THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Agritrade Resources Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee, or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

鴻寶資源有限公司

AGRITRADE RESOURCES LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 1131)

MAJOR TRANSACTION

PROPOSED ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF SKS POWER GENERATION (CHHATTISGARH) LIMITED

Capitalised terms used on this cover page have the same meanings as defined in the section headed "Definitions" in this circular, unless the context requires otherwise.

The Company has obtained written approval from the Controlling Shareholders of the Company in lieu of convening a general meeting pursuant to Rule 14.44 of the Listing Rules. This circular is being despatched to the Shareholders for information only.

17 December 2018

CONTENTS

"Acquisition"	means the proposed sale and purchase of the Sale Shares pursuant to the terms of the Share Purchase Agreement
"Acquisition Framework Agreement"	means the overall acquisition framework agreement dated 12 November 2018 recording the overall framework, agreements, arrangements, terms and conditions of the Proposed Transaction
"Additional Cash Margin Amount"	means such additional cash margin amount required to be paid by the Investor, which as of the Latest Practicable Date, stands at approximately INR375 million
"Advanced Resolution Amount"	means the amount of INR3,250,000,000
"Agritrade Power"	means Agritrade Power Holdings Pte. Limited, being a company incorporated in Singapore
"AIPL"	means Agritrade International Pte Ltd., a company incorporated in Singapore, which was owned 57.27% by Mr. Ng Say Pek, the chairman of the Board and an executive Director, and 42.73% by Mr. Ng Xinwei, the executive Director, which directly and indirectly held in aggregate 3,550,453,332 Shares as at the Latest Practicable Date
"Announcements"	means, collectively, the February Announcement, the July Announcement and the November Announcement
"Assignee"	means ENTWICKELN India Energy Private Limited, being a company incorporated in India and a wholly-owned subsidiary of the Company
"Assignment Agreement"	means the assignment agreement dated 12 November 2018 for assignment and transfer of the Existing Fund Based Debt to the Investor
"Assignment Amount"	means the amount of INR17,200,000,000 (or such amount as may be mutually agreed between the Lenders, the Company and the Investor in writing), to be paid as consideration by the Investor to the Lenders for the assignment and transfer of the Existing Fund Based Debt by the Lenders to the Investor as per the terms set out in the Assignment Agreement, which amount forms part of the Resolution Amount
"Assignors"	means State Bank of India, L&T Infrastructure Finance Company Limited and PTC India Financial Services Limited

"Authorized Representative"	means SBI Capital Markets Limited, a body corporate with registered office at 202, Maker Tower E, Cuffe Parade, Mumbai — 400 005, in the State of Maharashtra, India
"Bank Guarantee(s)"	means the bank guarantee facility availed by the Target Company
"Bid Document"	means the bid document dated 20 June 2018 (including the expression of interest document dated 6 June 2018, and any corrigendum, modifications, clarifications, etc., issued in connection therewith) issued collectively by the Authorized Representative and the Lead Bank, on behalf of the Lenders
"Board"	means the board of Directors
"Business Day(s)"	means a day (excluding Saturday and Sunday or a public holiday in Hong Kong and Singapore) on which banks generally are open for business in Mumbai, India
"Cash Escrow Account"	means the cash escrow account established with the State Bank of India, pursuant to the terms of the Escrow Agreement
"Cash Margin Amount"	means the cash margin amount aggregating to INR 1,500,000,000 to be paid by the Investor towards the Bank Guarantees pursuant to the Assignment Agreement, the amount of which forms part of the Resolution Amount
"Closing Date"	means the 30th day from the date of issue of the Investor CP Satisfaction Notice
"COD"	means the date on which the respective units of the Project have achieved commercial operation
"Company"	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
"Completion"	means the completion of the Acquisition under the terms of the Share Purchase Agreement
"Controlling Shareholders"	means, collectively, Amber Future Investments Limited and Fortunella Investments Limited
"CPG Amount"	means the amount of cash deposit for contract performance guarantee in terms of the Bid Document in aggregate of INR250,000,000

"Director(s)"	means the director(s) of the Company
"Encumbrance"	means any mortgage, charge (whether fixed or floating), pledge, lien, hypothecation, assignment, deed of trust, title retention, or other security interest securing any obligation of any person, or call or put option, escrow on the securities, commitment, restriction or limitation of any nature, or any other agreement or arrangement having a similar effect; any conditional sale, voting agreement, lock-in, pre-emptive right, right of first refusal, right of first offer, non-disposal undertaking or transfer restrictions; or any agreement, arrangement or obligation to create any of the aforesaid
"Enlarged Group"	means the Company and its subsidiaries as enlarged by the Proposed Transaction upon Completion
"Escrow Account"	means collectively the Cash Escrow Account and the Escrow Shares Account
"Escrow Agent"	means SBICAP Trustee Company Limited, a company incorporated in India
"Escrow Agreement"	means the escrow agreement dated 12 November 2018 entered into between the Escrow Agent, the Seller, the Target Company, the Company, Agritrade Power, the Lenders and the Investor setting out the terms of and release mechanics for the Escrow Properties
"Escrow Property(ies)"	means (i) the Escrow Account and/or balances lying therein; (ii) duly signed and undated transfer slips for the transfer of the Sale Shares; (iii) the Sale Shares; and (iv) the signed no due certificates to be obtained from each of the relevant Lenders to the Target Company
"Escrow Shares Account"	means an account to be opened with a depository participant of the Escrow Agent for deposit of the Sale Shares and shall be operated in accordance with the provisions set out under the Escrow Agreement
"Execution Date"	means the date of execution of the Share Purchase Agreement
"Existing Fund Based Debt"	means the aggregate total outstanding fund based debt owed by the Target Company to the Lenders as of the Transfer Date, which as of 30 September 2018, stands at approximately INR57.35 billion

"Existing Promoters"	means (i) SKS ISPAT and Power Limited; and (ii) Labheshwari Agencies Limited.
"February Announcement"	means the announcement of the Company dated 23 February 2018
"Final Letter of Intent"	means the final letter of intent dated 11 October 2018 issued by the Lead Bank, on behalf of the Lenders, in favour of the Company setting out the terms for, inter alia, acquisition of Sale Shares of the Target Company and assignment of the Existing Fund Based Debt
"Group"	means the Company and its subsidiaries
"HK$"	means Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	means Hong Kong Special Administrative Region of the People's Republic of China
"Independent Third Party"	means any person or company and their respective ultimate beneficial owner(s) who, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, are not connected persons of the Company and are third parties independent of the Company and its connected persons in accordance with the Listing Rules
"India"	means the Republic of India
"INR"	means Indian rupee, the lawful currency of India
"Investor"	means ENTWICKELN India Energy Private Limited, being a company incorporated in India and a wholly-owned subsidiary of the Company
"Investor CP Reconfirmation Notice"	means the memorandum signed by the Investor and the Company that all Investor Conditions Precedent as confirmed to have been satisfied in the Investor CP Satisfaction Notice continue to be satisfied as of the Transfer Date
"Investor Conditions Precedent"	has the meaning as ascribed to it under the paragraph headed "Conditions" under the section headed "THE PROPOSED TRANSACTION" in this circular

"Investor CP Satisfaction Notice"	means the notice from the Investor and the Company to inform the Escrow Agent of the fulfilment of all the Investor Conditions Precedent
"Investor Nominee Shareholder(s)"	means nominee(s) of the Investor
"July Announcement"	means the announcement of the Company dated 27 July 2018
"Latest Practicable Date"	means 12 December 2018, being the latest practicable date for ascertaining certain information referred to in this circular
"Lead Bank"	means State Bank of India
"Lender Conditions Precedent"	has the meaning as ascribed to it under the paragraph headed "Conditions" under the section headed "THE PROPOSED TRANSACTION" in this circular
"Lenders"	means the lenders who provided financial assistance for the development and operation of the Project
"Listing Rules"	means the Rules Governing the Listing of Securities on the Stock Exchange
"Lock-in Period"	has the meaning as ascribed to it under the paragraph headed "Covenants" under the section headed "THE PROPOSED TRANSACTION" in this circular
"LOI"	means the in-principle letter of intent issued and entered into between the Company and the Lenders on 27 July 2018
"Long Stop Date"	means the date being the 90th day from the Execution Date, which may be extended by the Lenders in their sole discretion
"NPCL"	means Noida Power Company Limited, a company incorporated under the laws of India with limited liability
"November Announcement"	means the announcement of the Company dated 12 November 2018
"Offshore Escrow Account"	means the offshore cash escrow account opened pursuant to the Offshore Escrow Agreement

"Offshore Escrow Agreement"	means the offshore escrow agreement entered into amongst the Lead Bank, Agritrade Power and the offshore escrow agent appointed, dated 12 November 2018, which sets out the terms of deposit and release of the Advanced Resolution Amount from the Offshore Escrow Account
"Other Shareholders"	means the 6 individual shareholders of the Target Company save and except for the Seller
"Ownership"	means (a) at least 202,376,120 equity shares of the Target Company comprising of at least 51% (fifty one per cent) of equity share capital of the Target Company, on fully diluted basis; and (b) control in the Target Company
"Project"	means the Target Company's 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
"Proposed Transaction"	means the proposed acquisition of Sale Shares of the Target Company, the assignment of the Existing Fund Based Debt and the payment of the Cash Margin Amount to the Assignors in accordance with the terms of the Transaction Documents
"Purchase Price"	means the consideration for the Sale Shares to be sold by the Seller, acting for and on behalf of the Lenders, and purchased by the Investor for INR10.37 per equity share (in aggregate INR3,000,000,000), or such amount as may be mutually agreed between the Lenders, the Company and the Investor in writing
"Resolution Amount"	means the amount of INR21,700,000,000 plus any Additional Cash Margin Amount
"Resolution Plan"	has the meaning as ascribed to it under the paragraph headed "Background" under the section headed "INTRODUCTION" in this circular
"Revised Framework"	means the circular on Resolution of Stressed Assets — Revised Framework bearing no. RBI/2017–18/131DBR.No.BP.BC.101/21.04.048/2017–18 dated 12 February 2018 (as amended from time to time), as amended and modified from time to time, issued by the Reserve Bank of India

"Sale Shares"	means 289,496,564 equity shares (having a face value of INR 10 and carrying 1 vote per such share, held by the Seller as collateral for sale, representing 100% (one hundred per cent) of the equity share capital of the Target Company on a fully diluted basis
"Seller"	means SBICAP Trustee Company Limited, a company incorporated under the laws of India with limited liability
"Share Purchase Agreement"	means the share sale and purchase agreement dated 12 November 2018 and entered into among the Investor, the Seller, the Target Company and the Company in respect of, among other things, the Acquisition, as amended from time to time
"Shareholders"	means the shareholders of the Company
"Shares"	means ordinary shares of HK$0.025 each in the share capital of the Company
"Stock Exchange"	means The Stock Exchange of Hong Kong Limited
"Target Company"	means SKS Power Generation (Chhattisgarh) Limited, a company incorporated under the laws of India with limited liability
"Total Payable Amount"	has the meaning as ascribed to it under the paragraph headed "Consideration and payment terms" under the section headed "THE PROPOSED TRANSACTION" in this circular
"Transaction Documents"	means (i) the Assignment Agreement; (ii) the Share Purchase Agreement; (iii) the Escrow Agreement; (iv) the Offshore Escrow Agreement; (v) the Bid Document; (vi) the Acquisition Framework Agreement; (vii) the LOI; and (viii) the Final Letter of Intent
"Transfer Date"	means (i) if no insolvency event exists on the Closing Date, the Closing Date; and (ii) if any insolvency event exists on the Closing Date, then such date when such insolvency event ceases to exist provided that such date shall not be later than the 30th day from the Closing Date
"US$"	means United States dollars, the lawful currency of the United States of America
"2018 Agreement for Procurement of Power"	means the agreement for procurement of power dated 6 April 2018 between NPCL and PTC India Limited

"2018 Power Purchase Agreement"	means the power purchase agreement dated 6 April 2018 between PTC India Limited and the Target Company

For the purpose of this circular, unless otherwise indicated, the exchange rate of US$1.00=HK$7.84 and HK$1.00=INR9.30 have been used, where applicable, for purpose of illustration only and they do not constitute any representation that any amount has been, could have been or may be exchanged at those rates or at any other rates.

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

Executive Directors:
Mr. Ng Say Pek *(Chairman)*
Mr. Ng Xinwei
Ms. Lim Beng Kim, Lulu
Mr. Ashok Kumar Sahoo

Independent non-executive Directors:
Mr. Chong Lee Chang
Mr. Siu Kin Wai
Mr. Terence Chang Xiang Wen
Mr. Cheng Yu
Mr. Phen Chun Shing Vincent

Registered office:
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Principal place of business in Hong Kong:
Room 1705, 17th Floor
Harcourt House
39 Gloucester Road
Wanchai
Hong Kong

17 December 2018

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION

PROPOSED ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF SKS POWER GENERATION (CHHATTISGARH) LIMITED

INTRODUCTION

Reference is made to the Announcements in relation to, among other things, the Proposed Transaction. Unless otherwise stated herein, terms used herein shall have the same meanings as those defined in the Announcements. The purpose of this circular is to provide you with, among other things, (i) further information in respect of the Acquisition and the Proposed Transaction and the transactions contemplated thereunder; (ii) financial information of the Group; (iii) financial information of the Target Company; (iv) the unaudited pro forma statement of financial position of the Enlarged Group; (v) the valuation report for the investment value of the Target Company; and (vi) other information as required under the Listing Rules.

Background

As disclosed in the Announcements, a bid process was undertaken by the Lenders to select an entity, acceptable to the Lenders, inter alia, for the Acquisition as per the terms set out under the Bid Document. The Lenders have selected the Company as the successful bidder.

For the construction, development and operation of the Project, the Target Company has availed of various credit facilities (fund based and non-fund based) from the Lenders. However, owing to various reasons including the complex industry conditions of the industry, the Target Company has failed to fulfil its debt obligations from the Lenders. In order to provide a resolution to the Target Company in relation to its debt obligations, the Lenders have decided, inter alia, to effect change in ownership of the Target Company in accordance with the Revised Framework. Accordingly, the Company (as investor) has submitted a resolution plan dated 16 July 2018, as modified pursuant to its letter dated 26 July 2018, whereby the Company offered to pay the Resolution Amount for one-time-settlement of the Existing Fund Based Debt and for payment of the cash margin for the Bank Guarantees, as may be required (the "**Resolution Plan**").

The Lenders have selected the Company as the successful bidder, and in furtherance thereof, the competent authorities have issued the LOI setting out the terms and conditions of the Proposed Transaction and the Company has provided the CPG Amount as a cash deposit for contract performance guarantee in terms of the Bid Document. Subsequently, the Final Letter of Intent was issued in favour of the Company setting out the terms for, *inter alia*, the Proposed Transaction.

On 12 November 2018, the following agreements were entered into:

(1) The Seller, the Investor, the Target Company, the Lenders, the Existing Promoters, Agritrade Power and the Company entered into the Share Purchase Agreement in relation to, among other things, the Acquisition.

(2) The Assignors, the Assignee, Agritrade Power and the Company entered into the Assignment Agreement, pursuant to which the Investor has agreed to pay to the Lenders the amount of INR17,200,000,000 as the consideration for the assignment and transfer of the Existing Fund Based Debt of the Target Company by the Lenders to the Investor.

(3) The Seller, the Target Company, the Company, Agritrade Power, the Escrow Agent, the Lenders and the Investor entered into the Escrow Agreement to set out, among other things, the terms and conditions of the escrow arrangement with the Escrow Agent and the administration of the Escrow Property.

(4) The Lead Bank and Agritrade Power entered into the Offshore Escrow Agreement to set out, among other things, the terms and conditions of the offshore escrow arrangement and the administration of the Offshore Escrow Account.

(5) The Seller, the Target Company, the Company, the Lenders, Agritrade Power and the Investor entered into the Acquisition Framework Agreement recording the overall framework, agreements, arrangements, terms and conditions of the Proposed Transaction.

In view of the foregoing, to implement the Resolution Plan, the Lenders will receive the Resolution Amount and the Company will acquire the Target Company (through its affiliate) by: (i) acquiring the Sale Shares for the Purchase Price; (ii) acquiring the Existing Fund Based Debt for the Assignment Amount; and (iii) paying the Cash Margin Amount and the Additional Cash Margin Amount (if required) towards 100% top up of the cash margin of the Bank Guarantees, subject to the terms and conditions of the Transaction Documents.

The Additional Cash Margin Amount represents any additional cash margin amount required to be paid by the Investor so that the Bank Guarantees are topped up to 100% in case where despite payment of the Cash Margin Amount, the cash margin for all the Bank Guarantees is not topped up to 100%, as notified by the Lead Bank at least 15 days prior to the Transfer Date based on the books of ledger maintained by the Lead Bank.

THE PROPOSED TRANSACTION

The principal terms of the Share Purchase Agreement are set out below.

Date: 12 November 2018

Parties:

(i) the Investor, as purchaser;

(ii) the Seller, as vendor;

(iii) the Target Company, as target company;

(iv) the Lenders;

(v) the Existing Promoters;

(vi) Agritrade Power;

(vii) the Other Shareholders;

(viii) the Investor Nominee Shareholders; and

(ix) the Company.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the Latest Practicable Date, the Seller, the Target Company, the Lenders, the Existing Promoters, the Other Shareholders and their respective ultimate beneficial owner(s) are Independent Third Parties.

Assets to be acquired

The Sale Shares and the assignment and transfer of the Existing Fund Based Debt of the Target Company by the Lenders to the Investor.

Consideration and payment terms

Pursuant to the terms and conditions of the Transaction Documents, within 3 Business Days from the Execution Date or 1 Business Day from the date of opening of the investors depository account (whichever occurs later), (i) the Seller (acting on behalf of the Lenders) shall deposit in the Escrow Shares Account the Sale Shares; and (ii) the Other Shareholders shall deliver, submit to, and deposit in the Escrow Shares Account, the 1 equity share held by each of the Other Shareholders (whether in demat form or physical form).

The Investor shall deposit the Advanced Resolution Amount into the Offshore Escrow Account opened by the Investor for deposit of the Advanced Resolution Amount within 3 Business Days from the Execution Date or 1 Business Day from the date of opening of such account (whichever occurs later).

In addition, the Investor shall deposit the Resolution Amount (the amount of which is inclusive of the Advanced Resolution Amount as the Advanced Resolution Amount will be transferred from the Offshore Escrow Account to the Cash Escrow Account on the Transfer Date) into the Cash Escrow Account on the Transfer Date.

Accordingly, the total amount payable by the Investor under the Transaction Documents is estimated to be INR21,700,000,000 (equivalent to approximately HK$2,333,333,000) (the "**Total Payable Amount**"), of which INR3,000,000,000 (equivalent to approximately HK$322,581,000) represents the Purchase Price, INR17,200,000,000 (equivalent to approximately HK$1,849,462,000) represents the Assignment Amount and INR1,500,000,000 (equivalent to approximately HK$161,290,000) represents the Cash Margin Amount. The Company intends to satisfy the Total Payable Amount partly by the internal resources of the Group (approximately HKD349,462,000) and partly by loan borrowing from an Independent Third Party as project financing (approximately HKD1,983,871,000). During the process of such project financing, the shares of the Target Company are expected to be pledged to the potential lender(s). As at the Latest Practicable Date, the Company has not obtained any loan or facility for the purpose of the Proposed Transaction.

The Total Payable Amount comprises the Purchase Price, the Assignment Amount and the Cash Margin Amount. The Total Payable Amount has been determined after arm's length negotiations between the Lenders, the Company, the Seller and the Investor after taking into account, amongst others, (i) the preliminary valuation conducted by an independent valuer engaged by the Company regarding the investment value of the Sale Shares of approximately US$521 million (equivalent to approximately HK$4,085 million) as at 31 August 2018, which has already taken into account of the amount of the Existing Fund Based Debt; (ii) the past transaction comparables for Indian power plants which were valued at an average of approximately INR62 million per megawatt of capacity; and (iii) the benefits of the Acquisition as disclosed in the section headed "Reasons for and Benefits of the Acquisition" of this circular. The Assignment Amount is the dollar-for-dollar amount of the Existing Fund Based Debt of the Target Company owed to the Lenders.

The Directors (including the independent non-executive Directors) consider that the Total Payable Amount is fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

Conditions

The Investor's obligation to purchase the Sale Shares and pay the Resolution Amount (which is equivalent to the Total Payable Amount) on the Transfer Date is conditional upon the fulfilment or waiver of, as the case may be, the following conditions (the "**Investor Conditions Precedent**"):

(i) the representations and warranties given by the Seller and Lenders shall be true and correct in all respects as of the Execution Date;

(ii) the Target Company and the Existing Promoters shall have procured the approval in relation to change in Ownership from NPCL as per the provisions of the 2018 Power Purchase Agreement and the 2018 Agreement for Procurement of Power;

(iii) the Target Company and the Existing Promoters shall have procured the approval in relation to change in Ownership from the Government of Chhattisgarh (acting through the Chhattisgarh State Power Trading Company Limited);

(iv) the Target Company and the Existing Promoters shall have obtained the approval of Chhattisgarh State Industrial Development Corporation Limited as per the provisions of certain lease deeds;

(v) The Target Company and the Existing Promoters shall have submitted a letter of intimation to the Ministry of Coal, Government of India stating that the Proposed Transaction shall result into the change of Ownership of the Target Company;

(vi) the Lenders shall have received approvals from their relevant competent authorities to transfer the Sale Shares to the Investor and provided a certified true copy of such approvals to the Investor;

(vii) the Company shall have obtained clearance from the Stock Exchange with respect to the publication of the circular in relation to the Proposed Transaction contemplated under the Transaction Documents;

(viii) the Company shall have received a certified true copy of an order of the National Company Law Tribunal, Mumbai Bench, which order approves withdrawal of the Company Insolvency Petition (in terms of the Insolvency and Bankruptcy Code, 2016); and

(ix) the Investor, the Company, Agritrade Power, shall have had handed over to the Lenders, certificate from each such party certifying the names and signatures of the officers authorised on behalf of it to execute the Share Purchase Agreement and any other documents to be delivered by it hereunder.

If one or more of the Investor Conditions Precedent is not fulfilled, the Investor may, at its sole discretion, in whole or in part, waive such Investor Conditions Precedent, to the extent permissible under applicable law.

The obligation of the Seller to sell the Sale Shares is subject to fulfilment, on or prior to Completion, of the following conditions (the "**Lender Conditions Precedent**"):

(i) the representations and warranties given by the Investor shall be true and correct in all respects as of the Execution Date;

(ii) the Company shall have obtained and submitted to the Lead Bank a certified true copy of the approval from its majority shareholders, as required under applicable law, and the board of directors, to enter into and perform its obligations as more specifically set out in the Transaction Documents;

(iii) the Company shall within 7 Business Days from the Execution Date, start the process for vetting by the Stock Exchange and shall submit the certified true copy of the disclosure made to the Stock Exchange to the Lenders;

(iv) the Investor shall have submitted to the Lead Bank, a certified true copy of the approval of the board of directors of the Investor to purchase the Sale Shares from the Seller in accordance with the terms of the Share Purchase Agreement; and

(v) Agritrade Power shall have submitted to the Lead Bank, a certified true copy of the approval of the board of directors of Agritrade Power as required under applicable law for entering into and executing the Transaction Documents, and performing all of its obligations thereunder; The Lenders shall have had handed over to the Investor, certificate from each Lenders certifying the names and signatures of the officers authorised on behalf of it to execute the Transaction Documents and any other documents to be delivered by it hereunder.

If one or more of the Lender Conditions Precedent is not fulfilled, the Lenders may, at its sole discretion, in whole or in part, waive such Lender Conditions Precedent, to the extent permissible under applicable law.

As at the Latest Practicable Date, as far as the Company is aware, neither the Company nor the Lender has any intention to waive any condition precedents. As at the Latest Practicable Date, sub-paragraph (ii) of the Investor Conditions Precedent and sub-paragraphs (ii), (iii) and (iv) of the Lender Conditions Precedent were satisfied.

Completion

The Investor and the Company shall be obligated to close the Proposed Transaction by payment of the Resolution Amount (i.e. the Total Payable Amount) to the Lenders on the Transfer Date subject to the following conditions: (i) the Investor CP Reconfirmation Notice shall have been signed and issued to the Escrow Agent and the Lenders; and (ii) the Investor CP Satisfaction Notice shall have been signed by the Investor and the Company; and (iii) there is no Investor material adverse effect or a Lender material adverse effect existing as on the Transfer Date; and (iv) there is no insolvency event existing on the Transfer Date; and (v) there is no termination of the Transaction Documents due to occurrence of an Investor material adverse effect by the Transfer Date.

Subject to the terms of the Escrow Agreement, on the Transfer Date:

(i) the Escrow Agent shall transfer the Sale Shares from the Escrow Shares Account to the depository participant account of the Investor as shall be intimated by the Investor to the Escrow Agent and the Lenders in writing, and transfer the 1 equity share held by each of the Other Shareholders to the respective depository accounts of the relevant nominees of the Investor (or their appointed attorney/representative);

(ii) the Escrow Agent shall remit the respective Purchase Price to each of the Lenders (in total aggregating to the Purchase Price) into their respective designated accounts;

(iii) the Escrow Agent shall remit the respective portion of the Assignment Amount to each of the Lenders in accordance with the Assignment Agreement and the Escrow Agreement to their respective designated accounts;

(iv) The Escrow Agent shall remit the Cash Margin Amount to the Lead Bank into its designated account;

(v) all of the Existing Fund Based Debt shall stand fully assigned and transferred to the Investor, along with all the underlying security interests created in favour of the Lenders, or any person acting on behalf of the Lenders (free from any Encumbrance together with all rights attached thereto), in accordance with the terms as more specifically set out under the Assignment Agreement;

(vi) the Seller and the Lenders shall release and deliver the documents pursuant to which Securities have been created in favour of the Assignors securing the Existing Fund Based Debt and the documents pursuant to which the Existing Fund Based Debt has been availed of by the Target Company to and in favour of the Investor (or its trustee as the Investor may specify); and

(vii) the interest on the cash margin amount aggregating to INR1,426,400,000 existing in the books of the Target Company as cash margin provided by the Target Company towards the Bank Guarantees shall be released by the Lenders to the Target Company after deducting the Lenders' transaction expenses aggregating to approximately INR185,000,000.

Covenants

Pursuant to the terms of the Assignment Agreement, the Investor and the Company have jointly and severally agreed and undertaken that:

(i) the Investor shall continue to hold the Ownership for a minimum period of 5 years from the Transfer Date (the "**Lock-in Period**") ("**Investor Lock-In**"), provided however that, the Lock-in Period in relation to the Investor Lock-in shall not apply in case of (a) transfer of the Ownership by the Investor of the Sale Shares to its parent/ultimate parent/affiliate, with prior approval of the Lenders; and/or (b) amalgamation/merger of the Investor with the Target Company. Provided however further that, the Lock-in Period shall be applicable to any permitted transferee in accordance with the above;

(ii) notwithstanding anything to the contrary contained in the Share Purchase Agreement or any other Transaction Documents, after the Transfer Date, the Investor shall ensure that the Existing Promoters shall at no time hold any legal or beneficial interest in any equity (including the Sale Shares) and/or preference share capital of the Target Company and/or convertible instruments issued/to be issued by the Target Company provided however that the Existing Promoters may hold the compulsorily convertible debentures of the Target Company and compulsorily convertible preference shares of the Target Company until the implementation of the amalgamation of the Target Company with the Investor or its affiliate.

(iii) the Investor and the Target Company shall, subject to compliance with the condition above, be permitted to: (a) create a pledge over the 100% shares of the Target Company (and transfer pursuant to enforcement of security) in favour of banks, financial institutions or any other lender (including the Investor's shareholders (other than the Existing Promoters) or affiliates); and/or (b) issue fresh shares or any other equity linked instrument, and/or (c) raise funds for financing of Phase II of the Project or operations of the Project from banks, financial institutions or any other lender (including the Investor's shareholders (other than the Existing Promoters) or affiliates);

(iv) the Investor, the Seller and the Lenders shall comply with all requirements under any of the documents entered into by the Target Company in relation to the Project, for completion of acquisition of Sale Shares in terms of Share Purchase Agreement and the other Transaction Documents; and

(v) Upon the transfer of the Sale Shares to the Investor and receipt of the Resolution Amount by the Lenders, the Seller and the Lenders (where required under applicable law) shall file such necessary forms as may be required with the Target Company, the depository and depository participant and such relevant governmental authority in relation to the transfer of the Sale Shares and the assignment and transfer of the Existing Fund Based Debt to the Investor.

The Existing Promoters and the Target Company jointly and severally agree and undertake to the Investor that after the Completion in terms of the Transaction Documents, they will provide all reasonable support and assistance to the Investor: (i) to take over the possession, management of the Project and the affairs of the Target Company, including without limitation, access to all financial books, all statutory registers etc. as would be generally available to a shareholder of the company and physical access to all the Target Company premises, facilities and plants; (ii) as necessary to operate the business and/or to ensure a smooth and efficient transition of the business to the Investor, (iii) to ensure that the key employees and personnel of the Target Company (including the power plant) continue to assist the Investor for the operation of the business and the power plant (including obtaining any government approvals or extensions); and (iv) shall continue providing such assistance and time to perform a smooth and efficient transition of the management control, operational control and financial control to the Investor.

INFORMATION OF THE COMPANY, THE SELLER, THE INVESTOR, THE TARGET COMPANY AND THE PROJECT

The Company

The Company 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) 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 (c) the production, generation, provision and sale of fuel and energy and other energy-related operations.

The Seller

The Seller is a company incorporated in India, which is a wholly-owned subsidiary of State Bank of India and is registered with Securities and Exchange Board of India as a debenture trustee. The Seller is principally engaged in the trusteeship services in India for securities including bond, debenture and share pledges.

The Investor

The Investor is a company incorporated in India, which is principally engaged in investment holding and is a wholly-owned subsidiary of the Company.

The Target Company

The Target Company is a company incorporated in the State of Maharashtra, India, which is principally engaged in the business of coal-based thermal power plant and the construction, development and operation of the Project.

The Project

The Project, which is developed and operated by the Target Company, is developed in two phases. Phase I of the Project comprising of 600 megawatt (2 units of 300 megawatt each) has achieved COD and is operational. For the construction, development and operation of the Project, the Target Company has availed of financial assistance from the Lenders.

The Target Company has been facing challenges for reasons including economic slow-down and non-tie up of the entire capacity of the power generated at the Project. Consequently, the Target Company has not been able to service its debt obligations towards the Lenders.

Accordingly, and in furtherance of the Revised Framework, the Lenders have undertaken a process for resolution of stress in the Target Company identifying a strategic investor, inter alia, to acquire Ownership.

FINANCIAL INFORMATION OF THE TARGET COMPANY

Set out below is the financial information of the Target Company as extracted from the audited financial statements of the Target Company for each of the financial years ended 31 March 2017 and 2018 prepared based on the Hong Kong Financial Reporting Standards:

	For the year ended 31 March 2017 *(in HK$'000)*	**For the year ended 31 March 2018** *(in HK$'000)*
Turnover	—	257,548
Net loss before income tax	399,090	560,738
Net loss after income tax	399,090	560,738

As at 31 March 2018, the audited net liabilities of the Target Company amounted to approximately HK$2,277,880,000. Please refer to Appendix II for the audited financial statements of the Target Company.

Upon completion of the Proposed Transaction, the Target Company will become a wholly-owned subsidiary of the Company, and the financial results of the Target Company will be consolidated into the consolidated financial statements of the Company.

FINANCIAL EFFECTS OF THE PROPOSED TRANSACTION

Assets and liabilities

According to the interim results announcement of the Company for the six months ended 30 September 2018, the unaudited consolidated net assets of the Company as at 30 September 2018 was HK$5,896,968,000. Upon completion of the Proposed Transaction, the net asset of the Enlarged Group is expected to increase to approximately HK$7,037,533,000.

According to the interim results announcement of the Company for the six months ended 30 September 2018, the unaudited consolidated total assets of the Company as at 30 September 2018 was HK$7,865,780,000. Upon completion of the Proposed Transaction, the total assets of the Enlarged Group is expected to increase to approximately HK$11,963,206,000.

According to the interim results announcement of the Company for the six months ended 30 September 2018, the unaudited consolidated total liabilities of the Company as at 30 September 2018 was HK$1,968,812,000. Upon completion of the Proposed Transaction, the total liabilities of the Enlarged Group is expected to increase to approximately HK$4,925,673,000.

Earnings

The Target Company recorded net loss attributable to the owner of approximately HK$560,738,000 for the year ended 31 March 2018 and approximately HK$511,234,000 for the six months ended 30 September 2018.

The net losses (both before and after taxation) of the Target Company for the two financial years immediately preceding the Proposed Transaction are set out in Appendix II of this Circular.

Upon Completion, the financial results of the Target Company will be reflected in the consolidated financial statements of the Company. The above financial effects of the Proposed Transactions are for illustrative purposes only and do not necessarily reflect the actual financial results and position of the Enlarged Group as a result of the Completion. No representation is made as to the actual financial results and/or position of the Enlarged Group upon Completion.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The principal activities of the Group are (a) mining, exploration, logistics, sale of coal and other mining-related activities; (b) 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 (c) the production, generation, provision and sale of fuel and energy and other energy-related operations.

As disclosed in the annual report of the Company for the year ended 31 March 2018, the Group intends to conduct vertical integration through strategic mergers and acquisitions, particularly within the energy sector such as thermal power sector, in response to prevailing market conditions and opportunities, with the objective to further diversify the Group's business and to expand its customer base into new markets. The Board considers that the Acquisition represents such diversification opportunity of the Group 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. The Acquisition can help the Group to achieve vertical integration, and is also in line with the Group corporate missions and growth strategy.

The Project is a high powered 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. Given the fact that India is one of the countries with the highest population in the world and the continuous shortage of power in the country, the Board considers that there is a strong demand for thermal power and a steady upward trend in the development of the energy sector in India. The Directors are fairly optimistic about the prospect of the Project, the development of which are expected to continue over the coming years. For reasons beyond the control of the Target Company, the Target Company has faced financial stress and failed to fulfil its debt obligations from the Lenders. As such, the Lenders decided to restructure the Target Company and to sell the Sale Shares at a bargain price.

Currently, Phase II remains in its initial stage of construction. Only certain common infrastructure, namely "Balance of Plant" (BoP), has been put in place. Other components of Phase II, such as certain boilers, turbines and generators, collectively known as "BTG", are subject to further development and construction. As at the Latest Practicable Date the Target Company has not made any commitment in relation to the construction, development or completion of the Phase II of the Project. Hence, upon completion of the Proposed Transaction, there will be no burden on the Group to construct and complete Phase II and it remains at the sole decision and discretion of the Group to determine whether to go ahead with Phase II, after giving consideration to the actual circumstances and financial position of the Group from time to time, including but not limited to the following factors:

(i) the financial resources available to the Group;

(ii) the expected capital expenditure to be spent on Phase II and any capital commitment involved;

(iii) the costs of funding;

(iv) the expected operational output for Phase II; and

(v) the efficiency, profitability and revenue to be contributed to the Enlarged Group after completion.

Based on the factors above, on the assumption that the Group may not develop Phase II in the future, the Board considers that the Consideration is fair and reasonable having only taken into account Phase I of the Project.

Regarding the Group's construction plan for Phase II, the current intention is to focus only on smooth operation of Phase I of the Project, its cash flow generation and servicing of any debts of the Target Company for the next two years. After such two-year period, the Group will consider again the feasibility on further expansion of the Phase II plan. According to a preliminary estimate on the capital expenditure on Phase II, it is expected to cost approximately US$250 million for the completion of its construction, which is expected to be financed by internal resources of the Enlarged Group or by certain project financing.

In the past, the Target Company has faced challenges for reasons including economic slow-down and non-tie up of the entire capacity of the power generated at the construction stage of Phase I of the Project. Consequently, the Target Company has not been able to service its debt obligations towards the Lenders. However, after facing the difficulties during the construction stage of Phase I, the Target Company successfully moved into next stage i.e., operating stage since 2017 onwards.

Given that Phase I of the Project has already been completed as at the Latest Practicable Date, the plant was put into operation and has started generating revenue and cash flows since 2017, and the requisite initial capital expenditure and commitments have already been incurred. According to the terms of the Assignment Agreement, significant outstanding portion of the previous bank loans and borrowings would be waived upon the One Time Settlement arrangement under the Proposed Transaction. Therefore, after giving due and careful consideration of the terms of the Transaction Documents, the Board does not foresee that similar problems to occur again in the future, as there is no commitment for the Group to develop and construct the Phase II of the Project. Should there be any intention of the Group to further develop or construct the Phase II of the Project, the Board will exercise prudent caution by taking into account of the past experience and difficulties for the Phase I construction encountered by the former management of the Target Company.

Based on valuation conducted by the independent valuer engaged by the Company, the report valued the investment value on the Sale Shares of approximately US$521 million as at 31 August 2018 based on discounted future cash flows method. Such valuation constitutes a profit forecast under Rule 14.61 of the Listing Rules. The valuation on the Target Company has been prepared on the basis that net saleable capacity (being 437 megawatt) and expected capacity used in relation to all the relevant power purchase agreements (being 375 megawatt) are the appropriate input.

As at the Latest Practicable Date, Phase I of the Project has already been completed and commissioned and is currently in operation and generating revenue. Although the nominal capacity of the power plant is 600 megawatt, during the generation of power and the operations of the power plant, inefficiencies and power losses are expected; hence, for the purpose of valuation, the nominal capacity shall be adjusted to the net saleable capacity after taking into account the power loading factor, any auxiliary loss and any obligation to supply electricity to the government.

In addition, as regards the contracted amounts under various power purchase agreements, after considering the historical average, median, highest and lowest of the purchasers' procured amount (which were 72%, 73%, 80% and 63% of the contracted amount, respectively), the management of the Target Company considered that it is prudent to assume that the purchasers will purchase 75% of the contracted capacity amount. As a result, the expected capacity used in the valuation in relation to the total contracted power purchase agreements is 375 megawatt instead of 500 megawatt. Any additional required power purchase to be made by the Target Company from the India Energy Exchange cannot be projected accurately, hence, cannot be considered in the financial projection.

HLB Hodgson Impey Cheng Limited has reported to the Directors in respect of the compilation, in accordance with the assumptions to the valuation, of the estimated discounted future cash flows in connection with the valuation of Target Company prepared by the valuer.

The Directors confirm that the valuation on the Target Company, which constitutes a profit forecast under Rule 14.61 of the Listing Rules, has been made after due and careful enquiries.

Having considered and made reference to the investment value on the Sale Shares of approximately US$521 million as at 31 August 2018 performed by the independent valuer engaged by the Company, the Total Payable Amount for the Proposed Transaction is considered as attractive, which was set at a substantial discount below its investment value and as compared to market comparables. Following Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company, and the accounts of the Target Company will be consolidated into the consolidated financial results of the Group and they are expected to contribute favourably to the Group's overall operating revenue and cash flows. Therefore, the Directors believe it is in the interest of the Group to acquire the entire issued share capital in the Target Company through the Acquisition at a bargain price.

Letters from the Board and HLB Hodgson Impey Cheng Limited relating to the valuation report are set out in the section headed "Appendix III — Letters from the Board and HLB Hodgson Impey Cheng Limited relating to the Profit Forecast" in this circular.

Taking into account the reasons and benefits described above, the Directors (including the independent non-executive Directors) consider that the terms of the Transaction Documents and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests and the Shareholders as a whole.

The above includes forward-looking statements which reflect the Company'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.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratio(s) (as defined under the Listing Rules) in respect of the Acquisition exceed(s) 25% but is less than 100%, the Acquisition constitutes a major transaction of the Company and is subject to the notification, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, none of the Shareholders has a material interest in the Proposed Transaction and therefore no Shareholder would be required to abstain from voting if the Company were to convene a general meeting for the approval of the Transaction Documents and the transactions contemplated thereunder. The Company will not be required to convene a general meeting for approving the Transaction Documents and the transactions contemplated thereunder as the Company has obtained written Shareholders' approval from the Company's Controlling Shareholders, in lieu of convening a general meeting as permitted by Rule 14.44 of the Listing Rules. As at the Latest Practicable Date, the Controlling Shareholders are Amber Future Investments Limited and Fortunella Investments Limited, each holds 2,023,300,000 and 1,527,153,332 Shares, respectively, and hold in aggregate 3,550,453,332 Shares, representing approximately 55.74% of the total number of issued Shares.

Yours faithfully,
By order of the Board of
Agritrade Resources Limited
Ashok Kumar Sahoo
Executive Director and Chief Financial Officer

1. FINANCIAL SUMMARY

The audited consolidated financial statements of the Group for each of the three years ended 31 March 2018, 2017 and 2016 and the unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2018 are respectively disclosed in the following documents which have been published on the website of the Company (www.agritraderesources.com) and the website of the Stock Exchange (www.hkexnews.hk):

- the annual report of the Company for the year ended 31 March 2016 published on 28 July 2016 (pages 74 to 144): http://www3.hkexnews.hk/listedco/listconews/SEHK/2016/0728/LTN20160728407.pdf;
- the annual report of the Company for the year ended 31 March 2017 published on 25 July 2017 (pages 97 to 172): http://www3.hkexnews.hk/listedco/listconews/SEHK/2017/0725/LTN20170725288.PDF;
- the annual report of the Company for the year ended 31 March 2018 published on 30 July 2018 (pages 101 to 173): http://www3.hkexnews.hk/listedco/listconews/SEHK/2018/0730/LTN20180730488.pdf; and
- the interim results announcement of the Company for the six months ended 30 September 2018 published on 27 November 2018 (pages 1 to 12): http://www3.hkexnews.hk/listedco/listconews/SEHK/2018/1127/LTN20181127820.pdf.

No qualified opinion has been issued for the audited consolidated financial statements of the Group for each of the three years ended 31 March 2016, 2017 and 2018.

2. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

The principal activities of the Enlarged Group are (a) mining, exploration, logistics, sale of coal and other mining-related activities; (b) 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 (iii) the production, generation, provision and sale of fuel and energy and other energy-related operations.

Prospect on the mining business

The Enlarged Group mainly sells and markets its coal products to major markets in the People's Republic of China ("**China**"), India and Indonesia which are all developing economies showing a rising demand for coal as most of their power plants are fuelled by coal. In light of such strong coal demand from these economies, the Enlarged Group expects that the global and Indonesia coal prices will remain robust and will be sustainable at the existing high levels. The Enlarged Group will continue to take advantage of the opportunity arising from such favourable market conditions, by maximising the production capacity of its operating coal mines, namely PT Senamas

Energindo Mineral Mine (the "**SEM Mine**") and Rantau Nangka underground coal mine (the "**Merge Mine**"). The Enlarged Group will also put more focus on export sales and further explore new markets or customers in different Asian countries.

As a sizeable and multi-product integrated coal producer, the Enlarged Group will adopt a holistic growth strategy for the mining business. For the SEM Mine, annual production for FY2019 is expected to be maintained at a sustainable and stable level as FY2018. The Enlarged Group will make adjustment to the annual coal production in response to prevailing market demand and conditions in order to optimise its returns. For the Merge Mine, the Enlarged Group has recently acquired a new longwall system installed at the Merge Mine site from a renowned Chinese equipment manufacturer in May 2018. After completion of construction, the Merge Mine operation will be fully equipped with two longwall systems. The production capacity of the Merge Mine is expected to increase by approximately 2.5 million tonnes annually with such additional longwall system, reaching an expected total annual production capacity of approximate 3.5 million tonnes. The Enlarged Group will further develop and invest in the production and operation of the Merge Mine in accordance with the established business plan and budget.

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

Prospect on the shipping business

The Enlarged Group operates an international shipping business that provides vessel storage services and vessel charter services, primarily to customers in the energy sector in Southeast Asia. As at the Latest Practicable Date, the Enlarged Group owns one set of very large crude carrier grade vessel (the "**VLCC**") providing the storage services, and one set of panamax-grade vessel and certain sets of tug boats and barges providing vessel charter services.

In view of the downward trend of the VLCC charter rate over the past years, the Enlarged Group will exercise caution in operating its VLCC business in the years ahead. Due to the fact that our existing VLCC is secured with floating storage service agreement at fixed tenor and fixed charter rate with a renowned international trading company, the Enlarged Group believes that the VLCC business is relatively secured and stable under the prevailing market conditions. Owing to the current unfavourable conditions in the tanker market, the Enlarged Group disposed two sets of VLCCs in 2018 which contributed additional financial resources that could strengthen the financial position and liquidity of the Enlarged Group as a whole. Following such disposals, it is expected that the revenue and profitability arising from the Enlarged Group's VLCC business will decrease significantly in the coming years.

As for our vessel chartering business, as a result of the disposal of various sets of tug boats and barges by the Enlarged Group in late 2018 and the current low level of the global vessel charter rates, we expect that the overall performance of the Enlarged Group's shipping business in the coming year will be less significant as compared to the past years. Meanwhile, the Enlarged Group will also regularly monitor and assess the utilisation and efficiency of our existing vessels, including a review on their ages and vessel conditions and on the prevailing market conditions, so that we can react promptly to any opportunity arising from the market and optimise our vessel portfolio by acquiring or disposing of vessels on an on-going and timely basis.

Prospect on the biodiesel power plant business

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

Biodiesel is a renewable, clean-burning diesel alternative strongly supported by the U.S. Government recently, with benefits of reducing the petroleum import, creating jobs vacancies and achieving environmental protection. The U.S. biodiesel market has expanded dramatically over the past decade that the current biodiesel production scale is still significantly falling behind the total diesel market in the U.S.. Following the United States Renewable Fuels Standard becoming effective, the demand for biofuels is further consolidated by escalating to an ultimate annual production level of 36 billion gallons by the year 2022, mainly comprising ethanol and biodiesel.

Our entry into the North American renewable energy market reflects our strategic vision to become a leading energy-focused solutions provider and positions us to capture growth opportunities in the biodiesel market afforded by the global trend towards renewable and environmentally-friendly products. As the Enlarged Group's biodiesel business is still in its early stage of operation and is currently operating far below its full capacity, we expect that operating losses will be recorded for the biodiesel business in the near future reflecting such transitional stage. However, the Board believes that our biodiesel business will have a high growth potential and promising prospect in the long-term future, which will cater to the growing demand for renewable energy in the U.S. market and capture the opportunities provided by the global trend towards bio-based, renewable and environmentally-friendly products.

Prospect on the coal based thermal power plant business

The Enlarged Group operates its coal based thermal power plant business through the 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 (the "**Power Plant Project**"). As at the Latest Practicable Date, the construction of the Phase I of the Power Plant Project comprising 600 megawatt capacity has been completed and has already commenced its commercial operations. As it is the current intention of the Enlarged Group to concentrate on the smooth running and operation of the Phase I of the Power Plant Project for the next two years, the Enlarged Group is not going to significantly develop or construct the Phase II of the Power Plant Project of another 600 megawatt capacity. The Board considers that only after such two-year operation period, the Enlarged Group will consider again the feasibility on further expansion, development and construction of the Phase II project.

Regarding the operation of the Phase I of the Power Plant Project, as at the Latest Practicable Date, the Enlarged Group has already secured various power purchase agreements for the supply of approximately 500 megawatt power capacity annually. The Enlarged Group will continue seeking the customers for the 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 Directors expect the revenue and profitability of the Power Plant Project will demonstrate a growth and are therefore fairly optimistic about the prospect of the Power Plant Project in the coming years.

Potential mergers and acquisitions and fund raising activities

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

For the purposes of conducting any potential mergers and acquisitions activities and financing the Enlarged 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 Enlarged Group and/or for the satisfaction of part or all of the consideration for any potential mergers and acquisitions should they materialise. The Enlarged Group has been in active discussions and negotiations with regard to various fund raising opportunities. As at the Latest Practicable Date, such discussions and negotiations are still at a preliminary stage and no final terms and conditions have been concluded. Further announcement(s) will be made by the Enlarged Group in respect thereof as and when required by the Listing Rules.

3. STATEMENT OF INDEBTEDNESS

As at the close of business on 31 October 2018, being the latest practicable date for the purpose of this statement of indebtedness prior to the publication of this circular, the Enlarged Group had the following outstanding indebtedness:

(a) bank borrowings of approximately HK$5,559,256,000, which were secured by (i) certain property, plant and equipment of the Enlarged Group; (ii) the whole of the tangible movable assets, intangible assets and other assets including but not limited to book debts, operating cash flow, bank balances both present and future pertaining to the Target Company; (iii) corporate guarantees given by the Company and its certain subsidiaries; (iv) corporate guarantees given by the former shareholder and the former director of the Target Company; (v) corporate guarantees of a non-controlling owner of a subsidiary of the Company; (vi) personal guarantee of a shareholder of a non-controlling owner of a subsidiary of the Company; (vii) pledge of equity shares of subsidiaries of the Company; and (viii) pledge of equity shares, compulsorily convertible preference shares and compulsorily convertible debentures of the Target Company held by the former shareholders and related parties of the Target Company;

(b) unsecured zero-coupon non-convertible debenture bonds in the carrying amount of approximately HK$278,216,000 with principal amount in the nominal value of INR2,587,410,000;

(c) obligation under finance leases of approximately HK$323,000, which were secured by the lessor's charge over the leased assets of the Group;

(d) amounts due to non-controlling owner of a subsidiary of the Company and its related company of approximately HK$64,220,000 which were unsecured, interest-free and repayable after one year from the Latest Practicable Date;

(e) amounts due to related parties of the Company and its related companies of approximately HK$28,423,000 which were unsecured, interest-free and repayable on demand; and

(f) bank guarantees issued for the Target Company of approximately HK$354,722,000, which were secured by certain cash margin and bank deposits.

As at the close of business on 31 October 2018, being the latest practicable date for the purpose of this statement of indebtedness, the Enlarged Group had no material contingent liabilities.

Save as aforesaid or otherwise disclosed herein, and apart from intra-group liabilities and normal trade and other payables in the ordinary course of business, the Enlarged Group did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances, acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees or other contingent liabilities as at close of business on 31 October 2018.

Save as disclosed, the Directors confirmed that there has been no material changes in the indebtedness, contingent liabilities and commitments of the Enlarged Group from 31 October 2018 up to the Latest Practicable Date.

4. WORKING CAPITAL

The Directors are of the opinion that, in the absence of unforeseen circumstances and after taking into account the financial resources and banking facilities available to the Enlarged Group (including its internally generated funds), the Enlarged Group will have sufficient working capital to satisfy its present requirements for at least twelve months from the date of this circular.

5. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Company since 31 March 2018, being the date to which the latest published audited accounts of the Company were made up, save as disclosed in the interim results announcement of the Company for the six months ended 30 September 2018 published on 27 November 2018 or otherwise publicly disclosed.

The following is the text of a report, prepared for inclusion in this circular, received from the independent reporting accountants, HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong.

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

17 December 2018

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF SKS POWER GENERATION (CHHATTISGARH) LIMITED TO THE DIRECTORS OF AGRITRADE RESOURCES LIMITED

Introduction

We report on the historical financial information of SKS Power Generation (Chhattisgarh) Limited (the ''Target Company'') set out on pages II-5 to II-52, which comprises the statements of financial position of the Target Company as at 31 March 2016, 2017 and 2018 and 30 September 2018, and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for each of the years then ended 31 March 2016, 2017 and 2018 and six months ended 30 September 2018 (the ''Relevant Periods'') and a summary of significant accounting policy and other explanatory information (together, the ''Historical Financial Information''). The Historical Financial Information set on pages II-5 to II-52 forms an integral part of this report, which has been prepared for inclusion in the investment circular of Agritrade Resources Limited (the ''Company'') date 17 December 2018 (the ''Circular'') in connection with the acquisition of the entire issued share capital of the Target Company by the Company.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 3 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The directors of the Company are responsible for the contents of the Circular in which the Historical Financial Information is included, and such information is prepared based on accounting policies materially consistent with those of the Company.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 ''Accountants' Reports on Historical Financial Information in Investment Circulars'' issued by the Hong Kong Institute of Certified Public Accountants (''HKICPA''). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that give a true and fair view in accordance with the basis of preparation and presentation set out in Note 3 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

EMPHASIS OF MATTER

Without qualifying our opinion, we draw attention to Note 3 and Note 37 to the Financial Information which indicates that the Target Company incurred net losses of approximately HK$1,956,168,000, HK$428,012,000, and HK$598,232,000, HK$55,924,000 and HK$312,009,000 for the years ended 31 March 2016, 2017 and 2018 respectively and the period ended 30 September 2017 and 2018, and as of 31 March 2016, 2017 and 2018 and 30 September 2018 the Target Company's total liabilities exceed its total assets by approximately HK$1,251,636,000, HK$1,679,648,000, HK$2,277,880,000 and HK$2,589,889,000 respectively. Notwithstanding the above, the Historical Financial Information have been prepared on a going concern basis, the validity of which is dependent on the Target Company's ability to obtain external source of funding in order for the Target Company to meet its financial obligations as they fall due and to finance its future working capital and financial requirements. These conditions, along with other matters set forth in Note 3, indicate the existence of a material uncertainty which may cast significant doubt about the Target Company's ability to continue as a going concern.

OTHER MATTER

We draw attention to Note 37 to the Financial Information which indicates that events of the following:

(i) The matters under dispute with the contractor. The Target Company is of the view supported by legal opinion, that it has a strong case that its dues will be recovered and no additional liability will devolve on the Target Company; and

(ii) The matters relate to the default on the repayment of the principal and interest due on term loans to the lenders.

Opinion

In our opinions the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Target Company's financial position as at 31 March 2016, 2017 and 2018, and 30 September 2018 and of the Target Company's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in Note 3 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Target Company which comprises the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for the six months ended 30 September 2017 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in Note 3 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 3 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Companies (Winding Up and Miscellaneous Provisions)

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page II-5 have been made.

Dividends

We refer to Note 13 to the Historical Financial Information which states that no dividends have been paid by Target Company in respect of the Relevant Periods.

Yours faithfully,
HLB Hodgson Impey Cheng Limited
Certified Public Accountants
Shek Lui
Practising Certificate Number: P05895
Hong Kong, 17 December 2018

I. HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Target Company for the Relevant Periods, on which the Historical Financial Information is based, were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in Hong Kong Dollar ("HK$") and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended 31 March 2016 HK$'000	Year ended 31 March 2017 HK$'000	Year ended 31 March 2018 HK$'000	Six months ended 30 September 2017 HK$'000 (unaudited)	Six months ended 30 September 2018 HK$'000
Revenue	6	—	—	257,548	—	394,090
Cost of sales		—	—	(251,547)	—	(402,605)
Gross profit/(loss)		—	—	6,001	—	(8,515)
Other income, and gains and losses, net	7	(14,377)	(9,194)	5,509	287	9,438
Administrative expenses		(3,512)	(5,441)	(126,063)	(4,757)	(96,936)
Impairment loss on property, plant and equipment	15	(1,936,934)	(384,455)	(292,000)	—	—
Finance costs	8	—	—	(154,185)	—	(415,221)
Loss before taxation	9	(1,954,823)	(399,090)	(560,738)	(4,470)	(511,234)
Taxation	10	—	—	—	—	—
Loss for the year/period		(1,954,823)	(399,090)	(560,738)	(4,470)	(511,234)
Other comprehensive (loss)/income:						
Items that will not be reclassified subsequently to profit or loss:						
Re-measurement of the defined benefit plan		(348)	—	64	—	—
Items that may be reclassified subsequently to profit or loss:						
Exchange differences arising on translation of foreign operations		(997)	(28,922)	(37,558)	(51,454)	199,225
Total comprehensive loss for the year/period		(1,956,168)	(428,012)	(598,232)	(55,924)	(312,009)

The accompanying notes form an integral part of the Historical Financial Information.

STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 March 2016 HK$'000	Aa at 31 March 2017 HK$'000	As at 31 March 2018 HK$'000	As at 30 September 2018 HK$'000
Non-current assets					
Property, plant and equipment	15	2,717,822	3,645,240	4,214,279	3,729,601
Long term deposits and prepayments	18	520,008	419,232	409,555	378,649
Amount due from holding company	23	—	1,370	320	—
Tax recoverable		2,653	2,582	2,327	2,301
		3,240,483	4,068,424	4,626,481	4,110,551
Current assets					
Inventories	16	—	—	18,490	40,161
Trade receivables	17	—	—	15,492	44,183
Other receivables, deposits and prepayments	18	8,342	11,119	101,391	65,082
Cash and cash equivalents	19	241,749	342,903	273,924	198,911
		250,091	354,022	409,297	348,337
Current liabilities					
Trade payables	20	357	312	49,594	54,672
Other payables and accruals	21	127,927	139,866	538,419	897,718
Deferred revenue	22	—	—	6,523	—
Amount due to holding company	33	2,449	—	—	—
Amounts due to related companies	24	85	87	100	—
Amounts due to directors	25	193	196	182	—
Borrowings	26	560,321	5,799	5,850,317	5,276,787
Derivative financial liabilities	27	7,364	—	—	—
		698,696	146,260	6,445,135	6,229,177
Net current (liabilities)/assets		(448,605)	207,762	(6,035,838)	(5,880,840)
Total assets less current liabilities		2,791,878	4,276,186	(1,409,357)	(1,770,289)

	Notes	As at 31 March 2016 HK$'000	Aa at 31 March 2017 HK$'000	As at 31 March 2018 HK$'000	As at 30 September 2018 HK$'000
Non-current liabilities					
Long-term other payables	*21*	254,687	294,702	300,330	307,450
Deferred revenue	*22*	213,943	258,295	256,307	232,627
Borrowings	*26*	3,538,976	5,097,906	—	—
Debentures	*28*	35,908	304,931	311,886	279,523
		4,043,514	5,955,834	868,523	819,600
Net liabilities		(1,251,636)	(1,679,648)	(2,277,880)	(2,589,889)
Capital and reserves					
Share capital	*30*	617,046	617,046	617,046	617,046
Reserves		(1,868,682)	(2,296,694)	(2,894,926)	(3,206,935)
Total equity		(1,251,636)	(1,679,648)	(2,277,880)	(2,589,889)

The accompanying notes form an integral part of the Historical Financial Information.

STATEMENTS OF CHANGES IN EQUITY

	Share capital	Share premium	Exchange reserve	Other reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Note (i))	*(Note (ii))*	*(Note (iii))*		
At 1 April 2015	617,046	198,425	(31,169)	(18)	(79,752)	704,532
Loss for the year	—	—	—	—	(1,954,823)	(1,954,823)
Other comprehensive loss for the year:						
Re-measurement of the defined benefit plan	—	—	—	(348)	—	(348)
Exchange differences arising on translation of foreign operation	—	—	(997)	—	—	(997)
Total comprehensive loss for the year	—	—	(997)	(348)	(1,954,823)	(1,956,168)
At 31 March 2016 and 1 April 2016	617,046	198,425	(32,166)	(366)	(2,034,575)	(1,251,636)
Loss for the year	—	—	—	—	(399,090)	(399,090)
Other comprehensive income/(loss) for the year:						
Exchange differences arising on translation of foreign operation	—	—	(28,922)	—	—	(28,922)
Total comprehensive loss for the year	—	—	(28,922)	—	(399,090)	(428,012)
At 31 March 2017 and 1 April 2017	617,046	198,425	(61,088)	(366)	(2,433,665)	(1,679,648)
Loss for the year	—	—	—	—	(560,738)	(560,738)
Other comprehensive income/(loss) for the year:						
Re-measurement of the defined benefit plan	—	—	—	64	—	64
Exchange differences arising on translation of foreign operation	—	—	(37,558)	—	—	(37,558)
Total comprehensive loss for the year	—	—	(37,558)	64	(560,738)	(598,232)

	Share capital	Share premium	Exchange reserve	Other reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Note (i))	*(Note (ii))*	*(Note (iii))*		
At 31 March 2018 and 1 April 2018	617,046	198,425	(98,646)	(302)	(2,994,403)	(2,277,880)
Loss for the period	—	—	—	—	(511,234)	(511,234)
Other comprehensive income for the period:						
Exchange differences arising on translation of foreign operation	—	—	199,225	—	—	199,225
Total comprehensive income/(loss) for the period	—	—	199,225	—	(511,234)	(312,009)
At 30 September 2018	617,046	198,425	100,579	(302)	(3,505,637)	(2,589,889)
At 1 April 2017	617,046	198,425	(61,088)	(366)	(2,433,665)	(1,679,648)
Loss for the period	—	—	—	—	(4,470)	(4,470)
Other comprehensive loss for the period:						
Exchange differences arising on translation of foreign operation	—	—	(51,454)	—	—	(51,454)
Total comprehensive loss for the period	—	—	(51,454)	—	(4,470)	(55,924)
At 30 September 2017 (unaudited)	617,046	198,425	(112,542)	(366)	(2,438,135)	(1,735,572)

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) Exchange reserve

The balance comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

(iii) Other reserve

The balance represents difference between the fair value and the carrying amount of defined benefit plan as at the year/period ended date.

The accompanying notes form an integral part of the Historical Financial Information.

STATEMENTS OF CASH FLOWS

	Year ended 31 March 2016	Year ended 31 March 2017	Year ended 31 March 2018	Six months ended 30 September 2017	Six months ended 30 September 2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Operating activities					
Loss before taxation	(1,954,823)	(399,090)	(560,738)	(4,470)	(511,234)
Adjustments for:					
Depreciation of property, plant and equipment	764	60	61,595	298	85,392
Impairment loss on property, plant and equipment	1,936,934	384,455	292,000	—	—
Interest income	(524)	(422)	(5,196)	(219)	(6,348)
Fair value changes on financial instruments, net	14,901	—	—	—	—
Loss on disposal of derivative financial instruments, net	—	9,796	—	—	—
Write-off of investment in associate	59	—	—	—	—
Loss on disposal of property, plant and equipment	3	—	—	—	—
Finance costs	—	—	154,185	—	415,221
Operating cash flows before movements in working capital	(2,686)	(5,201)	(58,154)	(4,391)	(16,969)
(Increase)/decrease in inventories	—	—	(18,490)	—	(21,671)
(Increase)/decrease in trade receivables	—	—	(15,492)	—	(28,691)
(Increase)/decrease in other receivables, deposits and prepayments	(371,289)	(576,429)	(76,060)	(77,403)	37,013
Increase/(decrease) in trade payables	357	(45)	49,282	316	5,078
Increase/(decrease) in other payables and accruals	37,520	51,954	(19,755)	53,955	(8,581)
Cash (used in)/generated from operations	(336,098)	(529,721)	(138,669)	(27,523)	(33,821)
Income taxes (paid)/refund	(574)	71	255	334	26
Interest paid	—	—	(22,185)	—	(40,221)
Net cash (used in)/generated from operating activities	(336,672)	(529,650)	(160,599)	(27,189)	(74,016)

	Year ended 31 March 2016 HK$'000	Year ended 31 March 2017 HK$'000	Year ended 31 March 2018 HK$'000	Six months ended 30 September 2017 HK$'000 (unaudited)	Six months ended 30 September 2018 HK$'000
Investing activities					
Interest received	524	422	5,196	219	6,348
Purchase of property, plant and equipment	(482,099)	(530,385)	(550,183)	(484,215)	(35,505)
Proceeds from disposal of property, plant and equipment	3	—	—	—	—
Proceeds from disposal of investment in associate	65	—	—	—	—
Purchase of financial instruments	(7,722)	(17,160)	—	—	—
Net cash (used in)/generated from investing activities	(489,229)	(547,123)	(544,987)	(483,996)	(29,157)
Financing activities					
(Decrease)/increase in borrowings, net	707,646	1,273,431	746,612	577,970	(573,530)
(Increase)/decrease in amount due from/to holding company	3,529	(3,819)	1,050	(1,077)	320
Increase/(decrease) in amounts due to related companies	29	2	13	(87)	(100)
Increase/(decrease) in amounts due to directors	13	3	(14)	(196)	(182)
Net cash generated from/(used in) financing activities	711,217	1,269,617	747,661	576,610	(573,492)

	Year ended 31 March 2016 *HK$'000*	Year ended 31 March 2017 *HK$'000*	Year ended 31 March 2018 *HK$'000*	Six months ended 30 September 2017 *HK$'000* (unaudited)	Six months ended 30 September 2018 *HK$'000*
Net (decrease)/increase in cash and cash equivalents	(114,684)	192,844	42,075	65,425	(676,665)
Cash and cash equivalents at the beginning of the year/period	115,254	241,749	342,903	342,903	273,924
Effect of foreign exchange rate changes	241,179	(91,690)	(111,054)	(154,642)	601,652
Cash and cash equivalents at the end of the year/period	241,749	342,903	273,924	253,686	198,911

The accompanying notes form an integral part of the Historical Financial Information.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

The registered office and principal place of business of the Target Company is at 501/B, Elegant Business Park, Andheri Kurla Road, J.B. Nagar, Andheri East, 400059 Mumbai, Maharashtra, India/IN. The Target Company was incorporated in the State of Maharashtra, India (the ''India''), which is principally engaged in the business of coal-based thermal power plant and the construction, development and operation of the Project. The substantial shareholder of the Target Company is SBICAP Trustee Company Limited (''SBICAP'') who representing 100% of the equity share capital of the Target Company on a fully diluted basis, incorporated in India, which is a wholly-owned subsidiary of State Bank of India and is registered with Securities Exchange Board of India as a debenture trustee.

The Historical Financial Information is presented in Hong Kong dollar (''HK$''). The Target Company was established in India whose functional currency is India Rupee Sign (''INR'').

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Historical Financial Information for the Relevant Periods, the Target Company has consistently applied the accounting policies which conform with HKFRSs, Hong Kong Accounting Standards (''HKASs''), amendments and the related interpretations (''HK(IFRIC)s'') issued by the Hong Kong Institute of Certified Public Accountants (the ''HKICPA'') which are effective for the accounting periods beginning on 1 April 2018 throughout the Relevant Periods, except that the Target Company adopted HKFRS 9 ''Financial Instruments'' on 1 April 2018 and applied HKAS 39 ''Financial Instruments: Recognition and Measurement'' for the three years ended 31 March 2018. The accounting policies for financial instruments under HKFRS 9 are set out in Note 3 below.

The Target Company 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) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018.

The table below illustrates the classification and measurement of financial assets and financial liabilities under HKFRS 9 and HKAS 39 at the date of initial application, 1 April 2018.

	Original measurement category under HKAS 39	**New measurement category under HKFRS 9**	**Original carrying amount under HKAS 39** *HK$'000*	**New carrying amount under HKFRS 9** *HK$'000*
Trade receivables *(Note 17)*	Loan and receivables	Financial assets at amortised cost	15,492	15,492
Deposits and other receivables *(Note 18)*	Loan and receivables	Financial assets at amortised cost	13,020	13,020
Cash and cash equivalents *(Note 19)*	Loan and receivables	Financial assets at amortised cost	273,924	273,924
Trade payables *(Note 20)*	Financial liabilities at amortised cost	Financial liabilities at amortised cost	49,594	49,594
Other payables and accruals *(Note 21)*	Financial liabilities at amortised cost	Financial liabilities at amortised cost	838,749	838,749

	Original measurement category under HKAS 39	New measurement category under HKFRS 9	Original carrying amount under HKAS 39 *HK$'000*	New carrying amount under HKFRS 9 *HK$'000*
Amounts due to related parties *(Note 24)*	Financial liabilities at amortised cost	Financial liabilities at amortised cost	100	100
Amounts due to directors *(Note 25)*	Financial liabilities at amortised cost	Financial liabilities at amortised cost	182	182
Borrowings *(Note 26)*	Financial liabilities at amortised cost	Financial liabilities at amortised cost	5,850,317	5,850,317
Debentures *(Note 28)*	Financial liabilities at amortised cost	Financial liabilities at amortised cost	311,886	311,886

The Target Company has not recognised additional impairment loss allowance upon the initial recognition of HKFRS 9 on 1 April 2018 as the amounts involved are insignificant.

At the date of issuance of this report, the Target Company has not early applied the following new and amendments to HKFRSs and HKASs that have been issued but not yet effective:

HKAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement[1]
HKAS 28 (Amendments)	Long-term interests in Associates and Joint Ventures[1]
HKFRSs (Amendments)	Annual Improvements Cycle 2015–2017 Cycle[1]
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation[1]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[2]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]

1 Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.
2 Effective for annual periods beginning on or after 1 January 2021, with earlier application permitted.
3 Effective for annual periods beginning on or after a date to be determined.

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Target Company currently presents upfront prepaid lease payments as operating lease payments are presented as operating cash flows. Upon the application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

As at 30 September 2018, the Target Company has non-cancellable operating lease commitments of approximately HK$54,757,000 as disclosed in Note 29 to the Historical Financial Information. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Target Company 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 upon the application of HKFRS 16. The combination of straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to the profit or loss in the initial years of the lease, and decreasing expenses during the latter part of the lease term, but there is no impact on the total expenses recognised over the lease term. The directors of the Target Company anticipate that the application of HKFRS 16 would not have significant impact on the net financial position and performance of the Target Company comparing with HKAS 17 currently adopted by the Target Company. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above.

Except as described above, the directors of the Target Company consider that the application of the other new and revised standards and amendments is unlikely to have a material impact on the Target Company's financial position and performance as well as disclosure to be set out in the future financial statements of the Target Company.

3. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared in accordance with HKFRSs (which included all HKFRSs, Hong Kong Accounting Standards (''HKASs'') and Interpretations) issued by the HKICPA. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities of the Stock Exchange of Hong Kong Limited (the ''Listing Rules'') and by the disclosure requirements of the Hong Kong Companies Ordinance.

The Historical Financial Information has 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.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Target Company takes into account the characteristics of the asset or liability of market participants. Fair value for measurement and/or disclosure purposes in the Historical Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The Target Company incurred net losses of approximately HK$1,956,168,000, HK$428,012,000, and HK$598,232,000, HK$55,924,000 and HK$312,009,000 for the years ended 31 March 2016, 2017 and 2018 respectively and the period ended 30 September 2017 and 2018, and as of 31 March 2016, 2017 and 2018 and 30 September 2018 the Target Company's total liabilities exceed its total assets by approximately HK$1,251,636,000, HK$1,679,648,000, HK$2,277,880,000 and HK$2,589,889,000 respectively. In preparing the Financial Information, the directors of the Target Company have given careful consideration to the future liquidity of the Target Company. The directors of the Target Company adopted the going concern basis for the preparation of the Historical Financial Information and implemented the following measures in order to improve the working capital and liquidity and cash flow position of the Target Company.

The management of the Target Company closely monitors its financial performance and liquidity position. The management has been implementing measures to improve profitability, and arranging source of fund to finance its capital expenditure and to finance its borrowings, in order to improve the Group's operating performance and alleviate its liquidity risk.

On 6 October 2017, phase I of the Project, representing a thermal power plant of 600 MW capacity, has already been completed. During the year, the Target Company has entered supply and demand agreement with three customers to provide thermal power over coming years and in the opinion of management, it will bring steady upward trend in the development of the Target Company's share in India's thermal power market and increase its profitability.

With respect to the Group's bank financing, the Group maintains continuous communication with its lenders and as disclosed in the announcements dated 14 November 2018, in order to provide a resolution to the Target Company in relation to its debt obligations, the debtor have decided, inter alia, to effect change in ownership of the Target Company in accordance with the Revised Framework. Accordingly, the Company has a resolution whereby the Company would pay the resolution amount for one-time-settlement of the Existing Fund Based Debt and for payment of the cash margin for the bank guarantees, as may be required (the "Resolution Plan"). For more details of the Resolution Plan, please refer to the announcements dated 14 November 2018.

After the completion of the Acquisition, the Company will provide continuing financial support to the Target Company to enable it to continue as going concern and to settle its liabilities as and when they fall due.

Consequently, the Financial Information have been prepared on the Financial Information do not include any adjustments that would result should the Company be unable to operate as a going concern.

The principal accounting policies are set out below.

(a) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and amortisation and accumulated impairment losses.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Target Company 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:

Freehold land	unlimited useful live
Plant and machinery	1.7%–20.0%
Buildings	33.3%
Furniture, fixtures and equipment	10.0%–33.3%
Motor vehicles	10.8%–12.5%

Construction in progress is stated at cost less impairment losses. Cost comprises direct costs of construction as well as borrowing costs capitalised during the period 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.

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.

(b) 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 Target Company as lessor

Rental 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 Target Company 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.

(c) Impairment of non-financial assets

At the end of each reporting period, the Target Company reviews the carrying amounts of its property, plant and equipment and investments in associate 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.

(d) Financial instruments (before the adoption of HKFRS 9 on 1 April 2018)

(i) Financial assets

The Target Company classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets at fair value through profit or loss are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase of sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Financial assets at fair value through profit or loss

These assets include financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts.

Where a contract contained one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial assets may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; (ii) the assets are part of a group of financial assets which is managed and its performance evaluated on a fair value basis according to a documented management strategy; or (iii) the financial asset contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses, except where the effect of discounting would be immaterial, in which case, the loans and receivables are stated at cost less impairment losses.

(ii) Impairment loss on financial assets

The Target Company assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— granting concession to a debtor because of debtor's financial difficulty;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

For loans and receivables, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

Impairment losses are reserved in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reserved does not exceed what the amortised cost would have been had the impairment not been recognised.

(iii) Financial liabilities

The Target Company classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at fair value through profit or loss, expect where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial liabilities may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

Financial liabilities at amortised cost

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) 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.

(v) Equity instruments

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

(vi) 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 Target Company 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 Target Company 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*.

(vii) Derecognition

The Target Company 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.

(e) Financial instruments (after the adoption of HKFRS 9 on 1 April 2018)

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair values of the financial assets or financial liabilities, as appropriate, on initial recognition.

(i) Financial assets

All recognised financial assets are subsequently measured their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset 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 fair value through profit or loss.

Amortised cost and 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 periods.

For financial instruments other than purchased or originated credit-impaired financial assets, 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) excluding expected credit losses ("ECL"), through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. 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. 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. If, in subsequent reporting periods, 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.

Interest income is recognised in profit or loss and is included in the "Other income, and gains and losses, net" line item.

Impairment of financial assets and contract assets under ECL model

The Target Company recognises a loss allowance for ECL on financial assets which are subject to impairment (including trade receivables, deposits and other receivables and cash and bank balances). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instruments.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment is done based on the Target Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Target Company always recognises lifetime ECL for trade receivables and contract assets. The ECL on these assets are assessed individually for debtors based on the Target Company's internal credit rating, 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 Target Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Target Company measures the loss allowance for that financial instrument at an amount equal to 12m ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Target Company compares the risk of a default occurring on the financial instrument as at the end of each reporting period with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Target Company 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 included the future prospects of the industries in which the Target Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Target Company'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, or the length of time of the extent to which the fair value of a financial asset has been less than its amortised cost;

- 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;

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

- 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 Target Company presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Target Company has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Target Company 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 (i) the financial instrument has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Target Company considers a financial asset to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions.

Definition of default

The Target Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Target Company, in full (without taking into account any collaterals held by the Target Company).

Irrespective of the above analysis, the Target Company considers that default has occurred when a financial asset is more than 90 days past due unless the Target Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events 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:

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

(b) a breach of contract, such as a default or past due event;

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

(d) it is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation.

Write-off policy

The Target Company 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, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Target Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

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 forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the end of each reporting period.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Target Company in accordance with the contract and all the cash flows that the Target Company expects to receive, discounted at the original effective interest rate.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- nature of financial instruments;
- past-due status;
- nature, size and industry of debtors; and
- external 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.

If the Target Company has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Target Company measures the loss allowance at an amount equal to 12m ECL at the current reporting date.

The Target Company recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Derecognition of financial assets

The Target Company 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 party.

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.

(ii) Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into 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 a group entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

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

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant periods. The effective interest rate is the rate that exactly discounts estimated future cash payments (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 financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

The Target Company derecognises financial liabilities when, and only when, the Target Company's obligations are discharged, canceled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(f) 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.

(g) Inventories

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.

(h) Revenue recognition

Revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Target Company expects to be entitled in exchange for those goods or services. Specifically, the Target Company uses a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

The Target Company 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 customers.

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 of the asset may be transferred over time or at a point in time. Control of the asset is transferred over time if:

- the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs;
- the Target Company's performance creates and enhances an asset that the customer controls as the Target Company performs; or

- the Target Company's performance does not create an asset with an alternative use to the Target Company and the Target Company has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

Revenue is measured based on the consideration specified in a contract with a customer. The Target Company recognises revenue when it transfers control of a product or service to a customer. The Target Company's major source of revenue is its revenue from sale of coal energy.

Revenue from sale of coal energy is recognised on accrual basis and includes unbilled revenue accrued up to the end of accounting year, at the tariff/rate agreed upon with the relevant customer in the contract/agreement and it is probable that the Target Company will collect the consideration to which it is entitled.

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.

(i) 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 Target Company 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.

(j) 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 Target Company (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 Target Company's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as translation reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the translation reserve relating to that operation up to the date of disposal are classified to profit or loss as part of the profit or loss on disposal.

Fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of reporting period. Exchange differences arising are recognised in translation reserve.

(k) 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 Target Company can no longer withdraw the offer of those benefits and when the Target Company can no longer withdraw the offer of those benefits and when the Target Company recognises restructuring costs involving the payment of termination benefits.

(l) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Target Company 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.

(m) Related parties

(a) A person or a close member of that person's family is related to the Target Company if that person:

(i) has control or joint control over the Target Company;

(ii) has significant influence over the Target Company; or

(iii) is a member of key management personnel of the Target Company or the Target Company's parent.

(b) An entity is related to the Target Company if any of the following conditions apply:

(i) The entity and the Target Company 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 Target Company or an entity related to the Target Company.

(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 Target Company or to the Target Company'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.

(n) 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.

(o) Government grants

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

An unconditional government grant related to the processing of ill hogs shall be recognised in profit or loss when, and only when, the government grant becomes receivable.

Other government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognised the related costs for which the grants are intended to compensate as expenses. Specifically, government grants whose primary condition is that the Target Company should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Target Company'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.

(a) Carrying value of non-current assets and impairment of assets

Non-current assets, including property, plant and equipment 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 Target Company's results of operations or financial position.

(b) 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 the business of coal-based thermal power plant and the construction development and operation of the project as mentioned in Note 3(a) 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.

(c) Fair value measurement

A number of assets and liabilities included in the Target Company's financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Target Company's financial and non-financial assets and liabilities utilizes 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 Target Company measures financial instruments at fair value, details of which are set out in the applicable notes.

5. SEGMENT REPORTING

The Target Company is mainly engaged in coal based thermal power plant and the construction, development and operation of the Project.

The Target Company currently operates one operating and reportable segment on coal-fired power generation. Accordingly, the Target Company does not have separately reportable segments.

Geographical information

No geographical segment analysis is prepared as all of the Target Company's revenue are derived from activities in and from customers located in India and all of the carrying values of the Target's non-current asset is situated in India.

Information about major customers

Revenue from one major customer of the Target Company's amounted to HK$257,548,000 and HK$381,053,000 which represented 10% or more of the Target Company's revenue for the year ended 31 March 2018 and six months ended 30 September 2018, respectively.

6. REVENUE

Revenue represent the income generated by coal power energy during the Relevant Periods.

An analysis of the Target Company's revenue is as follows:

	For the year ended 31 March			Six months ended 30 September	
	2016	**2017**	**2018**	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Recognised at a point in time:					
— Sale of coal energy	—	—	257,548	—	394,090

7. OTHER INCOME, AND GAINS AND LOSSES, NET

	For the year ended 31 March			Six months ended 30 September	
	2016	**2017**	**2018**	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Interest income	524	422	5,196	219	6,348
Rental income	—	9	9	4	4
Interest on income tax refund	—	210	178	64	—
Fair value changes on financial instruments, net	(14,901)	—	—	—	—
Loss on disposal of derivative financial instruments, net	—	(9,796)	—	—	—
Government grants	—	—	—	—	3,086
Exchange difference, net	—	(39)	126	—	—
	(14,377)	(9,194)	5,509	287	9,438

8. FINANCE COSTS

	For the year ended 31 March			Six months ended 30 September	
	2016	2017	2018	2017	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Interest expenses on					
— borrowing wholly repayable within five years	—	—	132,000	—	375,000
— premium on redemption of non-convertible debentures ("NCDs")	—	—	22,185	—	40,221
	—	—	154,185	—	415,221

9. LOSS BEFORE TAXATION

	For the year ended 31 March			Six months ended 30 September	
	2016	2017	2018	2017	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Auditors' remuneration	191	326	435	—	—
Cost of inventories recognised as an expense	—	—	198,917	—	317,457
Depreciation of property, plant and equipment	764	60	61,595	298	85,392
Impairment loss on property, plant and equipment	1,936,934	384,455	292,000	—	—
Write-off of investment in associate	59	—	—	—	—
Staff costs (excluding directors' emoluments)	1,245	1,629	7,709	657	13,806
Operating lease rental	—	—	1,565	—	1,400

10. TAXATION

	For the year ended 31 March			Six months ended 30 September	
	2016	2017	2018	2017	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
The taxation charge comprises:					
Current tax:					
— India Corporate Tax	—	—	—	—	—

India Corporate Tax is calculated at 30% for each of the assessable profits for the Relevant Periods.

The taxation charge for the year can be reconciled to the loss before taxation per statements of profit or loss and other comprehensive income as follow:

	For the year ended 31 March			Six months ended 30 September	
	2016	2017	2018	2017	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Loss before taxation	(1,954,823)	(399,090)	(560,738)	(4,470)	(511,234)
Tax at the application income tax rate at 30%	586,446	119,727	168,221	1,341	153,370
Tax effect of tax losses not recognised	(586,446)	(119,727)	(168,221)	(1,341)	(153,370)
	—	—	—	—	—

11. DIRECTORS' EMOLUMENTS

Details of the emoluments paid or payable to the directors of the Target Company during the Relevant Periods are as follows:

	Year ended 31 March 2016				
	Directors fees	Salaries and benefits	Retirement benefit scheme contribution	Other short-term benefits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Gupta, Anil Mahabir *(Note (a))*	—	1,353	—	—	1,353
Albert, Paulson *(Note (b))*	—	320	16	—	336
Singh, Ramesh Kumar *(Note (c))*	—	1,383	39	—	1,422
Rajachandra Shekhar Rao *(Note (d))*	—	70	4	—	74
	—	3,126	59	—	3,185

	Year ended 31 March 2017				
	Directors fees	Salaries and benefits	Retirement benefit scheme contribution	Other short-term benefits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Gupta, Anil Mahabir	—	1,737	—	—	1,737
Albert, Paulson	—	340	17	—	357
Singh, Ramesh Kumar	—	1,351	38	—	1,389
Sharma, Rakesh *(Note (e))*	23	—	—	—	23
	23	3,428	55	—	3,506

	Year ended 31 March 2018				
	Directors fees	Salaries and benefits	Retirement benefit scheme contribution	Other short-term benefits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Gupta, Anil Mahabir	—	606	—	—	606
Albert, Paulson	—	355	18	—	373
Singh, Ramesh Kumar	—	1,414	40	—	1,454
Sharma, Rakesh	24	—	—	—	24
Jain, Neeta Mithalal *(Note (f))*	19	—	—	—	19
Kambale, Devidas Kashinath *(Note (g))*	10	—	—	—	10
	53	2,375	58	—	2,486

	Six months ended 30 September 2017 (unaudited)				
	Directors fees	Salaries and benefits	Retirement benefit scheme contribution	Other short-term benefits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Gupta, Anil Mahabir	—	606	—	—	606
Albert, Paulson	—	184	9	—	193
Singh, Ramesh Kumar	—	721	20	—	741
Sharma, Rakesh	5	—	—	—	5
	5	1,511	29	—	1,545

	Six months ended 30 September 2018				
	Directors fees	Salaries and benefits	Retirement benefit scheme contribution	Other short-term benefits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Gupta, Anil Mahabir	—	341	—	—	341
Albert, Paulson	—	173	8	—	181
Singh, Ramesh Kumar	—	677	19	—	696
Sharma, Rakesh	14	—	—	—	14
Jain, Neeta Mithalal	14	—	—	—	14
Kambale, Devidas Kashinath	14	—	—	—	14
	42	1,191	27	—	1,260

Notes:

(a) Gupta, Anil Mahabir was appointed as the director of the Target Company on 1 October 2014.

(b) Albert, Paulson was appointed as the director of the Target Company on 1 May 2015.

(c) Singh, Ramesh Kumar was appointed as the director of the Target Company on 16 February 2015.

(d) Rajachandra Shekhar Rao was resigned as the director of the Target Company on 1 May 2015.

(e) Sharma, Rakesh was resigned as the director of the Target Company on 6 November 2015.

(f) Jain, Neeta Mithalal was appointed as the director of the Target Company on 11 May 2017.

(g) Kambale, Devidas Kashinath was appointed as the director of the Target Company on 22 November 2017.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the Relevant Periods.

During the Relevant Periods, there was no amount paid to or receivable by the directors as inducement to join or upon joining the Group, and there was no compensation paid to or receivable by the directors or past directors for loss of office, or as commitment fees to existing directors.

12. FIVE HIGHEST PAID EMPLOYEES' EMOLUMENTS

The five highest paid employees during the years ended 31 March 2016, 2017 and 2018 and six months ended 30 September 2017 and 2018 included 2, 2, 2, 2 and 2 directors respectively, and details of whose remuneration are set out in Note 11 above. The emolument of the remaining individuals are analysed as follows:

	For the year ended 31 March			**Six months ended 30 September**	
	2016	**2017**	**2018**	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Salaries and bonuses	3,204	2,807	3,019	1,517	897
Retirement benefit scheme contributions	67	50	55	27	29
	3,271	2,857	3,074	1,544	926

Number of individuals

	For the year ended 31 March			**Six months ended 30 September**	
	2016	**2017**	**2018**	**2017** (unaudited)	**2018**
Nil to HK$1,000,000	2	2	2	3	3
HK$1,000,000 to HK$2,000,000	1	1	1	—	—

During the Relevant Periods, no emoluments were paid by the Target Company to the five highest paid individuals as an inducement to join or upon joining the Target Company or as compensation for loss of office. None of the five highest paid individuals have waived or agreed to waive any remuneration during the Relevant Periods.

13. DIVIDENDS

No dividend has been paid or proposed by the Target Company during the Relevant Periods, nor has any dividend been proposed subsequent to 30 September 2018.

14. LOSS PER SHARE ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

No loss per share information is presented for the purpose of this report as its inclusion is not considered meaningful.

15. PROPERTY, PLANT AND EQUIPMENT

	Freehold land	Plant and machinery	Buildings	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost							
At 1 April 2015	17,521	—	654	3,881	2,553	3,934,115	3,958,724
Addition	345	—	—	583	1,231	941,369	943,528
Disposals	—	—	—	—	(13)	—	(13)
Exchange adjustments	(1,198)	—	(44)	(277)	(202)	(289,611)	(291,332)
At 31 March 2016 and 1 April 2016	16,668	—	610	4,187	3,569	4,585,873	4,610,907
Addition	805	—	—	444	—	1,247,916	1,249,165
Exchange adjustments	305	—	11	81	62	102,149	102,608
At 31 March 2017 and 1 April 2017	17,778	—	621	4,712	3,631	5,935,938	5,962,680
Addition	247	548,739	—	680	516	292,000	842,182
Transfers	—	3,463,784	—	—	—	(3,463,784)	—
Exchange adjustments	404	109,502	14	104	80	22,867	132,971
At 31 March 2018 and 1 April 2018	18,429	4,122,025	635	5,496	4,227	2,787,021	6,937,833
Addition	—	34,861	—	72	571	—	35,504
Transfers	—	2,415,335	—	—	—	(2,415,335)	—
Exchange adjustments	(1,912)	(536,312)	(66)	(574)	(467)	(152,069)	(691,400)
At 30 September 2018	16,517	6,035,909	569	4,994	4,331	219,617	6,281,937
Accumulated depreciation and impairment							
At 1 April 2015	—	—	416	917	603	—	1,936
Provided for the year	—	—	141	380	243	—	764
Impairment	17,078	—	87	3,034	2,844	1,913,891	1,936,934
Disposals	—	—	—	—	(7)	—	(7)
Exchange adjustments	(410)	—	(34)	(144)	(114)	(45,840)	(46,542)
At 31 March 2016 and 1 April 2016	16,668	—	610	4,187	3,569	1,868,051	1,893,085
Provided for the year	—	—	—	60	—	—	60
Impairment	805	—	—	384	—	383,266	384,455
Exchange adjustments	305	—	11	81	62	39,381	39,840
At 31 March 2017 and 1 April 2017	17,778	—	621	4,712	3,631	2,290,698	2,317,440
Provided for the year	—	60,401	—	680	514	—	61,595
Impairment	—	—	—	—	—	292,000	292,000
Exchange adjustments	406	(333)	14	104	80	52,248	52,519

	Freehold land	Plant and machinery	Buildings	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 March 2018 and 1 April 2018	18,184	60,068	635	5,496	4,225	2,634,946	2,723,554
Provided for the year	—	85,023	—	63	306	—	85,392
Transfers	—	2,503,074	—	—	—	(2,503,074)	—
Exchange adjustments	(1,887)	(121,756)	(66)	(574)	(455)	(131,872)	(256,610)
At 30 September 2018	16,297	2,526,409	569	4,985	4,076	—	2,552,336
Net carrying value							
At 31 March 2016	—	—	—	—	—	2,717,822	2,717,822
At 31 March 2017	—	—	—	—	—	3,645,240	3,645,240
At 31 March 2018	245	4,061,957	—	—	2	152,075	4,214,279
At 30 September 2018	220	3,509,500	—	9	255	219,617	3,729,601

Note:

(a) As at 31 March 2016, 2017 and 2018 and 30 September 2018, the Target Company's property, plant and equipment with an aggregate carrying value of HK$2,717,822,000, HK$3,645,240,000, HK$4,214,279,000 and HK$3,729,601,000 were pledged to secure borrowings of the Target Company.

(b) During the years ended 31 March 2016, 2017 and 2018 and six months ended 30 September 2017 and 2018, the Target Company has capitalised borrowing costs amounted to HK$466,512,000, HK$590,422,000, HK$371,587,000 and HK$nil respectively on the qualifying assets.

Impairment loss recognised during the Relevant Periods:

The Target Company has been facing challenges for reasons including economic slow-down and non-tie up of the entire capacity of the power generated of the Project. During the year ended 31 March 2016, 2017 and 2018 and the six months end 30 September 2018, the Target Company carried out an impairment testing on the property, plant and equipment which are belong to the business of coal-based thermal power plant and the construction, development and operation of the Project (''CGU''). The recoverable amount of the property, plant and equipment has been determined based on a value-in-use calculation of CGU. The value-in-use of property, plant and equipment were estimated based on their respective discounting future cash flows to be generated from the continuing use of these assets. The value-in-use calculation using cash flow projections according to financial budgets covering an 30 year period approved by the management and with pre-tax discount rates of 12.2%, 10.8%, 10.9% and 11.0% respectively. The total estimated undiscounted future cash flows to be generated from continuing use of these assets during the 30 year-period is approximately HK$15,541,518,000, HK$16,129,899,000, HK$16,727,810,000 and HK$15,035,760,000 respectively.

As at 31 March 2016, 2017 and 2018 and 30 September 2018, the value-in-use amount of the property, plant and equipment of the CGU was approximately HK$2,717,822,000, HK$3,645,240,000, HK$4,214,279,000 and HK$3,729,601,000 respectively and impairment loss of approximately HK$1,936,934,000, HK$384,455,000, HK$292,000,000 and HK$nil respectively has been recognised during the years ended 31 March 2016, 2017 and 2018 and the six months end 30 September 2018.

16. INVENTORIES

	As at 31 March			As at 30 September
	2016	2017	2018	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Raw materials	—	—	18,490	40,161

17. TRADE RECEIVABLES

	As at 31 March			As at 30 September
	2016	2017	2018	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	—	—	15,492	44,183

The Target Company's trade receivables are attributable to a major customer with credit terms. The Target Company normally allows a credit period of 30 days to its customers.

Aged analysis of trade receivables, based on invoice date, as at the end of each of the reporting periods is as follows:

	As at 31 March			As at 30 September
	2016	2017	2018	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0–30 days	—	—	15,492	44,183

Before accepting any new customer, the Target Company assesses the potential customer's credit quality and defines credit limits by customers. Recoverability of the existing customers is reviewed by the Target Company regularly.

As at 31 March 2016, 2017, 2018 and 30 September 2018, included in the Target Company's trade receivable balances were receivables with aggregate carrying amount of nil, nil, HK$15,492,000 and HK$44,183,000, respectively, which were neither past due nor impairment at the end of each reporting period for which the Target Company had not provided for impairment loss as these balances were either subsequently settled or there has not been a significant change in credit quality and the amounts were still considered recoverable due to the ongoing relationship and good repayment record from these customers. Accordingly, the management of the Target Company believes that no impairment loss was required. The Target Company does not hold any collateral over these balances.

Since the adoption of HKFRS 9 on 1 April 2018, the Target Company applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. The trade receivables are assessed individually for impairment allowance based on the Company's internal credit rating, 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.

Aged analysis of the Target Company's trade receivables as at the end of each of the reporting period that are past due but not impaired is as follows:

	As at 31 March			As at 30 September
	2016	**2017**	**2018**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Neither past due nor impaired	—	—	15,492	44,183

In determining the recoverability of a trade receivables, the Target Company considers any change in credit quality of the trade receivables from the date credit was initially granted up to the end of each reporting period. The management of the Target Company is of the opinion that no further provision is required in excess of the accumulated provision for impairment on trade receivables.

18. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENT

	As at 31 March			As at 30 September
	2016	**2017**	**2018**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Deposit	33,429	8,908	12,948	17,204
Prepayment	494,851	421,271	497,926	426,256
Other receivables	70	172	72	271
	528,350	430,351	510,946	443,731
Less: Long term deposits and prepayments	(520,008)	(419,232)	(409,555)	(378,649)
	8,342	11,119	101,391	65,082

19. CASH AND CASH EQUIVALENTS

Cash and cash equivalents represent cash at banks and in hand. Cash at banks carried interest at average market rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

20. TRADE PAYABLES

	As at 31 March			As at 30 September
	2016	**2017**	**2018**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	357	312	49,594	54,672

Credit periods of trade payables normally granted by its suppliers were ranging from 0 to 180 days throughout the Relevant Periods.

Aged analysis of trade payables, based on invoice date, at the end of each of the reporting period is as follows:

	As at 31 March			As at 30 September
	2016	**2017**	**2018**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0–30 days	357	312	49,040	19,128
31–60 days	—	—	154	7,444
61–90 days	—	—	335	4,416
91–180 days	—	—	60	14,480
Over 180 days	—	—	5	9,204
	357	312	49,594	54,672

21. OTHER PAYABLES AND ACCRUALS

	As at 31 March			As at 30 September
	2016	**2017**	**2018**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Accruals *(Note)*	92,134	113,704	552,888	952,615
Other payables	290,480	320,864	285,861	252,553
	382,614	434,568	838,749	1,205,168
Less: Long term other payables	(254,687)	(294,702)	(300,330)	(307,450)
	127,927	139,866	538,419	897,718

Note: As at 31 March 2018 and 30 September 2018, the accruals mainly represent the interest accruals on bank borrowing amount of approximately HK$424,000,000 and HK$799,000,000, respectively.

22. DEFERRED REVENUE

The Company has obtained mega power exemption for the power project from the Ministry of Power, Government of India with regard to payment of excise duty/customs duty on procurement of machinery/equipment's for the project. In order to avail the exemption the Target Company has furnished Bank Guarantees for the duty amount to the concerned government departments. The bank guarantee amounts representing the duty amounts exempted have been accounted by debiting the construction work in progress and crediting deferred revenue. Deferred government grants are to be recognised as income in the statement of profit and loss over the useful life of the related assets in proportion in which depreciation is charged. Deferred government grants which are to be recognised in the statement of profit and loss for the year ended 30 September 2019 (one year from the balance sheet date) are shown as current portion of deferred government grants as at 30 September 2018 and balance grant amount is classified as non-current.

23. AMOUNT DUE FROM HOLDING COMPANY

	Maximum outstanding balance during the year/period ended							
	31 March			30 September	As at 31 March			As at 30 September
	2016	2017	2018	2018	2016	2017	2018	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
SKS Ispat and Power Limited ("SKSIPL")	1,080	1,370	1,370	320	—	1,370	320	—

The amount due from holding company is interest-free, unsecured and no fixed terms of repayment.

24. AMOUNTS DUE TO RELATED COMPANIES

The amounts due to related companies are interest-free, unsecured and repayable on demand.

25. AMOUNTS DUE TO DIRECTORS

The amounts due to directors are interest-free, unsecured and repayable on demand.

26. BORROWINGS

	As at 31 March			As at 30 September
	2016	2017	2018	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Borrowings are secured and repayable as follows:				
On demand or within one year	3,538,976	5,097,906	5,850,317	5,276,787
After one year but within two years	560,321	5,799	—	—
	4,099,297	5,103,705	5,850,317	5,276,787
Less: Amount due within one year included in current liabilities	(560,321)	(5,799)	(5,850,317)	(5,276,787)
Amount due over one year included in non-current liabilities	3,538,976	5,097,906	—	—

The Target Company's bank borrowing as at 31 March 2016, 2017 and 2018 and 30 September 2018 amounting to carry interest at 11.9% to 14.6%.

Note:

(a) Borrowings are secured by the followings items listed below:

(i) Guarantees given by holding company, SKSIPL.

(ii) First charge by way of mortgage of non-agricultural land situated at Raigad, Maharashtra (India) and Project land situated at Raigarh, Chhattisgarh (India) and on the whole of the tangible movable assets, intangible assets and other assets including but not limited to book debts, operating cash flow, bank balances, etc. both present and future pertaining to the Project.

(iii) Pledge of equity share and compulsorily convertible preference shares ("CCPS") held by SKSIPL.

(iv) Pledge of equity share of SKS Power Generation (Madhya Pradesh) Limited Company held by SKSIPL.

(v) Pledge of CCPS of the Company held by Riverview Securities Private Limited.

(vi) Pledge of equity share and compulsorily convertible debentures ("CCDs") of the Company held by Labheshwari Agencies Limited.

(vii) Irrevocable, unconditional, joint and several guarantee from SKSIPL and Shri Anil Gupta, a director of the Company.

27. DERIVATIVE FINANCIAL LIABILITIES

	As at 31 March			As at 30 September
	2016	**2017**	**2018**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Foreign exchange forward contracts	7,364	—	—	—

Foreign exchange forward contracts

The Target Company has entered into various foreign exchange forward contracts to manage its exchange rate exposures. These foreign exchange forward 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$14,901,000 were debited to profit or loss during the year ended 31 March 2016.

28. DEBENTURES

	As at 31 March			As at 30 September
	2016	**2017**	**2018**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Unsecured — at amortised cost				
Zero coupon, unsecured non-convertible debentures ("NCDs") of Rs.10,000 each	35,908	304,931	311,886	279,523

Prior to the Relevant Periods, 31,000 NCDs of Rs. 10,000 each will mature on 1 April 2030 (maturity date). The Target Company 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. Rs. 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).

During the year ended 31 March 2017, the Target Company issued additional 227,741 NCSs of Rs. 10,000 each (Series II NCDs) will mature on 1 April 2038 (maturity Date). The Target Company 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. Rs. 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). The Company 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 the Company 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.

29. LEASES

Operating leases

At the end of each reporting period the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	As at 31 March			As at 30 September
	2016	**2017**	**2018**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	2,662	3,019	2,916	757
In the second to fifth years inclusive	6,271	4,445	2,947	2,358
Over five years	55,453	53,459	55,338	51,642
	64,386	60,923	61,201	54,757

Operating lease payments represent rental payables by Target Company for certain of its offices. Lease are negotiated for an average term of one to one hundred years and rentals are fixed over the lease terms and do not include contingent rentals.

30. SHARE CAPITAL

	As at 31 March			As at 30 September
	2016	**2017**	**2018**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Authorised:				
Equity shares of Rs. 10 each	2,264,500	2,264,500	2,264,500	2,264,500
Preference shares of Rs. 10 each	65	65	65	65
Preference shares of Rs. 1,000 each	970,435	970,435	970,435	970,435
Issued and fully paid:				
Equity shares of Rs. 10 each	374,609	374,609	374,609	374,609
Preference shares of Rs. 1,000 each	242,437	242,437	242,437	242,437
	617,046	617,046	617,046	617,046

31. RELATED PARTY TRANSACTIONS

Related parties are those parties that have the ability to control, jointly control or exercise significant influence over the other party in holding power over the investee; exposure, or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect the amount of the investor's returns. Parties are also considered to be related if they are subject to common control or joint control. Related parties may be individuals or other entities.

(a) The directors of the Target Company are of the view that the followings companies are related parties that had transactions or balances with the Target Company during the Relevant Periods:

Name of the related party	**Relationship with the Target Company**
Gupta Steel Corporation Private Limited ("Gupta Steel")	A related company wholly owned by SKSIPL a controlling shareholder of the Target Company
SKSIPL	SKSIPL is a controlling shareholder of the Target Company

(b) Save as disclosed elsewhere in the Historical Financial Information, during the Relevant Periods, the following material transactions were carried out with related parties at terms mutually agreed by both parties:

	For the year ended 31 March			**Six months ended 30 September**	
	2016	**2017**	**2018**	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Rental expenses					
— Gupta Steel	1,223	1,118	1,313	—	—
Purchase of steel					
— SKSIPL	9,230	5,892	—	—	1,829
Sale of scrap materials					
— SKSIPL	—	—	1,807	1,419	1,367

(c) Compensation paid to key management personnel of the Target Company represented are disclosed in Note 11.

(d) Financial guarantees provided by each party, are disclosed in Note 26.

32. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Target Company'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 cash flows will be classified in the Target Company's statements of cash flows from financing activities.

	Amount due from/to holding company	Amounts due to related companies	Amounts due to directors	Borrowings	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 1 April 2015	(1,080)	56	180	3,391,651	3,390,807
Financing cash flows, net	3,529	29	13	707,646	711,217
As at 1 April 2016	2,449	85	193	4,099,297	4,102,024
Financing cash flows, net	(3,819)	2	3	1,004,408	1,000,594
As at 1 April 2017	(1,370)	87	196	5,103,705	5,102,618
Interest paid	—	—	—	(22,185)	(22,185)
Financing cash flows, net	1,050	13	(14)	768,797	769,846
As at 1 April 2018	(320)	100	182	5,850,317	5,850,279
Interest paid	—	—	—	(40,221)	(40,221)
Financing cash flows, net	320	(100)	(182)	(533,309)	(533,271)
At 30 September 2018	—	—	—	5,276,787	5,276,787

33. AMOUNT DUE TO HOLDING COMPANY

The amount due to holding company is interest-free, unsecured and repayable on demand.

34. FINANCIAL RISK MANAGEMENT

The Target Company is exposed to financial risks through its use of financial instruments in its ordinary course of operations and in its investment activities. The financial risks include market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

Financial risk management is coordinated at the Target Company's headquarters, in close co-operation with the board of directors. Overall objectives in managing financial risks focus on securing the Target Company's short to medium term cash flows by minimizing its exposure to financial markets.

(a) Categories of financial assets and liabilities

	As at 31 March			As at 30 September
	2016	**2017**	**2018**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets				
Loans and receivables (including cash and cash equivalents):				
— Trade receivables	—	—	15,492	—
— Amount due from holding company	—	1,370	320	—
— Deposits and other receivables	33,499	9,080	13,020	—
— Cash and cash equivalents	241,749	342,903	273,924	—
	275,248	353,353	302,756	—
Amortised cost:				
— Trade receivables	—	—	—	44,183
— Deposits and other receivables	—	—	—	17,475
— Cash and cash equivalents	—	—	—	198,911
	—	—	—	260,569
Financial liabilities				
Amortised cost:				
— Trade payables	357	312	49,594	54,672
— Other payables and accruals	382,614	434,568	838,749	1,205,168
— Amount due to holding company	2,449	—	—	—
— Amounts due to related parties	85	87	100	—
— Amounts due to directors	193	196	182	—
— Borrowings	4,099,297	5,103,705	5,850,317	5,276,787
— Debentures	35,908	304,931	311,886	279,523
	4,520,903	5,843,799	7,050,828	6,816,150
Derivative financial liabilities	7,364	—	—	—

(b) Currency risk

The Target Company 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 USD and EURO. As at 31 March 2016, the Target Company had foreign exchange forward contracts on INR with a fair value of HK$7,364,000, recognised as derivative financial instruments. The Target Company currently does not have a hedging policy for INR. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The following table demonstrates the sensitivity at the end of the reporting periods to a reasonably possible change in the INR exchange rate, with all other variables held constant, of the Target Company's loss before taxation (due to changes in the fair value of monetary assets and liabilities).

	Increase/ (decrease) in profit before taxation *HK$'000*
As at 31 March 2016	
If USD strengthens/(weakens) against INR by 5%	(2,544)/2,544
If EURO strengthens/(weakens) against INR by 5%	(107)/107
As at 31 March 2017	
If USD strengthens/(weakens) against INR by 5%	(2,994)/2,994
If EURO strengthens/(weakens) against INR by 5%	(220)/220
As at 31 March 2018	
If USD strengthens/(weakens) against INR by 5%	(2,035)/2,035
If EURO strengthens/(weakens) against INR by 5%	(139)/139
As at 30 September 2018	
If USD strengthens/(weakens) against INR by 5%	(2,077)/2,077
If EURO strengthens/(weakens) against INR by 5%	(130)/130

(c) Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Target Company's interest rate risk arises primarily from bank borrowings which bore interests at fixed and floating interest rates. Bank borrowings bearing fixed rates expose the Target Company to cash flow interest rate risk and fair value interest rate risk. Bank overdraft bearing variable rates expose the Target Company to cash flow interest rate risk and fair value interest rate risk. The Target Company does not have a formulated policy to manage the interest rate risk but will closely monitor the interest rate risk exposure in the future.

(d) Credit risk

At the end of each reporting period, the Target Company's maximum exposure to credit risk which will cause a financial loss to the Target Company due to failure to discharge an obligation by the counterparties are arising from the carrying amounts of the respective recognised financial assets and contract assets as stated in the statements of financial position.

In order to minimise the credit risk, management of the Target Company has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Target Company reviews the recoverable amount of each individual trade receivable and other receivable at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

The policy of allowances for doubtful debts of the Company is based on the evaluation and estimation of collectability and ageing analysis of the outstanding debts. Specific allowance is only made for receivables that are unlikely to be collected and is recognised on the difference between the estimated future cash flows expected to receive discounted using the original effective interest rate and the carrying value. If the financial conditions of customers of the Target Company were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance may be required. The management closely monitors the subsequent settlement of the counterparties. In this regard, the management of the Target Company consider that the credit risk is significantly reduced.

Since the adoption of HKFRS 9 on 1 April 2018, the Target Company applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for trade receivables.

Management assessed the expected loss on trade receivables individually. Based on historical experience of the Target Company, these trade receivables are generally recoverable due to the long term/on-going relationship and good repayment record. As at 30 September 2018, the additional loss allowance for provision for trade receivables was insignificant.

(e) Liquidity risk

The director of the Target Company has built a liquidity risk management framework for managing the managing the Target Company's short and medium-term funding and liquidity management requirements. The Target Company manages liquidity risk by maintaining bank facilities and by continuously monitoring forecasted and actual cash flows and the maturity profiles of its financial liabilities.

	Weighted average interest rate	On demand or within one year	More than one year but less than five years	More than five years	Total undiscounted cash flow	Carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 March 2016						
Financial liabilities:						
Trade payables	—	357	—	—	357	357
Other payables and accruals	—	127,927	254,687	—	382,614	382,614
Amount due to holding company	—	2,449	—	—	2,449	2,449
Amounts due to related companies	—	85	—	—	85	85
Amounts due to directors	—	193	—	—	193	193
Borrowings	13.3	560,866	3,539,521	—	4,100,387	4,099,297
Debentures	—	—	—	35,908	35,908	35,908
		691,877	3,794,208	35,908	4,521,993	4,520,903

	Weighted average interest rate	On demand or within one year	More than one year but less than five years	More than five years	Total undiscounted cash flow	Carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 March 2017						
Financial liabilities:						
Trade payables	—	312	—	—	312	312
Other payables and accruals	—	139,866	294,702	—	434,568	434,568
Amounts due to related companies	—	87	—	—	87	87
Amounts due to directors	—	196	—	—	196	196
Borrowings	13.3	5,098,585	6,478	—	5,105,063	5,103,705
Debentures	—	—	—	304,931	304,931	304,931
		5,239,046	301,180	304,931	5,845,157	5,843,799

	Weighted average interest rate	On demand or within one year	More than one year but less than five years	More than five years	Total undiscounted cash flow	Carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 March 2018						
Financial liabilities:						
Trade payables	—	49,594	—	—	49,594	49,594
Other payables and accruals	—	538,419	300,330	—	838,749	838,749
Amounts due to related companies	—	100	—	—	100	100
Amounts due to directors	—	182	—	—	182	182
Borrowings	13.3	5,851,095	—	—	5,851,095	5,850,317
Debentures	—	—	—	311,886	311,886	311,886
		6,439,390	300,330	311,886	7,051,606	7,050,828

	Weighted average interest rate	On demand or within one year	More than one year but less than five years	More than five years	Total undiscounted cash flow	Carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 30 September 2018						
Financial liabilities:						
Trade payables	—	54,672	—	—	54,672	54,672
Other payables and accruals	—	897,718	307,450	—	1,205,168	1,205,168
Borrowings	13.3	5,277,489	—	—	5,277,489	5,276,787
Debentures	—	—	—	279,523	279,523	279,523
		6,229,879	307,450	279,523	6,816,852	6,816,150

(f) Fair value measurements

(i) Financial instruments not measured at fair value

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Target Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised costs in the Historical Financial Information approximate to their fair values.

(ii) 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 2 fair value measurements

The fair value of foreign exchange forward contracts is determined based on the forward exchange rate at the reporting date.

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

As at 31 March 2016

	Level 2
	HK$'000
Financial liabilities:	
Financial liabilities at fair value through profit or loss	
Derivative financial instruments	
— Foreign exchange forward contracts	7,364

As at 31 March 2016, 2017 and 2018 and 30 September 2018, the Target Company has no financial instrument carried at fair value under Level 1 and Level 3 hierarchy.

There was no transfer between levels during the years/periods.

35. CAPITAL RISK MANAGEMENT

The Target Company monitors its capital structure on the basis of a debt-to-capital ratio. For this purpose, the Target Company defines debt as borrowings and debentures which are bearing fixed or variable interest rates. Capital represents the total equity in the statement of financial position.

The Target Company's strategy was to maintain the debt-to-capital ratio as low as feasible. In order to maintain or adjust the ratio, the Target Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

No changes were made to the objectives, policies or processes for managing capital during the years ended 31 March 2016, 2017 and 2018 and six months ended 30 September 2018.

36. PLEDGE OF ASSETS

The following assets were pledged to secure certain banking facilities granted to the Target Company at the end of each reporting period:

	As at 31 March			As at 30 September
	2016	2017	2018	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Property, plant and equipment	2,717,822	3,645,240	4,214,279	3,729,601

37. LITIGATION

(i) EPC Contractor case

The Target Company 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 Target Company 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 Target Company 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 Target Company and the EPC Contractor had entered into Amendment Agreement, pursuant to which the Target Company 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 Rs. 75 crores (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 Target Company 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 Target Company signed new contracts.

The EPC Contractor had issued proforma invoices during the previous year against the supply of material amounting to Rs. 181.33 crores (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 Rs. 63.08 crores (approximately HK$69 million). The amount recoverable from the EPC contractor of Rs. 159.43 crores (approximately HK$175 million) (excluding Retention money) as at year end and after adjustment of encashment of BG referred to below of Rs. 33 crores (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 Target Company, on 3 August 2017, submitted its claim amounting to Rs. 343 crores (approximately HK$376 million) (including Liquidated damages, interest and other cost overrun suffered by the Target Company 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 Target Company has invoked Bank Guarantees (BGs) of aggregate amount of Rs. 211.95 crores (approximately HK$232 million) (Advance and Performance Bank Guarantees) for the loss and damages caused to the Target Company 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 Rs. 33 crores (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 Target Company. The Target Company 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.

(ii) Interest due on Term Loans

The Target Company has not paid interest due on Term Loans to the lenders from the month of September 2017 onwards. Accordingly as per the terms of the loan, upon the event of default in repayment of principal or interest the lender may, without prejudice to any rights that they may have, declare the secured obligations to be forthwith due and payable whereupon such amount shall become forthwith due and payable without presentment, demand, protest or any other notice of any kind, all of which are hereby expressly waived. Accordingly, the dues have been classified as Borrowings in the Balance Statement of financial position.

The lenders have initiated proceedings for resolution proposal as per RBI Circular on Resolution of Stressed Assets — Revised Framework bearing DBR No.BP.BC.101/21.04.048/2017–18 dated 12 February 2018. Further, subsequent to the year end, the lenders invoked the pledge of equity shares of the Target Company in favour of the nominee of the lead consortium lender and entire holding of equity shares of the promoter has been transferred to the bank nominee.

38. EVENTS AFTER THE REPORTING DATE

No subsequent event requiring disclosure has been taken place subsequent to the reporting period.

39. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Company and its subsidiaries in respect of any period subsequent to 30 September 2018.

As the valuation of the investment value on the Sale Shares is based on the discounted future cash flows method, it is deemed to be a profit forecast under the Listing Rules. The following is the text of a letter from the Board on such valuation for the purpose of incorporation in this circular.

1. LETTER FROM THE BOARD

鴻寶資源有限公司
AGRITRADE RESOURCES LIMITED

17 December 2018

The Stock Exchange of Hong Kong Limited (the "Stock Exchange")
Listing Division
12th Floor, Two Exchange Square
8 Connaught Place, Central
Hong Kong

Dear Sirs,

Company: Agritrade Resources Limited (the "Company")
Transaction Type: Major Transaction — Proposed Acquisition of the Entire Issued Share Capital of SKS Power Generation (Chhattisgarh) Limited

Reference is made to the valuation report dated 14 December 2018 prepared by AMPLE Valuation Advisory and Asset Consultancy Services Company Limited (the "**Valuer**"), the independent professional valuer engaged by the Company in relation to the valuation (the "**Valuation**") of the investment value of the Sale Shares based on the profit forecast (the "**Profit Forecast**") of the Target Company which constitutes a profit forecast under Rule 14.61 of the Listing Rules. Capitalised terms used in this letter shall have the same meanings as defined in the circular (the "**Circular**") of the Company dated 17 December 2018, unless the context otherwise requires.

We would like to draw your attention that the principal assumptions upon which the Profit Forecast was based on and adopted in the Valuation by the Valuer are described and disclosed in details on pages VI-8 to VI-16 in the Circular under the section headed "Valuation Assumptions and Rationale".

We have reviewed the bases and assumptions upon which the Valuation was prepared, for which the Valuer is solely responsible. We have also considered the letter from HLB Hodgson Impey Cheng Limited, the reporting accountants in respect of the Target Company, confirming that, so far as the calculations of the discounted future estimated cash flows on which the Valuation is based and concerned, the discounted future estimated cash flows have been properly complied, in all material respects, in accordance with the respective bases and assumptions. After detailed consideration of the principal assumptions adopted in the Profit Forecast, review of independent sources of information available to the Company, and discussions and enquiries with the senior management of the Target Company and all other relevant parties, we hereby confirm that the Profit Forecast has been made after due and careful enquiries.

Yours faithfully,
For and on behalf of
the Board of Directors of
Agritrade Resources Limited
Ashok Kumar Sahoo
Executive Director

2. LETTER FROM HLB HODGSON IMPEY CHENG LIMITED

INDEPENDENT ASSURANCE REPORT ON CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE VALUATION OF THE ENTIRE ISSUED SHARE CAPITAL OF SKS POWER GENERATION (CHHATTISGARH) LIMITED

TO THE DIRECTORS OF AGRITRADE RESOURCES LIMITED

We have reviewed the calculations of the discounted future estimated cash flows on which the valuation report dated 14 December 2018 (the "**Valuation Report**") prepared by Ample Valuation Advisory and Asset Consultancy Services Company Limited (the "**Independent Valuer**") in relation to the valuation of the entire issued share capital of SKS Power Generation (Chhattisgarh) Limited (the "**Target Company**") as at 31 August 2018 (the "**Valuation**"). The Valuation based on the discounted future estimated cash flows is regarded as profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and will be included in the circular of Agritrade Resources Limited (the "**Company**") dated 17 December 2018 (the "**Circular**").

Directors' Responsibility for the Discounted Future Estimated Cash Flows

The directors of the Company are responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions determined by the directors of the Company and set out in the Circular (the "**Assumptions**"). This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future estimated cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibility

Our responsibility is to express an opinion on the arithmetical accuracy of the calculations of the discounted future estimated cash flows on which the Valuation is based and to report solely to you, as a body, as required by Rule 14.62(2) of the Listing Rules, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Our engagement was conducted in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA. This standards require that we comply with ethical requirements and plan and perform the assurance engagement to obtain reasonable assurance on whether the discounted future estimated cash flow, so far as the calculations are concerned, have been properly compiled in accordance with the Assumptions. Our work was limited primarily to making inquires of the Company's management, considering the analyses and assumptions on which the discounted future estimated cash flows are based and checking the arithmetic accuracy of the compilation of the discounted future estimated cash flows. Our work does not constitute any valuation of the Target Company.

Because the Valuation relates to discounted future estimated cash flows, no accounting policies of the Company have been adopted in its preparation. The Assumptions include hypothetical assumption about future events and management actions which cannot be confirmed and verified in the same way as past results and these may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Valuation and the variation may be material. Accordingly, we have not reviewed, considered or conducted any work on the reasonableness and the validity of the Assumptions and do not express any opinion whatsoever thereon.

Opinion

Based on the foregoing, in our opinion, the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled, in all material respects, in accordance with the Assumptions.

Yours faithfully,
HLB Hodgson Impey Cheng Limited
Certified Public Accountants
Shek Lui
Practising Certificate Number: P05895
Hong Kong, 17 December 2018

The information sets out in this Appendix does not form part of the Accountants' Report prepared by HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set out in "Appendix II — Financial Information of the Target Company" and is included herein for information purpose only.

The unaudited pro forma financial information should be read in conjunction with the Accountants' Report set out in "Appendix II — Financial Information of the Target Company".

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is an illustrative and unaudited pro forma financial information of Agritrade Resources Limited (the "**Company**") and its subsidiaries (together referred to as the "**Group**") and SKS Power Generation (Chhattisgarh) Limited (the "**Target Company**") (hereinafter collectively referred to as the "**Enlarged Group**") comprising the unaudited pro forma consolidated statement of financial position ("**Unaudited Pro Forma Financial Information**"), which have been prepared on the basis as set out in the notes below for the purpose of illustrating the effect of the proposed acquisitions of the equity interests of the Target Company (the "**Acquisition**"), as if the Acquisitions had been taken place on 30 September 2018.

The Unaudited Pro Forma Financial Information of the Enlarged Group has been prepared by the directors of the Company in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Acquisition had been completed as at 30 September 2018, where applicable, or any future dates.

The Unaudited Pro Forma Financial Information of the Enlarged Group has been prepared based on the unaudited condensed consolidated statement of financial position of the Group as at 30 September 2018 included in the published 2018 interim results announcement of the Group dated on 27 November 2018 and the audited statement of financial position of the Target Company as at 30 September 2018 as set out in the Accountants' Report in Appendix II to this circular after giving effect to the unaudited pro forma adjustments as described in the accompanying notes.

1. Unaudited Pro Forma Financial Information

	Unaudited consolidated statement of financial position of the Group as at 30 September 2018 HK$'000 (Note 1)	Audited statement of financial position of the Target Company as at 30 September 2018 HK$'000 (Note 2)	Sub-total HK$'000	Pro forma adjustment HK$'000 (Note 3)	Pro forma adjustment HK$'000 (Note 4)	Unaudited pro forma consolidated statement of financial position of the Enlarged Group HK$'000
Non-current assets						
Property, plant and equipment	6,337,068	3,729,601	10,066,669			10,066,669
Prepaid lease payments	145,903	—	145,903			145,903
Exploration and evaluation assets	12,334	—	12,334			12,334
Long term deposit and prepayment	—	378,649	378,649			378,649
Tax recoverable	—	2,301	2,301			2,301
	6,495,305	4,110,551	10,605,856			10,605,856
Current assets						
Inventories	76,618	40,161	116,779			116,779
Trade receivables	350,781	44,183	394,964			394,964
Other receivables, deposits and prepayments	354,108	65,082	419,190			419,190
Derivative financial assets	238	—	238			238
Amounts due from related parties	135,004	—	135,004			135,004
Pledged bank deposit	7,740	—	7,740			7,740
Bank balances and cash	445,986	198,911	644,897	(349,462)	(12,000)	283,435
	1,370,475	348,337	1,718,812			1,357,350
Current liabilities						
Trade payables	113,761	54,672	168,433			168,433
Other payables, accruals and deposits received	92,939	897,718	990,657	(799,000)		191,657
Provision for close-down, restoration and environmental costs	5,349	—	5,349			5,349
Secured bank borrowings	208,695	5,276,787	5,485,482	(5,276,787)		208,695
Other borrowings	—	—	—	1,983,871		1,983,871
Amounts due to related parties	21,080	—	21,080			21,080
Obligation under finance leases	176	—	176			176
Derivative financial liabilities	6,825	—	6,825			6,825
Tax payable	252,101	—	252,101			252,101
	700,926	6,229,177	6,930,103			2,838,187
Net current assets/ (liabilities)	669,549	(5,880,840)	(5,211,291)			(1,480,837)
Total assets less current liabilities	7,164,854	(1,770,289)	5,394,565			9,125,019

	Unaudited consolidated statement of financial position of the Group as at 30 September 2018 HK$'000 (Note 1)	Audited statement of financial position of the Target Company as at 30 September 2018 HK$'000 (Note 2)	Sub-total HK$'000	Pro forma adjustment HK$'000 (Note 3)	Pro forma adjustment HK$'000 (Note 4)	Unaudited pro forma consolidated statement of financial position of the Enlarged Group HK$'000
Non-current liabilities						
Other payable	—	307,450	307,450			307,450
Deferred revenue	—	232,627	232,627			232,627
Amounts due to related parties	64,354	—	64,354			64,354
Obligation under finance leases	147	—	147			147
Secured bank borrowings	125,211	—	125,211			125,211
Debentures	—	279,523	279,523			279,523
Deferred tax	1,078,174	—	1,078,174			1,078,174
	1,267,886	819,600	2,087,486			2,087,486
Net assets/(liabilities)	5,896,968	(2,589,889)	3,307,079			7,037,533
Capital and reserves						
Share capital	159,237	617,046	776,283	(617,046)		159,237
Reserves	3,450,876	(3,206,935)	243,941	4,359,500	(12,000)	4,591,441
Equity attributable to owners of the Company	3,610,113	(2,589,889)	1,020,224			4,750,678
Non-controlling interests	2,286,855	—	2,286,855			2,286,855
Total equity	5,896,968	(2,589,889)	3,307,079			7,037,533

Notes to the Unaudited Pro Forma Financial Information of the Enlarged Group:

1. The balances are extracted from the unaudited condensed consolidated statement of financial position of the Group as at 30 September 2018, as set out in the published interim results announcement of the Company for the six months ended 30 September 2018.

2. The audited statement of financial position as at 30 September 2018 is extracted from the accountants' report of the Target Company as set out in Appendix II to this Circular, which have been prepared under HKFRSs and using accounting policies materially consistent with those of the Group.

3. On 12 November 2018, the Investor, the Seller, the Target Company, the Lenders, the Existing Promoters and the Company (inter alia) entered into the Share Purchase Agreement, pursuant to which the Seller has agreed to sell, and the Investor has agreed to purchase, 100% of the equity interest in the Target Company for a consideration of INR3,000,000,000 (equivalent to approximately HK$322,581,000). On the same date, the Assignors, the Assignee, Agritrade Power and the Company entered into the Assignment Agreement, pursuant to which the Investor has agreed to pay to the Lenders the Assignment Amount as the consideration for the assignment and transfer of the Existing Fund Based Debt of the Target Company by the Lenders to the Investor.

The total amount payable by the Investor under the Transaction Documents is estimated to be INR21,700,000,000 (equivalent to approximately HK$2,333,333,000) (the "**Total Payable Amount**"), of which INR3,000,000,000 (equivalent to approximately HK$322,581,000) represents the Purchase Price, INR17,200,000,000 (equivalent to approximately HK$1,849,462,000) represents the Assignment Amount and INR1,500,000,000 (equivalent to approximately HK$161,290,000) represents the Cash Margin Amount. The Company intends to satisfy the Total Payable Amount partly by the internal resources of the Group and partly by loan borrowing from an Independent Third Party as project financing.

Upon completion of all the aforesaid transactions, the Group shall hold 100% equity interests in Target Company is expected to become (after completion of the amendments to its constitutional documents) a controlling subsidiary of the Group.

(a) Upon the completion of the Acquisition, as if Acquisition had been taken place on 30 September 2018, the identifiable assets and liabilities of the Target Company will be accounted for in the consolidated financial statements of the Enlarged Group at their fair values under the acquisition method in accordance with Hong Kong Financial Reporting Standard 3 "Business Combinations" issued by the Hong Kong Institute of Certified Public Accountants. Details of gain on bargain purchase arising from the Acquisition are as below:

	HK$'000	*HK$'000*
Advanced resolution amount by internal resources		349,462
Amount borrowing from independent third party		1,983,871
Cash consideration		2,333,333
Less: Fair value of identifiable net liabilities	2,589,889	
Assignment of all accrued interest expenses	(799,000)	
Assignment of all the Existing Fund Based Debt	(5,276,787)	
Fair value of net identifiable assets acquired		(3,485,898)
Gain on bargain purchase on Acquisition		1,152,565

According to the Group's accounting policy, after initial recognition, goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

4. The adjustment represents the estimated legal and professional fees and other expenses of approximately HK$12,000,000 in connection with the Acquisition. The amounts are assumed to be paid after the completion of the Acquisition.

5. No adjustments have been made to reflect any results or other transactions of the Group entered into subsequent to 30 September 2018.

6. The exchange rate of HK$1.00 = INR9.30 have been used, where applicable, for the purpose of illustration only and they do not constitute any representation they any amount has been, could have been or may be exchanged at those rates or at any other rates.

The following is the text of a report received from the independent reporting accountants, HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular, in connection with the unaudited pro forma financial information.

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

17 December 2018

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Agritrade Resources Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information (the "**Unaudited Pro Forma Financial Information**") of Agritrade Resources Limited (the "**Company**") and its subsidiaries (collectively the "**Group**") by the directors of the Company for illustrative purposes only. The Unaudited Pro Forma Financial Information consists of the unaudited pro forma consolidated statement of financial position as at 30 September 2018 and related notes as set out in on page IV-1 to IV-4 of the Appendix IV of the circular issued by the Company dated 17 December 2018 (the "**Circular**"). The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described in Appendix IV of the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the major transaction in relation to the proposed acquisition of the entire share capital of SKS Power Generation (Chhattisgarh) Limited (the "**Target Company**") on the Group's financial position as at 30 September 2018 as if they had taken place at 30 September 2018. As part of this process, information about the Group's financial position has been extracted by the directors of the Company from the Group's unaudited condensed consolidated statement of financial position as at 30 September 2018, on which the interim results announcement for the six months ended 30 September 2018 has been published on 27 November 2018.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors of the Company are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of Unaudited Pro Forma Financial Information included in the circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 September 2018 would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully
HLB Hodgson Impey Cheng Limited
Certified Public Accountants
Shek Lui
Practising Certificate Number: P05895

Hong Kong, 17 December 2018

MANAGEMENT DISCUSSIONS AND ANALYSIS ON THE TARGET COMPANY

FOR THE YEARS ENDED 31 MARCH 2016, 2017 AND 2018 AND THE SIX MONTHS ENDED 30 SEPTEMBER 2018

FINANCIAL REVIEW

Statements of profit or loss and other comprehensive income

	Year ended 31 March 2016	Year ended 31 March 2017	Year ended 31 March 2018	Six months ended 30 September 2017	Six months ended 30 September 2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Revenue	—	—	257,548	—	394,090
Cost of sales	—	—	(251,547)	—	(402,605)
Gross profit/(loss)	—	—	6,001	—	(8,515)
Other income, and gains and losses, net	(14,377)	(9,194)	5,509	287	9,438
Administrative expenses	(3,512)	(5,441)	(126,063)	(4,757)	(96,936)
Impairment loss on property, plant and equipment	(1,936,934)	(384,455)	(292,000)	—	—
Finance costs	—	—	(154,185)	—	(415,221)
Loss before taxation	(1,954,823)	(399,090)	(560,738)	(4,470)	(511,234)
Taxation	—	—	—	—	—
Loss for the year/period	(1,954,823)	(399,090)	(560,738)	(4,470)	(511,234)
Other comprehensive (loss)/income:					
Items that will not be reclassified subsequently to profit or loss:					
Re-measurement of the defined benefit plan	(348)	—	64	—	—
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of foreign operations	(997)	(28,922)	(37,558)	(51,454)	199,225
Total comprehensive loss for the year/period	(1,956,168)	(428,012)	(598,232)	(55,924)	(312,009)

Statements of financial position

	As at 31 March 2016 *HK$'000*	Aa at 31 March 2017 *HK$'000*	As at 31 March 2018 *HK$'000*	As at 30 September 2018 *HK$'000*
Non-current assets				
Property, plant and equipment	2,717,822	3,645,240	4,214,279	3,729,601
Long term deposits and prepayments	520,008	419,232	409,555	378,649
Amount due from holding company	—	1,370	320	—
Tax recoverable	2,653	2,582	2,327	2,301
	3,240,483	4,068,424	4,626,481	4,110,551
Current assets				
Inventories	—	—	18,490	40,161
Trade receivables	—	—	15,492	44,183
Other receivables, deposits and prepayments	8,342	11,119	101,391	65,082
Cash and cash equivalents	241,749	342,903	273,924	198,911
	250,091	354,022	409,297	348,337
Current liabilities				
Trade payables	357	312	49,594	54,672
Other payables and accruals	127,927	139,866	538,419	897,718
Deferred revenue	—	—	6,523	—
Amount due to holding company	2,449	—	—	—
Amounts due to related companies	85	87	100	—
Amounts due to directors	193	196	182	—
Borrowings	560,321	5,799	5,850,317	5,276,787
Derivative financial liabilities	7,364	—	—	—
	698,696	146,260	6,445,135	6,229,177
Net current (liabilities)/assets	(448,605)	207,762	(6,035,838)	(5,880,840)
Total assets less current liabilities	2,791,878	4,276,186	(1,409,357)	(1,770,289)

	As at 31 March 2016	Aa at 31 March 2017	As at 31 March 2018	As at 30 September 2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current liabilities				
Long-term other payables	254,687	294,702	300,330	307,450
Deferred revenue	213,943	258,295	256,307	232,627
Borrowings	3,538,976	5,097,906	—	—
Debentures	35,908	304,931	311,886	279,523
	4,043,514	5,955,834	868,523	819,600
Net liabilities	(1,251,636)	(1,679,648)	(2,277,880)	(2,589,889)
Capital and reserves				
Share capital	617,046	617,046	617,046	617,046
Reserves	(1,868,682)	(2,296,694)	(2,894,926)	(3,206,935)
Total equity	(1,251,636)	(1,679,648)	(2,277,880)	(2,589,889)

Selected items of statements of profit or loss and comprehensive income

(a) Six months ended 30 September 2018 compared to six months ended 30 September 2017

The Target Company is principally engaged in the construction, development and operation of a 600 megawatt coal-based thermal power plant (the "**Plant**") in India. As the commercial operation of the Plant officially commenced in October 2017, the Target Company has generated a revenue from sale of power of HK$394.1 million for the six months ended 30 September 2018 whereas no revenue was generated for the corresponding period in 2017. For the six months ended 30 September 2018, the Target Company has generated power of 948.7 million kilowatt hour ("**Kwh**") and sold approximately 842.4 million Kwh of power. The average selling price for such period is approximately INR4.11 per Kwh.

The financial results of the Target Company for the six months ended 30 September 2017 only comprised other income and administrative expenses incurred in that reporting period. Due to the initial startup of the operation of the Plant since late 2017, the average operating costs for the Plant were relatively high which were unable to be recovered by the revenue generated, therefore the Target Company has recorded a minor gross loss of HK$8.5 million and a gross loss margin of 2.2% for the period ended 30 September 2018.

Other income for the Target Company mainly represents interest income and government grants (if any). For the six months ended 30 September 2018, other income increased significantly to HK$9.4 million (2017: HK$0.3 million) mainly due to government grants of HK$3.1 million (2017: HK$ Nil) were recognized as other income for the period ended 30 September 2018. Administrative expenses mainly represent the depreciation charge, office expenses and salary expenses for administrative staff of the Target Company. As the official operation of the Plant started in October 2017, since then the Target Company has extensively enhanced its administrative functions by expansion of its administrative office and recruitment of administrative staff in order to support its daily operations. Therefore, the administration related expenses increased significantly to HK$96.9 million as compared to HK$4.8 million for the same period in 2017. Finance costs mainly represent the interest expenses incurred for its borrowings. Finance costs increased significantly to HK$415.2 million (2017: HK$Nil) mainly due to the full capitalisation of the interest expenses for the period ended 30 September 2017 to the costs of the Plant which was still under construction. Subsequent to 30 September 2017, the construction of the Plant was fully completed and interest expenses capitalisation was significantly reduced. Accordingly, finance costs increased significantly for the period ended 30 September 2018.

(b) Years ended 31 March 2016, 2017 and 2018

The Target Company is principally engaged in the construction, development and operation of the Plant. As the commercial operation of the Plant officially commenced in October 2017, the Target Company has generated a revenue from sale of power of HK$257.5 million for the year ended 31 March 2018 whereas no revenue was generated for the corresponding periods in 2016 and 2017. For the year ended 31 March 2018, the Target Company has generated power of 610.8 million Kwh and sold approximately 536.8 million Kwh of power. The average selling price for such financial year is approximately INR3.96 per Kwh.

The financial results of the Target Company for each of the years ended 31 March 2016 and 2017 only comprised other income, gains and losses, administrative expenses and impairment losses incurred for those periods. Due to the initial startup of the operation of the Plant since late 2017, the average operating costs for the Plant were relatively high which were unable to be recovered by the revenue generated, therefore the Target Company has recorded a minor gross profit of HK$6.0 million and a gross profit margin of 2.3% for the year ended 31 March 2018.

Other income, and gains and losses, net for the Target Company mainly represent interest income, and fair value loss or disposal loss for its financial instruments. Fair value loss of HK$14.9 million and loss on disposal of HK$9.8 million were recognised for financial instruments for the years ended 31 March 2016 and 2017 respectively. As the above loss items were one-off nature, no such items were recurring for the year ended 31 March 2018. Accordingly, other income of HK$5.5 million was recognised for the year ended 31 March 2018.

Administrative expenses mainly represent the depreciation charge, office expenses and salary expenses for administrative staff of the Target Company. As the official operation of the Plant started in October 2017, since then the Target Company has extensively enhanced its administrative functions by expansion of its administrative office and recruitment of administrative staff in order to support its daily operations. Therefore, administration expenses increased significantly to HK$126.1 million for the year ended 31 March 2018, as compared to the insignificant balances of HK$3.5 million and HK$5.4 million for the same financial years in 2016 and 2017 respectively. Finance costs mainly represent the interest expenses incurred for its borrowings. For the year ended 31 March 2018, finance costs increased significantly to HK$154.2 million (2016 and 2017: HK$Nil) mainly due to the full capitalisation of the interest expenses in the past financial years ended 31 March 2016 and 2017, in which the Plant was still under construction. During the year ended 31 March 2018, the construction of the Plant was completed and interest expenses capitalisation to the Plant was significantly reduced and finance costs recognised in profit or loss increased significantly accordingly.

Owing to various factors like economic slow-down and complex industry conditions for thermal power plant in India, as well as the significant recognition and capitalization of finance costs for its borrowings from banks and financial institutions, the Target Company has experienced over spending on the construction of the Plant and thus a significant recognition of Plant costs as property, plant and equipment of the Target Company for each of the past three financial years. As a result, for each of the years ended 31 March 2016, 2017 and 2018, impairment losses were recognised for the Plant of HK$1,936.9 million, HK$384.5 million and HK$292.0 million respectively, through which the carrying values of the Plant were written down to its recoverable amounts at the respective reporting dates as estimated and assessed by an independent professional valuer.

Selected items of statements of financial position

Property, plant and equipment

Property, plant and equipment of the Target Company mainly represents the building and infrastructure, plant and machinery of the Plant, of which the aggregate carrying amounts were stated at HK$2,717.8 million, HK$3,645.2 million, HK$4,214.3 million and HK$3,729.6 million as at 31 March 2016, 2017 and 2018 and 30 September 2018 respectively. Continuous increase in the carrying amounts throughout the financial years from 2016 to 2018 is mainly due to the ongoing investment and capital expenditure incurred by the Target Company in the construction of the Plant of a totally capacity of 600 megawatt, of which 300 megawatt was completed in October 2017 and the remaining 300 megawatt was completed in April 2018. Decrease in balance from 31 March 2018 to 30 September 2018 was mainly due to the significant depreciation of Indian rupee during that period. These carrying amounts are stated at their recoverable amounts after considering and deducting the impairment losses as the case may require.

Borrowings — current and non-current

Borrowings mainly represent the term loans borrowed by the Target Company from various banks and financial institutions for the construction of the Plant. Those borrowings were all denominated in Indian rupee and at fixed interest rates, which were mostly secured by, among other things, the assets of the Target Company. Total balances of borrowings continuously increased from HK$4,099.3 million as at 31 March 2016 to HK$5,103.7 million as at 31 March 2017, and finally to HK$5,850.3 million as at 31 March 2018 mainly due to the more borrowings and drawdown of bank loans for the purpose of ongoing construction of the Plant. The Target Company recorded a decrease in balances from 31 March 2018 to HK$5,276.8 million as of 30 September 2018 mainly as a result of the significant depreciation of Indian rupee during such financial period.

Debentures

The debentures represent the 258,741 units of unsecured zero-coupon non-convertible debentures of INR10,000 each. The significant increase in balance as at 31 March 2017 of HK$304.9 million (2016: HK$35.9 million) is mainly due to the issue of additional 227,741 units of debenture during the year ended 31 March 2017. There was no further change in the amount of debentures outstanding subsequent to 31 March 2017.

Medium to Long Term Power Purchase Agreements

As at the Latest Practicable Date, the Target Company has been secured with various power purchase agreements which were medium-term or long-term nature with three customers/local government, out of which one has been started while the remaining agreements were/would be expected to start from late 2018 onwards. As a result, the Board expects that those power purchase agreements shall contribute significantly to the Group's revenue and profitability for the financial year ending 31 March 2019 onwards.

The medium-term agreements shall have tenors ranging from 1.3 years to 3 years and can be renewable, while for the long-term agreements having a tenor of 25 years. Pursuant to the agreements terms, contracted amounts of power are expected to be supplied to the customers annually at 100 megawatt, 100 megawatt and 300 megawatt respectively. The tariffs for the medium-term agreements were fixed and specific while the long-term agreements should have variable tariff based on either the production costs incurred by the Plant or the prescribed tariff sheet.

Liquidity and Financial Sources

As at 31 March 2016, 2017 and 2018 and 30 September 2018, the Target Company had cash and cash equivalents of approximately HK$241.7 million, HK$342.9 million, HK$273.9 million and HK$198.9 million, respectively. The total bank indebtedness as at the related financial year/period end dates above are HK$4,099.3 million, HK$5,103.7 million, HK$5,850.3 million and HK$5,276.8 million respectively. As at 31 March 2016, 2017 and 2018 and 30 September 2018, the current ratios of the Target Company are 0.36, 2.42, 0.06 and 0.06 respectively. The persistently high leverage level and low liquidity level are mainly due to the continuous loan borrowings from bankers and other lenders by the Target Company for the construction of the Plant during its development and construction stage until 2017. The management believes that upon the commencement of the operation of the Plant and the exercise of the restructuring plan for the Target Company, its financial position will be improved in the future.

Capital Structure, Gearing and Charge on Assets

The Target Company's capital structure consisted of share capital and reserves.

The Target Company monitors its capital structure on the basis of the gearing ratio, which is calculated as the total of borrowings and debentures divided by total assets. As at 31 March 2016, 2017 and 2018 and 30 September 2018, the gearing ratios of the Target Company are 1.18, 1.22, 1.22 and 1.25 respectively. Given the Target Company will undergo a restructuring on its bank indebtedness, it is expected that the gearing ratio of the Target Company will significantly drop in the future.

As at 31 March 2016, 2017 and 2018 and 30 September 2018, certain loans, guarantees and other credit facilities taken from bankers and lenders were secured and charged by, among other things, certain assets of the Target Company, including but not limited to the immovable properties of freehold lands in the name of the Target Company and on the whole interests and titles of the tangible movable assets, intangible assets and other assets of the Target Company, including but not limited to the book debts, receivables, commissions, revenues, operating cash flow and bank balances both present and future.

Foreign Currency Risk

Foreign currency risk is the risk that fair value or future cash flows will fluctuate due to movements in foreign exchange rates. The Target Company undertakes transactions denominated in foreign currencies, and therefore exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters of the Target Company utilising forward foreign exchange contracts during the reporting periods. The Company and its management will consider to continue the implementation of the hedging policies in the future as and when appropriate.

Significant Investment, Material Acquisitions and Disposals of Subsidiaries or Associated Companies

During the reporting periods, the Target Company had no significant investment or material acquisitions or disposals of subsidiaries and associates.

Employees and Remuneration Policies

The Target Company had 120 staff members, 375 staff members, 405 staff members and 424 staff members as at 31 March 2016, 2017 and 2018 and 30 September 2018, respectively. Staff costs incurred for the financial years ended 31 March 2016, 2017 and 2018 were HK$1.2 million, HK$1.6 million and HK$7.7 million, respectively. Staff costs for the six months ended 30 September 2017 and 2018 were HK$0.7 million and HK$13.8 million, respectively. The remuneration policy of the Target Company is in line with prevailing market practice in India based on the performance of individual staff and the Target Company. The Target Company also operated a bonus plan to reward the staff on a performance related basis.

DEVELOPMENT REVIEW

The Plant has completed the phase one construction of 600 megawatt capacity and has started its commercial operations since October 2017. The Target Company will continue and focus on the operation of the phase one 600 megawatt power plant in the coming years. The Board expects that the Plant can achieve the annual power generation capacity of more than 150 megawatt and 300 megawatt for the financial years ending 31 March 2019 and 2020 respectively. In light of the high population and strong demand for power in India, the Group believes that the operation and prospect of the Plant will be promising in the future.

MAJOR EVENTS

The Target Company is engaged in the construction and operation of a totally 1,200 (4X300) megawatt coal based thermal power plant, comprising 4 units of 300 megawatt each in two phases of 600 megawatt each. Each phase has two units of 300 megawatt each. As at the Latest Practicable Date, the construction of the phase one of the Plant with a total capacity of 600 (2X300) megawatt has been completed. The official commercial operation dates for unit I and unit II of the phase I of the Plant were 1 April 2018 and 6 October 2017 respectively.

For construction, development and operation of the Plant, the Target Company has availed of various credit facilities from the banks and financial institutions. Owing to various reasons including the complex industry conditions of the industry, the Target Company has not been able to service its debt obligations towards the lenders. Therefore, the lenders have initiated and effected a change in ownership of the Target Company in early 2018 and have undertaken a bid process with a bid document dated 20 June 2018 for the purpose of selecting a potential investor for the acquisition of ownership of the Target Company.

AMPLE Valuation Advisory and Asset Consultancy Services Company Limited
Valuation & Advisory Services

Suite D, 18/F.,
19–25 Jervois Street,
Sheung Wan, Hong Kong

The Board of Directors
Agritrade Resources Limited
Room 1705, 17 Floor, Harcourt House,
39 Gloucester Road, Wanchai,
Hong Kong

14 December 2018

Dear Sirs,

RE: Valuation of 100% Equity Interest of SKS Power Generation (Chhattisgarh) Limited

INSTRUCTIONS

In accordance with the instructions received from Agritrade Resources Limited (the "**Company**"), we have undertaken a valuation exercise to express an independent opinion on the investment value of 100% equity interest (the "**Equity Interest**") of SKS Power Generation (Chhattisgarh) Limited (the "**Target Company**") as at 31 August 2018 (the "**Valuation Date**"). Our valuation work was performed subject to the assumptions and limiting conditions described in this report.

This report outlines the purpose of valuation, premise of value and sources of information; identifies the business appraised; describes the valuation methodology, assumptions and limiting conditions; and presents our investigation, analysis and our opinion of value.

PURPOSE OF VALUATION

The purpose of this valuation is to express an independent opinion on the investment value of the Equity Interest of the Target Company as at the Valuation Date. It is our understanding that this valuation will be used by the directors and management of the Company for internal reference purposes as well as incorporation into the circular of the Company in relation to the proposed acquisition of the Equity Interest of the Target Company.

PREMISE OF VALUE

Our valuation has been prepared in accordance with the Business Valuation Standards (First Printed 2005) published by the Hong Kong Business Valuation Forum and the International Valuation Standards 2017 published by the International Valuation Standards Council, where applicable.

Our valuation is based on the going concern premise and conducted on an investment value basis. Investment value is defined as the value of an asset to the owner or a prospective owner for individual investment or operational objectives. In this valuation, the prospective owner refers to the Company.

INTRODUCTION

The Company

Agritrade Resources Limited is incorporated as an exempted with limited liability in Bermuda under The Companies Act 1981 of Bermuda and its share are listed on the Main Board of the Stock Exchange (Stock Code: 1131). The Company is an investment holding company and the Company together with its subsidiaries (altogether referred to as the "Group") are principally engaged in the business of a) mining, exploration, logistics, sale of coal and other mining-related activities, b) 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 c) the production, generation, provision and sale of fuel and energy and other energy-related operations.

Overview of the Target Company

SKS Power Generation (Chhattisgarh) Limited promoted by SKS Ispat and Power Limited was incorporated on 18 March 2008. The Target Company is setting up a 4x300 MW coal based thermal power plant (the "**Project**") at Villages Binjkot and Darramuda, Tehsil Kharsia, District Raigarh at Chhattisgarh of India in two Phases, each comprises of 2 units of 300 MW. The location of the Project is about 28 km from Raigarh City and is around 250 km from capital city Raipur.

This is a Sub-critical pulverized coal fired Power Plant. The Phase-I of the Project comprises of 2 Units of 300 MW each. Unit #2 has been commissioned & it successfully achieved COD on 6 October 2017 based on the successful completion of reliability run for 72 hours from 25 September to 28 September 2017. During the course of the assessment, Unit #1 has also achieved the COD on 1 April 2018 based on the successful completion of 72 hours run. Presently only Phase I (2X300 MW) is in operation, and this valuation would only focus on the economic benefit attributable to Phase I as Phase II is still too remote to be considered as at the Valuation Date. The Target Company has entered in to two Coal Supply Agreements (the "**FSA**") for the Phase I of the Project. Coal supplies under the FSA to commence subject to submission of long-term power purchase agreements.

The Target Company has signed Power Purchase Agreement (PPA) with several power purchasers, including PTC India Limited, Noida Power Company Limited, and some distribution companies in Rajasthan. Some of the agreements are long term agreements and the others are short terms, and are expected to be renewed after the agreements expire. Besides, the Target Company also sells power on Indian Energy Exchange.

MACRO-ECONOMIC OVERVIEW OF INDIA

Indian economy has moved on a higher growth path. Gross Domestic Product for the Financial Year 2016–17 has increased by 7.1% over the previous financial year. Electricity, water and other utilities have registered a growth of 7.2% at constant prices. With macroeconomic stability in India, Indian economy is slated to grow at a rate of 7–8% per annum and electricity generation will play a key role in India's development.

For the power sector, the two recent big announcements pertain to rural electrification and solar energy. The government has reiterated its priority to achieve 100% rural electrification by 1 May 2018. This augurs well for the power sector and will unleash the huge latent demand for electricity.

India is firmly on a growth path and government's focus on infrastructure, housing, manufacturing bodes well for the electricity demand in the country in the long run. To reinvigorate the ailing DISCOMS, government has introduced UDAY scheme and most of the states have already joined it. The DISCOMS should be able to gradually improve their performance if they continue to pursue the prescribed operational reforms. The new government in Uttar Pradesh (UP) has already embarked upon a program to accelerate the availability of 24x7 powers for all citizens and it is expected that other states will follow the UP example. This should lead to a robust.

INDUSTRY OVERVIEW

Power Generation in India

The installed generating capacity in the country as on 31 March 2017 was 327 GW. This does not include nearly 60 to 90 GW of captive generation capacity. Grid connected capacity addition during the financial year for the country declined to 17 GW as compared to capacity addition of 26 GW during the previous financial year. This slowdown in capacity addition has been due to lack of sufficient growth in demand. Due to low reliability of supply, consumers continue to use captive generation.

India Power Supply & Demand

The power deficit position improved to -0.7% in FY17 from -2.1% in FY16 led by significantly improved availability of power and slower demand growth in the country. Despite this easing of the deficit situation, per capita power consumption in India remains poor at 1,075 kWh per annum (in FY16) which is about 1/3rd of world average. Power cuts continue in several key states, including Haryana, UP and Bihar. Currently, about 25% of the households i.e. around 45.2 million households are yet to be electrified in India.

For FY 2017, Indian Government estimates show that the average PLF of the thermal power stations in the country has hit a 24-year low of 59.88%. A combination of sluggish demand from industrial sector, large thermal capacity addition in last 5 years and the improvement in generation from renewable projects has impacted the country's energy mix sharply. However, there is a high ratio of latent demand that is not being adequately recognized by the government. The power sector may soon be battling with a situation of over supply if initiatives are not introduced to cater to the latent demand in the country.

Recently, the on-ground impact of UDAY is starting to trickle in, which may help offset the oversupply pressures as with a steady improvement in the paying abilities of the various utilities across the country, there is likely to be an uptick in demand, that could potentially aid the industry.

Government Initiatives

- *National Tariff Policy*

The National Tariff Policy of 2006 was revised in 2016, to ensure availability of electricity to consumers at reasonable and competitive rate. The amendment is aimed at ensuring financial viability of the sector and attracts investments, by promoting competition, efficiency in operations and improvement in quality of supply.

The policy aims to create a win-win situation for the consumer, producer and distributor. The intent is to make power available 24×7 to all consumers, while addressing other aspects including say, time-of-the day, net-metering and mainstreaming of renewable energy projects.

As a relief to the DISCOMS, the policy allows power producers to sell power that states, or state utilities fail to procure, through exchanges, which would help reduce the burden of distribution companies to pay fixed cost for failing to procure power.

- *Ujwal DISCOM Assurance Yojana (UDAY)*

The Ujwal DISCOM Assurance Yojana (UDAY) was formulated and launched by the government in 2015 for the financial and operational turnaround of State owned DISCOMS. The scheme UDAY envisages reform measures in all sectors — Generation, Transmission, Distribution, Coal, and Energy efficiency.

The scheme has substantially restored the financial health of DISCOMS, as almost 75% of the debt has been transferred to the state governments and the interest cost burden has been reduced on the remaining 25% debt. This has significantly improved the balance sheet and liquidity profile of DISCOMS.

- *Launch of DEEP e-Bidding & e-Reverse Auction portal*

On 12 April 2016, the government of India launched "DEEP" (Discovery of Efficient Electricity Price) e-Bidding & e-Reverse Auction portal" for procurement of short-term power by distribution companies. The guidelines for short term procurement of power have been notified by Ministry of Power w.e.f. 1 April 2016, making it mandatory for all the Procurer(s) to procure short term power by using this e-Bidding portal. Power procurement from power exchanges are excluded from the scope of these guidelines. The portal introduces uniformity and transparency in power procurement by the DISCOMs and at the same time, promotes competition in the electricity sector. The scope of this portal shall be further expanded to cover medium term and long-term procurement of power.

- *Flexibility in utilization of domestic coal for reducing the cost of power generation*

The government of India has approved the proposal for allowing flexibility in optimal use of domestic coal in efficient generating stations resulting in reduction in the cost of electricity generation and reduction in the power purchase cost of the state distribution companies.

All long-term coal linkages of individual state generating stations shall be clubbed and assigned to the respective state nominated agency. Similarly, coal linkages of individual Central Generating Stations (CGS) shall be clubbed and assigned to the company owning the CGS, to enable efficient coal utilization amongst end use generating stations. There shall be flexibility in use of such coal amongst the generating stations of state-owned utilities, plants of other state power utilities, company owning the CGS and IPPs, amongst each other.

In case of use of coal in state/central generating plants, the deciding criteria shall be plant efficiency, coal transportation cost, transmission charges and overall cost of power. In case of use of coal assigned to the state in private generating stations, power through substituted coal shall be procured on bidding basis from amongst the competing private sector plants, where the source of coal, quantity of coal, quantum of power, and delivery point for the receipt of power shall be indicated upfront. Subsequently, Ministry of Power on 20 February 2017, has issued the 'Methodology for Use of Coal by State in Private Generating Stations (IPPs)'.

BASIS OF OPINION

The valuation has been prepared in accordance with International Valuation Standards published by the International Valuation Standards Council. The valuation procedures adopted include review of economic and financial conditions of the subject businesses and an assessment of key assumptions, estimates and representations made by the Target Company. All matters we consider essential to the proper understanding of the valuation are disclosed in this report.

The following factors also form a considerable part of our basis of opinion:

- The economic outlook in general;
- The nature of businesses and history of the operations concerned;
- The financial condition of the Target Company;
- Investment returns of companies operating in similar lines of business; and
- Financial and business risk of the Target Company.

We performed our valuation based on all the information and explanations that we considered necessary and sufficient to express our opinion on the Target Company.

SOURCES OF INFORMATION

In conducting our valuation of the equity interest, we have considered, reviewed and relied upon the following key information provided by the management of the Target Company (the "**Management**") and the public. We relied on the following information in performing this appraisal:

- Background of the Target Company and relevant corporate information;
- Business registration details of the Target Company provided by the Management;
- Audited financial statements of SKS Power Generation (Chhattisgarh) Limited for the year ended 31 March 2016, 31 March 2017, and 31 March 2018;
- Unaudited Balance sheet of SKS Power Generation (Chhattisgarh) Limited as at 31 August 2017 and 31 August 2018;
- Unaudited Income statement of SKS Power Generation (Chhattisgarh) Limited from 1 April 2017 to 31 August 2017 and 1 April 2018 to 31 August 2018;
- A local valuation report provided by the Company (We, as the valuer, in preparing this valuation report, have verified the information referred to in the local valuation report and conducted site visits from 4 September 2018 to 7 September 2018);
- Executed share purchase agreement between the Target Company and relevant parties dated 12 November 2018;
- The Announcement of "Voluntary Announcement in Relation to the Potential Acquisition of Power Plant in India" made by Agritrade Resources Limited on the Hong Kong Stock Exchange ("**HKEx**") dated 23 February 2018;
- The loan assignment agreement for the Target Company;
- Financial projections of the Target Company; and
- Bloomberg database and other reliable sources of market data.

We had discussions with the Management and conducted research from public and in-house sources to assess the reasonableness and fairness of the information provided. We have no reason to doubt the truth and accuracy of the information provided to us by the Management, and we have relied to a considerable extent on the information provided in arriving at our opinion of value. We have no reason to believe that any material facts have been withheld from us, however, we do not warrant that our investigations have revealed all of the matters which an audit or more extensive examination might disclose.

VALUATION METHODOLOGY

There are three generally accepted approaches to assess the investment value of the Target Company (the "**Investment Value**"), namely the market approach, the asset approach, and the income approach. Under each approach, a number of methods are available which can be used to assess the value of a business subject. Each method uses a specific procedure to determine the business value. Each of these approaches is appropriate in one or more circumstances, and sometimes, two or more approaches may be used together. Whether to adopt a particular approach will be determined by the most commonly adopted practice in valuing businesses that are similar in nature. It is also common practice to employ a number of valuation methods under each approach. Therefore, no one business valuation approach or method is definitive.

Market Approach

In the market approach, the Guideline Publicly Traded Company method (the "**GPTC method**") will be applied to estimate the value of the company. GPTC entails a comparison of the subject company to publicly traded companies. The comparison is generally based on published data regarding the public companies' stock price and earnings, sales, or revenues, which is expressed as a fraction known as a "multiple". If the guideline public companies are sufficiently similar to each other and the subject company to permit a meaningful comparison, then their multiples should be similar. The public companies identified for comparison purposes should be similar to the subject company in terms of industry, product lines, market, growth, margins and risk.

Asset Approach

The Asset Approach is based on the general concept that the earning power of a business entity is derived primarily from its existing assets. The assumption of this approach is that when each of the elements of working capital, tangible and intangible assets is individually valued, their sum represents the value of a business entity and equals to the value of its invested capital (equity and debt capital). In other words, the value of the business entity is represented by the money that has been made available to purchase the business assets needed.

This money comes from investors who buy stocks of the business entity (equity) and investors who lend money to the business entity (debt). After collecting the total amounts of money from equity and debt and converted into various types of assets of the business entity for its operation, the sum of such assets equals the value of the business entity.

From a valuation perspective, we will restate the values of all types of assets of a business entity from book values to appropriate standards of value. After the restatement, we can identify the indicated value of the business entity, or, by applying the accounting principle "assets minus liabilities", to arrive at the value of the equity interest of the business entity.

Income Approach

Income Approach values an asset by reference to the capitalized value of income, cash flows or cost savings that could hypothetically be earned or achieved by a market participant owning the asset. The principle of this approach is that the value of the asset can be measured by the present worth of the economic benefits to be received over the assets life.

This approach estimates the future economic benefits and discounts these benefits to its present value using an appropriate discount rate for all risks associated with realizing those benefits.

SELECTION OF VALUATION APPROACH

Among the three approaches, we consider that the income approach is more appropriate for valuing the Target Company.

While useful for certain purposes, the asset approach does not take future earning potential of the Target Company into consideration. Market approach may be difficult to apply as we have not identified sufficient market transactions which are comparable. In this regard, we have considered but decided against using asset and market approach for valuing the Target Company. We consider income approach to be more appropriate for valuing the Target Company as it considers future growth potential of the business of Target Company.

To determine the Investment Value of the Target Company, we have adopted the discounted cash flow ("**DCF**") method, which is one of the income approaches that use the concept of time value of money. By adopting the DCF, we utilize future free cash flow projections and discount them with a discount rate to arrive at a present value.

VALUATION ASSUMPTIONS AND RATIONALE

General assumptions

In determining the Investment Value of the equity interest, the following principal assumptions have been adopted:

- We have assumed that there will be no material change in the existing political, taxation, legal, technological, fiscal or economic conditions, which might adversely affect the business of the Target Company;
- We have assumed that the conditions in which the business is being operated and which are material to revenue and costs of businesses will remain unchanged;
- We have assumed that the information has been prepared on a reasonable basis after due and careful consideration by the Management;
- We have assumed that competent management, key personnel and technical staff will be maintained to support the ongoing operation and development of the Target Company;

- We have assumed that all licenses and permits that are essential for the operation of Target Company can be obtained and are renewable upon expiry; and

- We have assumed that there is no hidden or unexpected conditions associated with the businesses valued that might adversely affect the reported value. Further, we assume no responsibility for changes in market conditions after the Valuation Date.

Major assumptions adopted in the financial projection prepared by the Management:

We had discussions with the Management in relation to the background of the Target Company as well as the business model to generate future revenue of the Target Company. Apart of the due diligence works, we conducted an analysis of the economic overview, industry overview and competitive environment to understand the demand and supply situation. In assessing the basis of the financial projection provided by the Management, we review the operating statistics, financial data and other relevant contracts and documents provided by the Management. We consider that the assumptions of the projection (as provided by the Management) are fair and reasonable. Where appropriate, the most updated information obtained during our valuation justification was used.

In using Discounted Cash Flow method, we relied on Financial Projections prepared by the Management, which is in free cash flow to business enterprise basis commencing from 2018 to 2048.

Revenue

Revenues mainly come from signed Power Purchase Agreement (PPA) with PTC India Limited (PTC), distribution companies (DISCOM) in Rajasthan, and Noida Power Company Ltd. (NCPL), in which the contracted supply capacity is 300 Megawatt (MW), 100 MW, and 100 MW respectively. The total contracted supply capacity is 500 MW. For Rajasthan DISCOM PPA, the signed contract's tenure is 25 years, PTC PPA and NCPL PPA are medium term PPA, which only lasts for 3 years and 16 months, respectively. Per discussion with the management, it is assumed that the medium term PPA will be extended to long term PPA after expiration, and the tariff are assumed at same level on conservative base, and for the 25-years long term PPA, it is assumed to be renewed to 30 years.

Although the total contracted supply capacity is 500 MW, according to the historical trading record of the Target Company, it is observed that the Target Company's power purchasers did not procure 100% contracted electricity in the PPA. As a matter of fact, the median of the purchasers' requested amount is 73% of the signed capacity amount.

Therefore, it is assumed by the Management that the purchasers will purchase 75% of the signed capacity amount during the financial projection period. The expected capacity used in relation to the total signed PPA is calculated as follows:

$$\text{Expected Capacity Used } (MW) = \text{Signed Capacity in PPA } (MW) \times \text{Expected Request } (\%)$$

$$= 500 \text{ MW} \times 75\%$$

$$= 375 \text{ MW}$$

As a result, the expected capacity used in relation to the total signed PPA is 375 MW.

After meeting the expected requested amount from the purchasers (around 75% of the signed capacity, by historical trade record), the Target Company will sell the excessive generated power on Indian Energy Exchange (IEX).

Projection period

According to a case study[1] published by OECD Environment Directorate and International Energy Agency, the technical lifetime of steam boilers, nuclear plants and gas turbines power plants in India is 30 years; thus, cash flow projection covers a period of 30 years from the launch of coal based thermal power plants. Unit 2 of Phase One power plant commenced operation in September 2017, and Unit 1 commenced in April 2018. The total operating period is assumed to be 30 years following the reference from OECD, so both units are assumed to end operation on 31 March 2048[2].

Remarks:

1. "An Initial View on Methodologies for Emission Baselines: Electricity Generation Case Study"

2. As during September 2017 to March 2018, the power plant was not operating in full capacity, so we assume Unit 1 of Phase One can still be operated until March 2048.

Power generation output

The electricity output is derived by assuming the power plants to generate electricity in 24 hours per day and 365 days per year after considering the Power Loading Factor (PLF), which is the factor that shows the maximum output the power plant can generate. Per discussion with the management, the base case of the PLF is 85%, which means that for the specific capacity signed with other parties, the power plant can only generate 85% of the maximum output.

The total output that the power plant can generate needs to consider the auxiliary loss, which is set at 9.8% according to the management. Besides, the power plant is required to supply 5% of the post-auxiliary output as free power to Chhattisgarh Government. In the end, the power plant's effective maximum capacity to generate output is assumed to be 437 MW. The derivation is as follows:

$$\text{Net Saleable MW} = \text{Installed Capacity (MW)} \times \text{PLF} \times (1 - \text{Auxiliary Loss}) \times (1 - \text{Energy for Chhattisgarh Government})$$

$$= 600\ \text{MW} \times 85\% \times (1 - 9.8\%) \times (1 - 5\%)$$

$$= 437\ \text{MW}$$

In the case the purchasers' request is more than the assumed maximum capacity of the Target Company in this valuation stated above, the Target Company will purchase additional required power from IEX to fulfil its obligations under the relevant PPA.

Electricity tariff

The electricity tariff is derived by the bidding process and passing through some of the production costs to the customers (e.g. fuel cost, O&M cost, transmission charge).

For the revenue of Rajasthan PPA, the revenue is the sum of fixed based charge and other costs incurred. The fixed base charge is the amount that the target company has bid in 2012 adding the cumulative effect of completion of repayment of term loan and tax liability going up due to non-availability of MAT. Other costs such as O&M cost and transmission cost are based on the historical figures applying the rate provided by RVPN, a company established by Government of Rajasthan.

For the revenue from NPCL and PTC, the prices are assumed by the same amount as the existing contracts and assumed to be maintained after renewal in the future.

Coal Cost

The Target Company will purchase linkage coal to generate electricity. Linkage coal is the coal acquired from the mines which are near the power plant; however, entire linkage coal quantity required for generation and supply of power under all PPA may not be available and therefore some of the quantity may have to be procured from open market through E-Auction which is generally costlier than the linkage coal. Per assumption from the Target Company, 75% of coal is acquired from linkage coal, and the remaining 25% is from E-Auction. Besides, 2% of escalation rate is applied to the cost of E-Auction to modify the inflation.

Operating expenses

Operating expense includes maintenance fee, advertisement fee, office expense, etc. The expenses are derived by historical figures applying escalation rate provided by RVPN.

Tax expenses

In this valuation, by taking reference to the Income Tax Act, the Target Company will be available to pay MAT (Minimum Alternative Tax) with 21.55%. This tax rate is applied to the profit before tax generated by the Target Company from the first year to the fifteenth year of the coal fired thermal power plants. After the fifteenth year, the net profit before tax of the power plant will be charged at the corporate tax rate of 29.12%.

Capital expenditure

Since the construction of the coal fired thermal power plant have been completed and the coal fired thermal power plants are in operation as at the Valuation Date, it was suggested by the Management to assume no material future capital expenditure would be required for the Target Company as all routine maintenance and major overhaul would be expensed when incur. Therefore, no further capital expenditure will be incurred on the project level. Thus, the depreciation expense would be solely originated from the capitalized fixed assets over the useful life.

Working capital

Major working capital requirements in running a coal fired thermal power plant would comprise of accounts receivable and the operating and management expense. According to the Management, credit is not available for the target company for purchase; thus, there is no account payables in the working capital. It is assumed that after 30 years of operation, the power plant will stop operating, and the working capital will recover to the target company, which will incur a cash inflow.

Valuation procedures and parameters adopted in Income Approach

To determine the Investment Value of the equity interest, we have adopted the discounted cash flow method which uses future free cash flow projections and discounts them with a discount rate to arrive at a present value.

The discounted cash flow method is a method to value the subject entity using the concepts of time value of money. All future cash flow is estimated and discounted to give them a present value. The discount rate used was the required rate of return of the market comparables. The present value of the free cash flows was calculated via the following formula:

$$PVCF = CF_1/(1+R) + CF_2/(1+R)^2 + CF_3/(1+R)^3 + ... + CF_n/(1+R)^n$$

Where:

PVCF	=	Present value of cash flows
CF_n	=	Cash flow
R	=	Discount rate
n	=	Time period

In the course of our valuation, the cash flows were determined as free cash flows, which were calculated using the following formula:

$$FCF = NI + AD - \Delta WC - CAPEX$$

Where:

FCF	=	Free cash flow
NI	=	Net income
AD	=	Amortization and depreciation
ΔWC	=	Change in working capital
CAPEX	=	Capital expenditure

Discount rate

The discount rate used in this valuation exercise was the weighted average cost of capital ("**WACC**"), which was computed using the following formula:

$$WACC = (E/V) \times R_e + (D/V) \times R_d \times (1 - T_c)$$

Where:

Re	=	Cost of equity
Rd	=	Cost of debt
E	=	Market value of the Target Company's equity
D	=	Market value of the Target Company's debt
V	=	E + D
E/V	=	Percentage of equity financing
D/V	=	Percentage of debt financing
T_c	=	Tax rate

As shown in the above formula, the WACC has two components: the cost of equity and the cost of debt. The Capital Asset Pricing Model (the "**CAPM**") was used for determining the cost of equity. The CAPM states that an investor requires excess returns to compensate for any risk that is correlated to the risk in the return from the stock market as a whole but require no excess return for other risks. Risk that are correlated to the risk in the return from the stock market as a whole are referred to as systematic and measured by a parameter called beta, whereas other risks are referred to as non-systematic. Please refer to below for the calculations:

$$R_e = R_f + \beta \ (R_m - R_f)$$

Where:

R_e	=	Cost of equity
R_f	=	Risk-free rate
β	=	Beta coefficient
R_m	=	Expected market return
$(R_m - R_f)$	=	Market risk premium

Since the tax of the first fifteen years and the tax of the remaining years are not the same, we have derived two discount rates for each time period, respectively.

In our valuation, the following parameters were adopted:

	FY2019–FY2033	FY2034–FY2048
Risk-free rate (15-years)	8.23%[1]	8.23%[2]
Beta coefficient[3]	0.45	0.45
Market risk premium[4]	7.27%	7.27%
Cost of equity	11.79%	11.76%
Cost of debt[5]	10.00%	10.00%
Tax rate	21.55%[6]	29.12%[7]
Debt to equity ratio[8]	0.10	0.10
WACC	**11.43%**	**11.34%**

Remarks:

1. The risk-free rate takes reference to the yield of 15-year India Sovereign Bond Yield as at the Valuation Date, extracted from Bloomberg, as the core business of the Target Company are in India.

2. The 15 years forward risk-free rate from FY2034 as at the Valuation Date, extracted from Bloomberg, as the core business of the Target Company are in India.

3. The levered beta was calculated from the comparable companies using the following formula: Levered beta = Unlevered beta* 1 + (1 — Tax Rate) × (Debt/Equity). The beta coefficient is estimated from the average betas of a set of comparable companies listed in India. The betas of the comparable companies are made reference to the 2-year weekly adjusted betas obtained from Bloomberg. The Target Company primarily engage in and generate plant projects. We have attempted to select the listed companies with same principal activities as the Target Company. However, there is no listed company with coal power generation in the India as sole business. As a result, we have identified 8 comparable companies below, which is a fair and representative sample. To the best of our knowledge, this sample is full and exhaustive and was selected on our best effort and unbiased criteria based on search from Bloomberg. Selection criteria are listed as follow:

   The levered betas of the comparable companies are listed below:

   (a) Public companies listed in India with principal place of operation in the India; and

   (b) Companies that are changing its main business into coal fired thermal power plant or power generation industry; or

   (c) Companies that involve in the coal fired thermal power plant business in which they also operate coal fired thermal power plant and/or have coal power projects pipeline; or

(d) Companies that are operating coal fired thermal power in India as they are direct competitors as coal supplier to end customers of the Target Company or the State Grid.

Comparable Company	**Ticker**	**Beta Coefficient**
NLC India Limited	NLC IN Equity	0.82
KSK Energy Ventures Limited	KSK IN Equity	1.49
NTPC Ltd.	NPTC IN Equity	0.61
Reliance Power Limited	RPWR IN Equity	1.28
Adani Power Ltd.	ADANI IN Equity	1.98
Jaiprakash Power Ventures Ltd.	JPVL IN Equity	1.42
Reliance Infrastructure Ltd.	RELI IN Equity	1.45
JSW Energy Limited	JSW IN Equity	1.27
Average:		1.29

The profiles of the comparable companies are as follows:

Comparable Company	**Ticker**	**Business**
NLC India Limited	NLC IN Equity	NLC India Limited operates as a mining and power company. The company focuses on coal and lignite mining, as well as thermal and renewable power generation throughout India.
KSK Energy Ventures Limited	KSK IN Equity	KSK Energy Ventures Limited develops power plant project. The company also offers source of electrical power to international and domestic businesses.
NTPC Ltd.	NPTC IN Equity	NTPC Ltd. owns and operates power generation plants that supply power to state electricity boards throughout India. The company is a public sector undertaking of the Government of India and it also undertakes turnkey consulting projects to set up power plants.
Reliance Power Limited	RPWR IN Equity	Reliance Power Limited develops, constructs, and operates power projects both domestically and internationally.
Adani Power Ltd	ADANI IN Equity	Adani Power Ltd is a power project development company. The company develops, operates and maintains power projects in India.
Jaiprakash Power Ventures Ltd.	JPVL IN Equity	Jaiprakash Power Ventures Ltd. generates electricity. The company operates a private sector hydroelectric power plant.
Reliance Infrastructure Ltd.	RELI IN Equity	Reliance Infrastructure Ltd. generates, distributes, and transmits electricity. The company also builds highways, roads, bridges, rapid transit systems, airports, and other projects. Reliance Infrastructure is a member of the Reliance Anil Dhirubhai Ambani Group.

Comparable Company	Ticker	Business
JSW Energy Limited	JSW IN Equity	JSW Energy Limited generates power by using Corex gas and coal. The company, through its subsidiary, also operates lignite thermal power plant in Rajasthan and has a capacity to produce 3,140 megawatts of electricity. JSW is also present in the power trading and transmission businesses.

4. The market risk premium is the implied risk premium expected from the market using forecasted growth rates, earnings, dividends, pay-out ratios and current values. It represents the additional return required by an investor as compensation for investing in equities rather than a risk-free instrument. The adopted risk premium is made reference to the total equity risk premium in the research published by Professor Aswath Damodaran from New York University in January 2018. Aswath Damodaran is a Professor of Finance at the Stern School of Business at New York University, where he teaches corporate finance and equity valuation. He is best known as author of several widely used academic and practitioner texts on valuation, corporate finance and investment management. He has written several books on equity valuation, as well on corporate finance and investments. His research result on equity risk premium is commonly applied by valuers.

5. Cost of debt is determined with reference to current USD interest rates for loans of financial institutions in India as at the Valuation Date.

6. Minimum Alternative Tax Rate in India as at the Valuation Date.

7. Corporate Tax Rate advised by the Management as at the Valuation Date.

8. Expected debt-to-equity ratio from the Management's best estimation.

Discount for Lack of Marketability ("DLOM")

The concept of marketability deals with the liquidity of an ownership interest, that is how quickly and easily it can be converted to cash if the owner chooses to sell. The lack of marketability discount reflects the fact that there is no ready market for shares in privately held companies which are typically not readily marketable compared to similar interest in public companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly held company.

In our valuation, we applied an option pricing model to estimate the marketability discount. An investor may purchase an at-the-money put option of similar stock to hedge the current value of the underlying stock or acquiring an at-the-money put option of the underlying shares, so that the investor can dispose the shares by exercising the option. As such, we may estimate the discount by assessing the additional cost to the investor for investing in non-listed shares with liquidity comparable with listed shares. As the time the share of stock in a privately held company become readily marketable is getting shorter, the lower the implied DLOM. In this valuation, DLOM is evaluated as 6.72%.

Debt assignment

According to an agreement signed by the Company, a subsidiary of the Company, and the lenders of the Target Company[1], dated 12 November 2018 (the "**Assignment Agreement**"), the Company has agreed to pay an one-time settlement amount (the "**One-Time Settlement Amount**") to acquire the existing fund based debt (the "**Debt**") of the Target Company. The lenders of the Debt have agreed and confirmed to accept the One-Time Settlement Amount for the transfer of the Debt to the Company. As a result, the Investment Value specific to the Company as stated in this valuation report has considered the aforementioned Assignment Agreement and assumes the Company will not need to repay the Debt after the acquisition, as it becomes the holder of the Debt.

Remarks:

1. "Assignment Agreement Amongst State Bank of India and L&T Infrastructure Finance Company Limited and PTC India Financial Services Limited and Agritrade Resources Limited and Entwickeln India Energy Private Limited"

CURRENCY

Unless otherwise stated, all monetary figures stated in this report are in United States Dollar.

SENSITIVITY ANALYSIS

The sensitivity analysis has been prepared to determine the impact of changes in the discount rate and discount for lack of marketability on the value of the Target Company. The following tables summarize the resulting values of the Target Company:

Table A: Sensitivity of Investment Value to changes in the discount rate

Applied Discount Rate		**Investment Value (USD million)**
FY2019–FY2033	**FY2034–FY2048**	
9.43%	9.34%	610
10.43%	10.34%	562
11.43%	11.34%	521
12.43%	12.34%	485
13.43%	13.34%	453

Table B: Sensitivity of Investment Value to changes in the discount for lack of marketability

Applied Discount for Lack of Marketability	Investment Value (USD million)
4.72%	531
5.72%	526
6.72%	521
7.72%	515
8.72%	510

LIMITING CONDITIONS

Our valuation is confidential to you, for your sole use and for the specific purpose stated. We will not accept responsibility to any third party in respect of its contents.

To the best of our knowledge, all data set forth in this report are reasonable and accurately determined. The data, opinions, or estimates identified as being furnished by others that have been used in formulating this analysis are gathered from reliable sources; yet, no guarantee is made, nor liability assumed for their accuracy.

We have relied to a considerable extent on information provided by the Management in arriving at our opinion of value. We are not in the position to verify the accuracy of all information provided to us. However, we have had no reason to doubt the truth and accuracy of the information provided to us and to doubt that any material facts have been omitted from the information provided. No responsibility for the operation and financial information that have not been provided to us are accepted.

Our opinion of the Investment Value of the subject in this report is valid only for the stated purpose and only for the effective date of the appraisal. The valuation reflects facts and conditions existing at the date of valuation and subsequent events have not been considered. No responsibility is taken for any changes in the market conditions and no obligation is assumed to revise this report to reflect events or change of government policy or conditions which may occur subsequent to the date hereof.

No opinion is intended to be expressed for matters which require legal or other specialized expertise or knowledge, beyond that customarily employed by appraisers. Our conclusions assume continuation of prudent management of the Target Company over a reasonable and necessary period of time to maintain the character and integrity of the assets valued.

CONCLUSION OF VALUE

In our opinion, on the basis of the information made available to us, the Investment Value of 100% equity interest of SKS Power Generation (Chhattisgarh) Limited as of 31 August 2018 is reasonably estimated at **USD521,000,000 (UNITED STATES DOLLAR FIVE HUNDRED AND TWENTY-ONE MILLION ONLY)**.

This conclusion of value was based on generally accepted valuation procedures and practices that rely extensively on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. While we have exercised our professional judgment in arriving at the appraisal, it is inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of Ample Valuation Advisory and Asset Consultancy Services Company Limited. You are advised to consider with caution the nature of such assumptions which are disclosed in this report and to exercise caution when interpreting this report.

We hereby certify that we have neither present nor prospective interests in the Company or the value reported.

Yours faithfully,
For and on behalf of

Ample Valuation Advisory and Asset Consultancy Services Company Limited

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors and chief executive of the Company

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong) (the "**SFO**") (including interests and short positions which they were deemed or taken to have under such provisions of the SFO); (b) to be and were recorded in the register required to be kept pursuant to Section 352 of the SFO; or (c) otherwise to be 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 in the Shares and underlying Shares

Name of Director/ Chief executive	Number of Shares directly beneficially owned	Number of Shares owned through controlled corporation	Number of underlying Shares held under equity derivative	Total	Percentage of the Company's issued share capital
Mr. Ng Say Pek *(Note 1)*	—	3,550,453,332	12,000,000	3,562,453,332	55.93%
Mr. Ng Xinwei *(Note 2)*	—	3,550,453,332	11,000,000	3,561,453,332	55.91%
Mr. Ashok Kumar Sahoo	—	195,416,000 *(Note 3)*	—	195,416,000	3.07%
Ms. Lim Beng Kim, Lulu *(Note 4)*	—	183,866,668	6,000,000	189,866,668	2.98%
Mr. Chong Lee Chang	15,040,000	—	—	15,040,000	0.24%

Note:

(1) This represents (i) 3,550,453,332 Shares held by AIPL and its associate, in which as at the Latest Practicable Date, 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 the SFO, Mr. Ng Say Pek was deemed to be interested in the Shares and underlying Shares held by AIPL and Ms. Lim Chek Hwee respectively.

(2) This represents (i) 3,550,453,332 Shares held by AIPL and its associates, in which as at the Latest Practicable Date, AIPL was owned as to 42.73% by Mr. Ng Xinwei. By virtue of the SFO, Mr. Ng Xinwei was deemed to be interested in the shares held by AIPL; and (ii) 11,000,000 share options granted to Mr. Ng Xinwei.

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

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

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

(b) Substantial Shareholders

As at the Latest Practicable Date, so far as is known to any Director or chief executive of the Company, the following persons or corporations (other than the Directors or chief executives of the Company) had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who were directly or indirectly, interested in 5% or more of the issued voting shares of any other member of the Group:

Long position in the shares/registered capital of the member of the Group

Name of the member of the Group	Name of shareholder(s)	Capacity/nature of interest	Number of shares	Percentage of the issued share capital
The Company	AIPL *(Note 1)*	Interests of controlled corporations	3,550,453,332	55.74%
The Company	Amber Future Investments Limited	Beneficial owner	2,023,300,000	31.77%
The Company	Fortunella Investments Limited	Beneficial owner	1,527,153,332	23.98%

Note:

(1) This represents 2,023,300,000 Shares held through Amber Future Investments Limited and 1,527,153,332 Shares held through Fortunella Investments Limited, both were wholly-owned subsidiaries of AIPL

Save as disclosed above, so far as is known to any Director or chief executive of the Company, as at the Latest Practicable Date, no other person (who is not a Director or chief executive of the Company) had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register kept by the Company under section 336 of the SFO or, who were directly or indirectly, interested in 5% or more of the issued voting shares of any other member of the Group.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors was a director or employee of a company (or its subsidiary) which has an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. SERVICE CONTRACTS

As at the Latest Practicable Date, there were no service contracts of Directors with the Company or any of its subsidiaries other than those service contracts which will expire or may be terminable by the Group within one year without payment of any compensation (other than statutory compensation).

4. DIRECTORS' INTERESTS IN THE COMPANY AND ITS SUBSIDIARIES' ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE ENLARGED GROUP

As at the Latest Practicable Date:

(a) On 31 July 2018, Sea Latitude Limited, a 55%-owned subsidiary of the Company, as seller, entered into a memorandum of agreement with an independent third party, as buyer which was a leading global oil trader, in relation to the disposal (the "**Disposal**") of its very large crude carrier vessel, namely MT Sea Latitude, at a consideration of US$22.5 million (equivalent to approximately HK$176 million). Sea Latitude Limited was effectively held as to 45% by Mr. Ng Say Pek, a Director and a controlling shareholder of the Company. The Disposal was completed as at the Latest Practicable Date. Since 1 April 2018 up to the Latest Practicable Date, the disposed vessel has generated vessel chartering income for the Group of approximately HK$15,441,000. Save as disclosed above, none of the Directors had any direct or indirect interests in any assets which have since 31 March 2018 (being the date to which the latest published audited consolidated financial statements of the Company) been acquired or disposed of by or leased to any member of the Enlarged Group, or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group; and

(b) none of the Directors was materially interested in any contracts or arrangements entered into by any member of the Enlarged Group subsisting as at the Latest Practicable Date which is significant in relation to the business of the Enlarged Group.

5. QUALIFICATIONS AND CONSENTS OF EXPERTS

The following are the qualifications of the experts who have been named in this circular and whose advice or opinions are contained in this circular:

Name	Qualification
AMPLE Valuation Advisory and Asset Consultancy Services Company Limited	Independent valuer
HLB Hodgson Impey Cheng Limited	Certified Public Accountants, being the reporting accountant for the financial information of the Target Company and the unaudited pro forma financial information of the Enlarged Group

As at the Latest Practicable Date, each of the above experts did not have any shareholding in any member of the Enlarged Group or any right or option, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Enlarged Group.

As at the Latest Practicable Date, each of the above experts did not have direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Enlarged Group or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group since 31 March 2018, being the date to which the latest published audited consolidated financial statements of the Company were made up.

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its respective letters and references to its respective name or opinions, in the form and context in which they respectively appear.

6. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, the following Directors or their respective close associates were considered having interests in the following businesses, being businesses which competed or were likely to compete, either directly or indirectly, with the businesses of the Company, other than those businesses in which the Company was interested and the Director's only interests are as directors appointed to represent the interests of the Group.

Mr. Ng Say Pek, the chairman and an executive Director of the Company, and Ms. Lim Beng Kim, Lulu, an executive Director, are also the controlling shareholder 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 Company.

Save as disclosed above, as at the Latest Practicable Date, in so far as the Directors were aware, none of the Directors or their respective close associates had any interest in a business that competed or was likely to compete with the business of the Company.

7. LITIGATION

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

Hong Kong Arbitration Matter

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

In May 2017, SIL filed a counterclaim against, amongst others, AMHL in the Hong Kong Arbitration Matter and has sought various remedies, including the return by the Group of its entire shareholding in MMHL. AMHL disputed the allegations raised by SIL and filed its response to the counterclaim in June 2017. On 1 August 2017, the arbitral tribunal ruled, amongst others, that it has no jurisdiction to determine SIL's counterclaim relating to the return of the Group's entire shareholding in MMHL, and that it has no jurisdiction to determine any of SIL's counterclaims beyond AMHL. The arbitration proceedings therefore continue only as between AMHL and SIL and the reliefs claimed in the proceedings are limited to these parties alone. The proceedings are ongoing and the arbitral hearing was scheduled to take place in September 2018. However, the arbitral hearing was subsequently vacated and rescheduled to dates to be fixed in 2019, so as to include the hearing of other claims which have been consolidated with those in the arbitration proceedings.

Jakarta Proceedings

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

The Group disputed the allegations stated therein and is considering its legal options. As at the Latest Practicable Date, the Jakarta Proceedings at the District Court level has been completed. The District Court issued a final judgement in favour of the Group and rejected the Plaintiff's claim. The District Court held, amongst others, that the circulars of the shareholders were validly issued and the Plaintiffs have submitted a declaration in response to the District Court's final judgement.

Save as disclosed above, as at the Latest Practicable Date, none of the members of the Enlarged Group was engaged in any material litigations or claims and no litigations or claims of material importance were pending or threatened against the Company or any member of the Enlarged Group.

8. MATERIAL CONTRACTS

The following material contracts (not being contracts entered into in the ordinary course of business of the Enlarged Group) have been entered into by the Enlarged Group within two years immediately preceding the Latest Practicable Date:

(a) the Share Purchase Agreement;

(b) the Assignment Agreement;

(c) the Acquisition Framework Agreement;

(d) the Escrow Agreement;

(e) the Offshore Escrow Agreement;

(f) the Bid Document;

(g) the LOI;

(h) the Final Letter of Intent;

(i) the memorandum of agreement dated 31 July 2018 entered into between Sea Latitude Limited, an indirect non-wholly owned subsidiary of the Company as seller, and Da Shun Shipping (Pte.) Ltd., as buyer, in relation to the disposal of a VLCC namely MT Sea Latitude at a consideration of US$22,500,000;

(j) the memorandum of agreement dated 10 April 2018 entered into between Sea Equatorial Limited, an indirect wholly-owned subsidiary of the Company as seller, and Da Hui Shipping (Pte.) Ltd., as buyer, in relation to the disposal of a VLCC namely MT Sea Equatorial at a consideration of US$18,500,000; and

(k) the sale and purchase agreement dated 13 December 2016 entered into between the Company, as seller, and Mr. Ng Say Pek, a Director of the Company as buyer, in relation to the disposal of 45% of the issued share capital of Agritrade Shipping Solutions Limited, a subsidiary of the Company, or any other of its subsidiary holding the VLCC namely MT Sea Latitude at a consideration of US$10,665,000.

9. GENERAL

(a) The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

(b) The head office and principal place of business of the Company in Hong Kong is located at Room 1705, 17th Floor Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong.

(c) The company secretary of the Company is Mr. Ting Kin Wai, who is a member of the Hong Kong Institute of Certified Public Accountants.

(d) The Company's branch share registrar and transfer office in Hong Kong is Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(e) The English text of this circular prevails over its Chinese translation in the case of discrepancy.

10. DOCUMENTS FOR INSPECTION

Copies of the following documents will be available for inspection at Room 1705, 17/F, Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong, during normal business hours on any weekday (except public holidays) for a period from the date of this circular up to 14 days thereafter:

(a) the memorandum of association and bye-laws of the Company;

(b) the annual reports of the Company for the two years ended 31 March 2017 and 2018;

(c) the accountants' report on the Target Company as set out in Appendix II to this circular;

(d) the letter from the Board and the accountant's letter, the texts of which are set out on pages III-1 to III-4 in Appendix III to this circular;

(e) the accountants' report on unaudited pro forma statement of financial position of the Enlarged Group as set out in Appendix IV to this circular;

(f) the valuation report on the investment value of the Sale Shares as set out in Appendix VI to this circular;

(g) the written consents from the experts as referred to under the section headed "Qualifications and consents of experts" in this appendix;

(h) the material contracts referred to in the paragraph headed "Material contracts" in this appendix; and

(i) this circular.