its securities unless (i) the Selling Shareholder complies with the obligations on it in accordance with the terms of the Shareholders Agreement in relation to the tag along rights of the Tag Along Shareholder, and (ii) the proposed buyer acquires the Tagged Securities on the terms and conditions set out in the Tag Along Notice, provided that the terms for the disposal of the said securities by the Selling Shareholder and the Tagged Securities must be the same.

Equalisation option

SIL shall have the option (the “Equalisation Option”) to purchase ordinary shares of MMHL held by Nominee equal to 1.0% of the total issued ordinary shares of MMHL (the “Equalisation Shares”), subject to the following conditions:

- (i) the Equalisation Option may be exercised by SIL notifying Nominee that it exercises the Equalisation Option;
- (ii) the Equalisation Option can only be exercised once;
- (iii) the Equalisation Option can only be exercised if:
 - (a) sustainable production of 3.0 million metric tonnes of annualised production has been achieved as set out in the Shareholders Agreement;
 - (b) certain level of cost and time efficiencies in respect of underground logistics, surface logistics and loading and trans-shipment has been achieved;
 - (c) the coal produced by MMHL and its subsidiaries consistently meets the relevant specification as set out in the Shareholders Agreement;
 - (d) the board of MMHL has not determined to implement a spin-off or listing of MMHL on an exchange acceptable under the terms of the Shareholders Agreement; and
 - (e) upon completion of the transfer of the Equalisation Shares to SIL, the respective shareholding in MMHL will be held as to 50.0% by Nominee and 50.0% by SIL.

- (iv) upon service of a notice to exercise the Equalisation Option, SIL becomes bound to purchase all of the Equalisation Shares then held by Nominee at the Fair Market Value as determined by:
 - (a) agreement between SIL and Nominee; or
 - (b) failing such agreement, an independent chartered accountant;
 - I. who is appointed by agreement between SIL and Nominee; or
 - II. failing such agreement who is appointed by an auditor of MMHL from time to time;
- (v) completion of the purchase of the Equalisation Shares must take place within 10 business days after the date on which the Fair Market Value of the Equalisation Shares has been determined;
- (vi) no Tag Along Notice may be issued in respect of an exercise of the Equalisation Option.

Event of Default

The following events would constitute a trigger event (the “Trigger Event”) under the terms of the Shareholders Agreement:

- (i) a MMHL Securities Holder ceases to or threatens to cease to carry on its business;
- (ii) a MMHL Securities Holder becomes insolvent under the terms of the Shareholders Agreement;
- (iii) a MMHL Securities Holder suffers a change in control; and
- (iv) a MMHL Securities Holder is in breach of its obligations under the Shareholders Agreement or the Acquisition and Subscription Agreement.

If a MMHL Securities Holder (“Non Defaulting Shareholder”) becomes aware that a Trigger Event has occurred in respect of any other MMHL Securities Holder (“Defaulting Shareholder”), the Non Defaulting Shareholder may give a notice to the Defaulting Shareholder and MMHL specifying sufficient details of the Trigger Event.

In accordance with the terms of the Shareholders Agreement, a Defaulting Shareholder:

- (i) is not permitted to appoint a director of MMHL;
- (ii) must, upon written notice by any Non Defaulting Shareholder, procure the resignation of any director of MMHL appointed by the Defaulting Shareholder;
- (iii) may continue to attend or vote at general meetings of MMHL; and
- (iv) is entitled to information about the business of MMHL and its subsidiaries to the extent permitted by law.

In accordance with the terms of the Shareholders Agreement, a Non Defaulting Shareholder may:

- (i) require the Defaulting Shareholder to purchase all of its securities of MMHL at the Fair Market Value plus 20.0%. Completion of the sale and purchase must take place within 10 business days after the date on which the Fair Market Value of the said securities has been determined;
- (ii) purchase all of the securities of MMHL held by the Defaulting Shareholder at the Fair Market Value less 20.0%. Completion of the sale and purchase must take place at the later of (a) 20 business days after the issue of the notice to exercise the call option by the Non Defaulting Shareholder and (b) 10 business days after the date on which the Fair Market Value of the said securities has been determined.

The Fair Market Value of the said securities is to be determined by

- (i) agreement between the Non Defaulting Shareholders and the Defaulting Shareholder; or
- (ii) failing such agreement, an independent chartered accountant;
 - (a) who is appointed by agreement between Non Defaulting Shareholders and Defaulting Shareholder; or
 - (b) failing such agreement, who is appointed by an auditor of MMHL from time to time.

PROPOSED CANCELLATION AND RECLASSIFICATION AND REDESIGNATION OF AUTHORIZED SHARE CAPITAL

ARL currently has an authorised share capital of HK\$500,000,000 divided into (i) 4,500,000,000 ordinary shares of par value of HK\$0.10 each, of which 1,520,925,600 have been issued and are fully paid up, and (ii) 500,000,000 convertible preference shares of par value of HK\$0.10 each, of which 240,000,000 have been issued and subsequently converted into shares of ARL in accordance with the terms thereof.

For the purpose of the proposed issue of the Convertible Preference Shares to settle part of the Consideration for the Transactions, the Board proposes to (i) cancel the 500,000,000 authorised but unissued convertible preference shares of par value of HK\$0.10 each so that the Company is authorised to issue 5,000,000,000 ordinary shares of a single class of par value of HK\$0.10 each, and then (ii) reclassify and redesignate the authorised share capital of ARL into 4,600,000,000 Shares of par value of HK\$ 0.10 each, 200,000,000 Class A Convertible Preference Shares of par value of HK\$0.10 each with a notional value of HK\$ 2.45 each and 200,000,000 Class B Convertible Preference Shares of par value of HK\$0.10 each with a notional value of HK\$ 2.45 each.

The proposed Cancellation and Redesignation of the authorized share capital of ARL is subject to, and shall take effect upon, the passing of the requisite resolution by the Shareholders at the SGM.

FUNDS RAISING ACTIVITIES IN THE PAST TWELVE MONTHS PERIOD

Date of completion	Fund raising activity	Net proceeds raised	Use of net proceeds
8 June 2015	Placing of Shares under general mandate granted to the Board at the annual general meeting of ARL held on 27 August 2014	Approximately HK\$98.55 million	General working capital of the Group
14 July 2015	Issue of convertible bonds under general mandate granted to the Board at the annual general meeting of ARL held on 27 August 2014	US\$20 million	Amount of approximately US\$6 million was used as the general working capital of the Group and amount of approximately US\$14 million has not been utilised as at the date of this announcement and is placed in a licenced bank in Hong Kong and is intended to be used for the development and expansion of the business of the Group and/or for the general working capital of the Group

INFORMATION OF ARL

ARL is a company incorporated in Bermuda with limited liability, whose shares are listed on the main board of the Stock Exchange. ARL is an investment holding company. The principal activities of the Group are (a) mining, exploration, logistics, sale of coal and other mining-related activities; (b) shipping freight service from time chartering of leased vessels for and on behalf of customers; and (c) the provision of floating storage and relevant logistics services for crude oil and petrochemical products.

INFORMATION OF MMHL

MMHL is an exempted company with limited liability incorporated under the laws of the Cayman Islands. MMHL, through its subsidiaries, owns a 100% interest in the Target Mine. The Target Mine will be the first large operating scale mechanized longwall underground coal mine in Indonesia with total JORC compliant Proven and Probable Reserves of 92.0 mt. The Target Mine is currently in an advanced stage of development, and production is expected to commence by the first quarter of 2016 with gradual ramp-up to annual production target of 6.0 mtpa coal, which includes 0.3 mtpa of coal contributed from the mine development work. The coal product of MMHL is thermal coal of high quality and expects to be mainly used for electricity generation. The mine's key target customers are expected to be power producers in China, and potentially power producers in Japan and Taiwan.

The Target Mine is situated within an area previously known as the Baramarta Coal Field located about 100 km north east of Banjarmasin, South Kalimantan Province, Indonesia. It is located along the eastern flank of the extensive Barito basin in South Kalimantan. The Target Mine consists of three concessions, two of which are mining concessions (i.e. Production IUPs) held by MMI and MCM respectively, and the third an exploration concession (i.e. Exploration IUP) held directly by MESD. The Target Mine is approximately 60km from the Barito River and near the transshipment port of Taboneo.

The underground mining area of the Target Mine is accessed by a series of inclined shafts about 700 metres long, and the pit bottom infrastructure is located in the basal seam (Seam D) of three seams which are to be exploited (Seams B, C and D). The coal seams have average thickness that makes them amenable to the longwall mining technique (D seam: 2.82 meters, C Seam: 2.22 meters and B Seam: 3.77 meters). The development work for the first mining face has been completed. The longwall entry is open, two of the three planned inclined shafts were completed, and surface structures such as installations needed for development work and start-up operations are in place. The main mining equipment as well as the production belt conveyors leading from the first mining face longwall entry to the surface are currently being installed underground.

The coal reserves of the mine will be mainly extracted with fully retreating mechanized longwall mining method, a mature technology commonly used in China, the USA and other areas of the world. Longwall mining techniques recover the highest percentage of the in-ground coal and are also considered the cheapest method of underground coal mining. This mining method is competitive with most opencut coal mining operations and allows the extraction of coal resources beyond the reach of conventional opencut mines. The raw coal mined from the Target Mine is classified as a high volatile bituminous coal with moderate-to-low ash, low-to-medium sulphur content, and high CV. The average coal quality of the reserves from the Target Mine is expected to have a CV of 6,426 kcal/kg, total moisture of 4.4%, ash content of 16.7%, and total sulphur of 1.1% on an air-dried basis.

FINANCIAL INFORMATION OF MMHL

Set out below is the consolidated financial information of MMHL and its subsidiaries as extracted from the unaudited consolidated financial statements of MMHL and its subsidiaries for the financial years ended 31 December 2013 and 2014 prepared based on Hong Kong Financial Reporting Standards:

	For the year ended 31 December 2014 <i>(in HK\$)</i>	For the year ended 31 December 2013 <i>(in HK\$)</i>
Turnover	—	—
Net loss before income tax	29,818,000	12,134,000
Net loss after income tax	29,818,000	12,134,000

As at 31 December 2014, the unaudited consolidated net asset of MMHL amounted to approximately HK\$1,473,684,000. The financial information of MMHL and its subsidiaries disclosed above is subject to audit. A consolidated financial statements of MMHL and its subsidiaries prepared in compliance with the requirements of the Listing Rules will be included in the circular in relation to the Transactions to be despatched to the Shareholders.

Upon the First Completion, MMHL will become a non-wholly owned subsidiary of ARL, and MMHL's financial results will be consolidated into the financial statements of ARL.

INFORMATION OF SIL

SIL is an investment holding company incorporated under the laws of the British Virgin Islands which wholly owns MMHL. SIL is owned as to 90.0% by Mr. Jing Yu and 10% by Tactwill International Investment Limited.

REASONS FOR THE ACQUISITION AND THE SUBSCRIPTION

The Transactions and subsequent consolidation of MMHL into ARL represent and are consistent with ARL's strategy and commitment to the Indonesian coal market as well as enable ARL to tap into different markets outside Indonesia in terms of coal trading, sale, production and coal mining technique. The Transactions also represent an opportunity for ARL to acquire a quality (high CV, low inherent moisture and low sulphur content) coal mine. Its significant Reserves and Resources provide for a mine life which can drive sustainable growth and profitability.

The Board believes that the Transactions represent a growth opportunity for ARL to form a close partnership with MMHL to realise the full potential of the Target Mine. MMHL has deep operational roots in underground mining and has substantial experience in the operation of business in China which may help ARL expand its coal trading and coal related downstream businesses into other Asian markets. The Board also believes that the Transactions will enable ARL to reintegrate its existing Indonesian coal operations, increase its overall competitiveness by leveraging economies of scale and ultimately enhance its shareholder value.

It is expected that the Transactions will enable ARL to achieve the following objectives:

- 1) **Capture substantial earnings contribution from the production and sale of thermal coal.** The Target Mine is expected to produce run-of-mine coal of approximately 6,426 kcal/kg CV (adb), containing 16.7% ash (adb), and 1.14% sulphur (adb) which is similar in quality to benchmark Newcastle coal (6,300 kcal/kg) and KCM coal, respectively priced at US\$52.1 and US\$48.0 as at the date of this announcement. Higher selling price may be realised by washing the run-of-mine coal so as to achieve lower ash content and thus higher CV. The Target Mine has been designed to accommodate the set up of a new coal handling and preparation facility should coal price drop further and sales of washed coal can generate more reasonable and sustainable profit margins. The Target Mine will generate higher ASPs than ARL's existing thermal coal operation in Central Kalimantan, given its scaled production of higher quality coal, it may likely realise a higher profit margin.
- 2) **Add thermal coal Reserves and Resources to ARL's asset portfolio.** MMHL, via its Indonesian Subsidiaries, hold three adjacent IUPs that are located in Banjar County, Kalimantan. As of 30 September 2015, the concession area contains a total JORC compliant Proven and Probable Reserves of 92.0 mt and Measured and Indicated Resources of 166.1 mt with the potential to increase its reserves and resources with additional drilling in the same area. Based on the current mine plan which will ramp production up to 6.0 mtpa, the life of the Target Mine is expected to be 18 years. After the Transactions, ARL's combined Reserves will increase by 82.0% and Resources will increase by 112.9%, respectively.

- 3) **Create business value through the strategic partnership with underground coal mining professionals and affiliates.** ARL and MMHL will work jointly to realise the full potential of Target Mine and enable future value creation opportunities. MMHL has a management team with extensive experience in underground coal mining and proven track records in operating and managing such mines. The majority of management has previously worked for leading Chinese coal mining companies, and have more than 20 years, on average, of relevant experience. MMHL may contribute to the proposed partnership its industry-leading engineering, underground coal mine construction skills, access to Chinese machinery and equipment, and its ties with other cost competitive Chinese suppliers. ARL's existing coal business will help MMHL achieve operational synergies with an established sales force, existing coal trading business, extensive contacts for third-party support and services, and ongoing relationships with government officials, authorities, and local communities.
- 4) **Transform ARL from a single-mine operator to a multi-mine and multi-product integrated coal producer.** Upon completion of the Transactions, ARL significantly transforms its single coal mine operation business into a multi coal mine business with diverse coal product types ranging from low CV, sub-bituminous to high CV bituminous thermal coal. Since the quality of coal products from MMHL are better than common Indonesian thermal coal, ARL currently intends to export the coal to regional power generators that may pay a premium for a constant supply of high CV thermal coal in the region. These generators are located in Asian countries such as India, South Korea, Taiwan and Japan, where strong demand for coal-generated energy power is expected in the long run.
- 5) **Tap into underground coal mining opportunities in Indonesia.** After completion of the Transactions, ARL and SIL will jointly develop the Target Mine, which will be the first operating large-scale mechanized longwall underground coal mine in Indonesia. The fully retreating mechanised longwall mining is a proven and accepted mining method and, due to the adoption of such methodology, the average life-of-mine operating cost of MMHL is expected to be lower. The longwall operations also allow MMHL to economically extract high CV coal with lower inherent moisture and sulphur from typical Indonesian coal. As a result, ARL can choose from a wider variety of investment opportunities for new coal mining projects in Indonesia, by applying and replicating the well-developed underground coal mining methodologies.

In light of the above, the Directors believe that the terms of the Transactions are fair and reasonable and in the interests of the Shareholders as a whole.

The above includes forward-looking statements which reflect ARL's current views with respect to certain future events, are not a guarantee of future performance and are subject to certain risks, uncertainties and assumptions. Further information about the Transactions and the Target Mine will be included in the circular to be despatched to the Shareholders in due course.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios (as defined under Chapter 14 of the Listing Rules) in respect of the Transactions exceeds 25% but is less than 100%, the Transactions constitute a major transaction for ARL and is subject to approval by the Shareholders at the SGM pursuant to Chapter 14 of the Listing Rules.

The SGM will be convened and held for Shareholders to consider and, if thought fit, to approve the following:

- (i) the Acquisition and Subscription Agreement, the Shareholders Agreement and the transactions contemplated thereunder (including but not limited to the setup of a joint venture, the Equalisation Option and the conversion of any Convertible Preference Shares by SIL in accordance with the terms of the Acquisition and Subscription Agreement);
- (ii) the proposed grant of the Specific Mandates for the allotment and issue of the Class A Convertible Preference Shares and Class B Convertible Preference Shares and the allotment and issue of the Conversion Shares of ARL upon full conversion of the Class A Convertible Preference Shares and Class B Convertible Preference Shares; and
- (iii) the proposed Cancellation and Redesignation of the authorised share capital of ARL.

As no Shareholders have any material interest in (i) the Transactions (including but not limited to the set up of a joint venture, the Equalisation Option and the conversion of any Convertible Preference Shares by SIL in accordance with the terms of the Acquisition and Subscription Agreement), (ii) the proposed grant of the Specific Mandate, and (iii) the proposed Cancellation and Redesignation of the authorised share capital of ARL, no Shareholders are required to abstain from voting at the SGM on the resolutions to approve the above matters.

GENERAL

In connection with the SGM, ARL will prepare the circular which will contain, among other things, (i) further details of the Acquisition and Subscription Agreement, the Shareholders Agreement and the transactions contemplated thereunder (including but not limited to the set up of a joint venture, the Equalisation Option and the conversion of any Convertible Preference Shares by SIL in accordance with the terms of the Acquisition and Subscription Agreement); (ii) further details of the proposed grant of the Specific Mandates, (iii) further details of the proposed Cancellation and Redesignation of the authorised share capital of ARL ; (iv) financial information of the Group; (v) financial information of the Target Group; (vi) the unaudited pro forma financial information of the Enlarged Group; (vii) a competent person report in relation to the Target Mine pursuant to Chapter 18 of the Listing Rules; (viii) valuation report in relation to the Target Mine pursuant to Chapter 18 of the Listing Rules and (ix) a notice convening the SGM. The circular is expected to be despatched to the Shareholders on or before 30 November 2015, since it is expected that further time is required to finalise the contents and the financial information to be included in the circular.

As completion of the Transactions is conditional upon satisfaction (or, if applicable, waiver) of certain conditions, the Transactions may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the Shares.

DEFINITIONS

“Acquisition”	the proposed sale and purchase of the Sale Shares pursuant to the terms of the Acquisition and Subscription Agreement
“Acquisition and Subscription Agreement”	the share sale and subscription agreement dated 28 October 2015 and entered into among ARL, SIL and MMHL in respect of, among other things, the Acquisition and the Subscription, as amended from time to time
“adb”	air-dried basis
“AIPL”	means Agritrade International Pte. Limited, a company incorporated in Singapore, which was owned by Mr. Ng Say Pek, the chairman of the Board and the non-executive Director, and his spouse as to 80% and 20% respectively and directly and indirectly held in aggregate 860,533,333 Shares as at the date of this announcement

“ARL”	means Agritrade Resources Limited (stock code: 1131), a company incorporated under the laws of Bermuda with limited liability whose shares are listed on the Main Board of the Stock Exchange
“ASP”	Average selling price
“Board”	the board of Directors
“Business Day”	means a day (excluding Saturday and Sunday) on which banks generally are open in Hong Kong for the transaction of normal banking business
“Cancellation”	means the cancellation of 500,000,000 authorised but unissued convertible preference shares of par value of HK\$0.10 each
“Class A Convertible Preference Shares”	means the convertible preference shares in the share capital of ARL having the rights set out in the paragraph headed “Class A Convertible Preference Shares”
“Class A CPS Conditions Fulfilment Date”	has the meaning as set out in paragraph headed “Class A Convertible Preference Shares”
“Class B Convertible Preference Shares”	means the convertible preference shares in the share capital of ARL having the rights set out in the paragraph headed “Class B Convertible Preference Shares”
“Class B CPS Conditions Fulfilment Date”	has the meaning as set out in paragraph headed “Class B Convertible Preference Shares”
“Competing Business”	has the meaning as set out in paragraph headed “SIL’s Undertaking”
“Conditions”	means the First Conditions and the Second Conditions
“Consideration”	means the aggregate consideration for Transactions payable at First Completion and Second Completion, as set out in the paragraph headed “Consideration and Payment Terms”

“Conversion Shares”	means the Shares of ARL to be issued by ARL upon exercise by the holders of the Convertible Preference Shares of the conversion rights attached to the Convertible Preference Shares
“Convertible Preference Shares”	means the Class A Convertible Preference Shares and the Class B Convertible Preference Shares
“CV”	Calorific Value
“Defaulting Shareholder”	has the meaning as set out in the paragraph headed “Event of Default”
“Director(s)”	the director(s) of ARL
“Enlarged Group”	ARL and its subsidiaries as enlarged by the Transactions upon First Completion
“Fair Market Value”	means the highest price obtainable in an open and unrestricted market between knowledgeable and willing parties dealing at arm’s length who are fully informed and under no compulsion to buy or sell
“First Completion”	means the first completion of the Acquisition and the Subscription under the terms of the Acquisition and Subscription Agreement
“First Completion Date”	means the date which is five (5) Business Days after the date of written notification by ARL to SIL of the fulfilment of all and/or waiver of certain First Conditions to the satisfaction of ARL
“First Condition(s)”	means the condition(s) precedent to the First Completion as set out in the Acquisition and Subscription Agreement
“First Long Stop Date”	means 31 December 2015, unless otherwise extended by the mutual agreement of SIL and ARL in writing
“HK\$” or “Hong Kong Dollars”	means Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong Takeover Codes”	The Codes on Takeovers and Mergers and Share Buy-backs

“Group”	means ARL and its subsidiaries
“Indemnity Events”	has the meaning as set out in the paragraph headed “SIL’s Undertaking”
“Indonesian Subsidiaries”	means MESD, MCM and MMI
“Interim Loan Agreement”	means the loan agreement between ARL as lender and MMHL as borrower dated 20 July 2015 under which ARL has advanced US\$6 million to MMHL
“IUP”	means an Izin Usaha Pertambangan (mining business licence) issued under the relevant mining law enacted in the Republic of Indonesia
“JORC”	Joint Ore Reserves Committee
“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange
“MCM”	means PT Merge Continental Mining, a limited liability company incorporated under the laws of the Republic of Indonesia, an indirect wholly-owned subsidiary of MMHL
“MESD”	means PT Merge Energy Sources Development, a limited liability company incorporated under the laws of the Republic of Indonesia, an indirect wholly-owned subsidiary of MMHL
“MMHL”	means Merge Mining Holding Limited, a company incorporated under the laws of the Cayman Islands with limited liability
“MMHL Securities Holders”	means the person who holds securities of MMHL from time to time
“MMI”	means PT Merge Mining Industri, a limited liability company incorporated under the laws of Republic of Indonesia, an indirect wholly-owned subsidiary of MMHL
“mt”	million tonnes

“mtpa”	million tonnes per annum
“Nominee”	means Agritrade Mine Holdings Limited, a wholly-owned subsidiary of ARL, which is a nominee designated by ARL under the Acquisition and Subscription Agreement and a party to the Shareholders Agreement
“Non Defaulting Shareholder”	has the meaning as set out in the paragraph headed “Event of default”
“PCIL”	means Prosper China Investments Limited, a limited liability company incorporated under the laws of British Virgin Islands
“PD Baramarta”	a regional government owned company incorporated in Indonesia holding a Coal Contract of Work
“Probable Reserves”	has the meaning as defined in Chapter 18 of the Listing Rules
“PT Hutan Rindang Banua”	a limited liability company incorporated in Indonesia holding a timber concession
“Redesignation”	the reclassification and redesignation of the authorised share capital of ARL of HK\$ 500,000,000 comprising 5,000,000,000 ordinary shares of a single class of par value of HK\$0.10 each into 4,600,000,000 Shares of par value of HK\$ 0.10 each, 200,000,000 Class A Convertible Preference Shares of par value of HK\$0.10 each with a notional value of HK\$ 2.45 each and 200,000,000 Class B Convertible Preference Shares of par value of HK\$0.10 each with a notional value of HK\$ 2.45 each
“Reserves”	has the meaning as defined in Chapter 18 of the Listing Rules
“Resources”	has the meaning as defined in Chapter 18 of the Listing Rules
“Sale Shares”	means 2,944 fully paid up ordinary shares in the issued share capital of MMHL
“Second Completion”	means the second completion of the Acquisition and the Subscription under the terms of the Acquisition and Subscription Agreement

“Second Completion Date”	means the date which is five (5) Business Days after the date of written notification by ARL to SIL of the fulfilment of all, and/or waiver of certain Second Conditions to the satisfaction of ARL
“Second Condition(s)”	means the condition(s) precedent to the Second Completion as set out in the Acquisition and Subscription Agreement
“Second Long Stop Date”	means the second anniversary of the First Completion, unless otherwise extended by the mutual agreement of SIL and ARL in writing
“Selling Shareholder”	has the meaning as set out in the paragraph headed “Tag Along Rights”
“SGM”	means a special general meeting of ARL to be convened to approve, amongst others, (i) the Acquisition and Subscription Agreement, the Shareholders Agreement and the transactions contemplated thereunder (including but not limited to the Equalization Option, and the conversion of any Convertible Preference Shares by SIL in accordance with the terms of the Acquisition and Subscription Agreement), (ii) the proposed grant of the Specific Mandates and (iii) the proposed Cancellation and Redesignation of the authorised share capital of ARL
“Shares”	means ordinary shares of HK\$0.10 each in the share capital of ARL
“Shareholders”	means shareholders of ARL
“Shareholders Agreement”	means an agreement dated 28 October 2015 between Nominee and SIL and MMHL which sets out their agreed rights and obligations in respect of each other in connection with their being shareholders of MMHL, as amended from time to time
“SIL”	means Sino Island Limited, a company incorporated under the laws of the British Virgin Islands with limited liability

“Specific Mandates”	means the specific mandates proposed to be granted to the Directors by the Shareholders to allot and issue the Convertible Preference Shares and to allot and issue the Conversion Shares of the SGM
“SIL’s Offer”	has the meaning as set out in paragraph headed “SIL’s Undertaking”
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited
“Subscription”	means the proposed subscription by ARL or its nominee for the Subscription Shares
“Subscription Shares”	means 4,400 new shares of MMHL to be subscribed by ARL or its nominee pursuant to the terms of the Acquisition and Subscription Agreement
“Tag Along Notice”	has the meaning as set out in the paragraph headed “Tag along rights”
“Tag Along Shareholder”	has the meaning as set out in the paragraph headed “Tag along rights”
“Tagged Securities”	has the meaning as set out in the paragraph headed “Tag along rights”
“Target Group”	means MMHL, PCIL, WTL, MESD, MMI and MCM
“Target Mine”	means the Rantau Nangka underground coal mine owned and developed by MMHL and all its subsidiaries which include, among others, MESD, MMI and MCM, consisting of exploration and production licenses for the extraction and sale of coal
“Transactions”	means the Acquisition and the Subscription
“Transaction Documents”	means (i) the Acquisition and Subscription Agreement, (ii) the Interim Loan Agreement, and (iii) the Shareholders Agreement
“Trigger Event”	has the meaning as set out in the paragraph headed “Event of Default”

“US\$” means United States dollar, the lawful currency of the United States of America

“WTL” means Wiseweb Trading Limited, a limited liability company incorporated under the laws of the British Virgin Islands

By order of the Board
Agritrade Resources Limited
Ashok Kumar Sahoo

Executive Director and Chief Financial Officer

Hong Kong, 28 October 2015

As at the date of this announcement, the Board comprises Mr. Ng Say Pek as the non-executive Chairman; Mr. Wong Man Hung, Patrick as vice-Chairman; Mr. Ng Xinwei, Ms. Lim Beng Kim, Lulu and Mr. Ashok Kumar Sahoo as executive Directors; Mr. Shiu Shu Ming as non-executive Directors and Mr. Chong Lee Chang, Mr. Siu Kin Wai and Mr. Terence Chang Xiang Wen as independent non-executive Directors.