

# Quarterly Business Updates

## 2Q 2012



鴻寶資源有限公司  
AGRITRADE RESOURCES LIMITED  
(Stock Code: 1131.HK)



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## Annual Result of FY 2012

Agritrade Resources Limited (the “Company”) announced the audited annual results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 March 2012 (“FY 2012”). The financial highlight and mining segment analysis which extracted from figures of the result announcement are shown below:

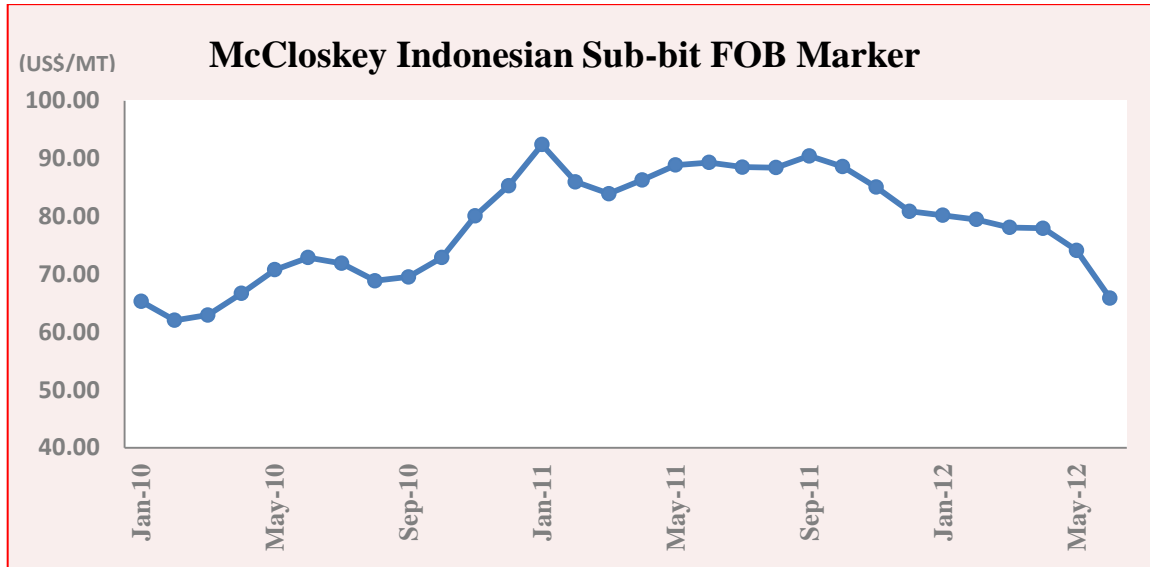
<b>Financial Highlight</b>			
	<b>2012</b> <i>HK\$'000</i>	<b>2011</b> <i>HK\$'000</i>	<b>Variance</b>
<b>Revenue (including discontinuing operation)</b>	<b>536,299</b>	235,241	128.0%
<b>Gross Profit (including discontinuing operation)</b>	<b>109,583</b>	30,625	257.8%
<b>EBITDA (from continuing operations)</b>	<b>177,318</b>	90,650	95.6%
<b>Mining Segment Analysis</b>			
<b>Revenue</b>	<b>427,225</b>	72,681	487.8%
<b>Profit/(loss) before bargain purchase</b>	<b>70,568</b>	(8,997)	-
<b>Gain from bargain purchase</b>	-	88,131	-
<b>Segment Profit</b>	<b>70,568</b>	79,134	(10.8)%
	<i>Tonnes</i>	<i>Tonnes</i>	
<b>SEM coal mine production capacity</b>	<b>1,580,000</b>	300,400	425.9%
<b>SEM coal mine reserve</b>	<b>70,700,000</b>	41,000,000	72.4%





## Indonesian Coal Price

Based on the Indonesian Coal Reference Price Index and McCloskey, Indonesian coal price increased significantly in 2010. Although Indonesian coal price dropped slightly since 2011, it is projected to remain strong in the foreseeable future. Line charts below show the historical Indonesian coal FOB (free-on-board) price from January 2010 to June 2012:



Source: [coalspot.com](http://coalspot.com), [mccloskeycoal.com](http://mccloskeycoal.com)

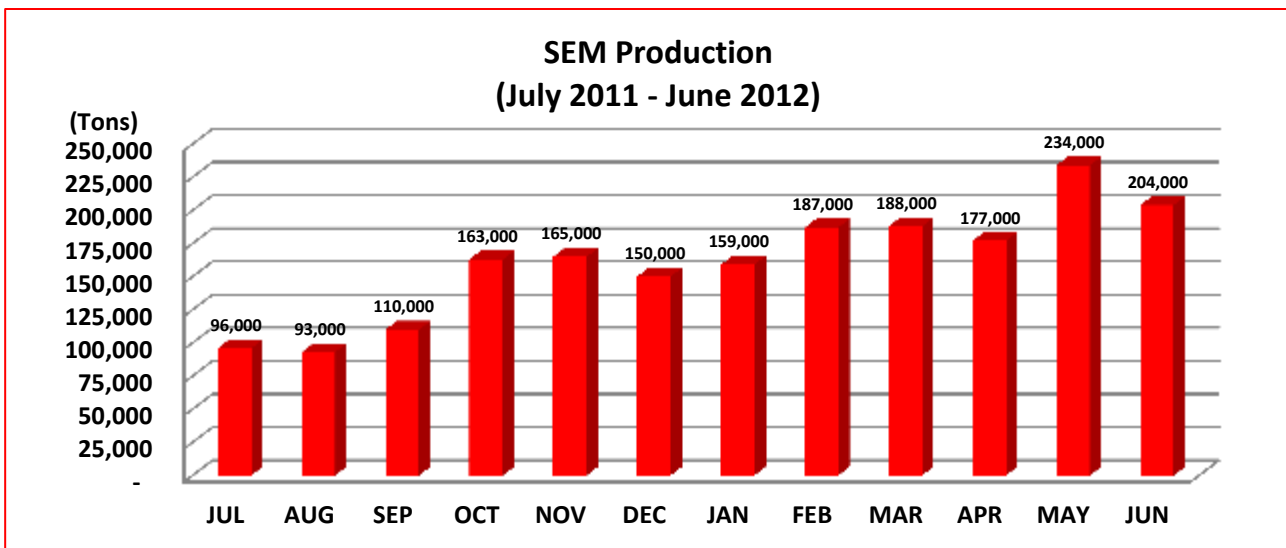
\*Note: Indonesian Coal Reference Price Index and McCloskey are assessment of the FOB (Mother Vessel) price of coal with calorific value of 6,322 kcal/kg (gar) and 4,800 –5,100kcal/kg (nar) respectively. The Company is producing coal with calorific value of 3,700-3,900kcal/kg (gar) approximately, so the selling price needs to be adjusted based on the level of calorific value and market acceptance. Information above is for reference only.





## Current Production

PT SEM is mining coal at a rate of approximately 2.5 million tons per annum. With the commencement of mining at Pit 2 and Pit 3 in 4Q 2011 and 1Q 2012 respectively, monthly production has reached 234,000 tons and 204,000 tons since May 2012 and June 2012. Our Management is confident that the monthly production will continue to increase steadily. Our monthly production, sales and overburden removal are shown below.



Monthly Production Figures

## Mining Operations

Current coal extraction stands at an average rate of 6,000 – 6,500 tons/day reaching an average of 180,000 tons/month through 3 pits. Photos below show the latest condition for the SEM coal mine.



SEM Coal Mine: Pit 1  
Coal Getting





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*SEM Coal Mine: Pit 2  
Coal Getting*



*SEM Coal Mine: Pit 3  
Overburden Removal*





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*Heavy mining equipment*



*Coal quality studies*





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## Logistics Infrastructure – Jetty Operations

PT SEM has access to 4 jetties for its operations. Each jetty has different features including number of loading and discharging berths, loading capabilities via conveyor belts and dump trucks, varied barge type suitability and stockpile capacities in excess of 200,000 tons. Jetty facilities are constantly reviewed and upgraded to meet increasing operational demands.



*Automatic loading ramp*



*Fully loaded barge*





*Existing stockpile and jetty  
(Panorama view)*

A new coal terminal spanning 15 Ha is under construction. This new port will consist of 3 loading berths and 1 discharging berth, with the loading rate of 1,000 tons/hour and 2,000 tons/hour for 2 conveyors respectively.

### **Logistics Infrastructure – Stockpiles**

There are 3 existing stockpiles located within close proximity from the jetties with on-site facilities such as mobile crushers and weigh bridges. Stockpiles are expanding to accommodate our increasing production capacity. It has been newly equipped with monitoring devices so that the management team in Jakarta is able to monitor stockpile conditions and operations.



*Coal crushing*







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*Stockpiling*

### **Logistics Infrastructure – Hauling Road**

The hauling road has been upgraded considerably and can support hauling coal even in wet weather conditions. The Company is maintaining the road regularly to ensure smooth and efficient hauling of coal.



*Regular road maintenance and widening*





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*Regular road maintenance and widening*

## Major Events

### Coal Supply Agreement

On 4 June 2012, PT Senamas Energindo Mineral (“**PT SEM**”), a non-wholly owned subsidiary the Company entered into the Coal Supply Agreement with Agritrade International Pte Limited (“**Agritrade International**”), pursuant to which PT SEM agreed to supply and Agritrade International agreed to purchase 400,000 metric tonnes of coal annually.

As Agritrade International is a substantial shareholder of the Company, the transactions under the Coal Supply Agreement constitute continuing connected transactions and it’s approved by the independent shareholders of the Company at the special general meeting on 31 July 2012.

To enhance the product image and brand of PT SEM coal, the Board believes the entering into of the Coal Supply Agreement will enable the Company to leverage on Agritrade International’s extensive distribution network and reputation, hence benefits the Group by expanding its international distribution channel.

### Goals

In the short run, PT SEM aims to acquire more heavy mining equipment to support their production target. PT SEM may also consider engaging another professional contractor to ramp up its production. In FY 2012, the Company recorded impressive increase in revenue from its mining segment due to the significant ramp up in production capacity. This proved the effort we put on at the past and we will continue for better growth and achievement.





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In addition, the Management firmly believes that continuous upgrading of its logistics infrastructure is key to the long term growth of the Company, and will continue to focus on mining infrastructure development. The Company will continue to actively explore potential off-take opportunities in the future. Furthermore, we will work on expanding our export customer base in order to realise our long term aspiration of becoming an international coal producer.

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