Grand Ocean Advanced Resources Company Limited
弘海高新資源有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 65)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2015 AND CHANGE OF COMPANY WEBSITE

FINANCIAL HIGHLIGHTS

1) Revenue for FY2015 amounted to approximately HK$245,838,000, representing a decrease of approximately 28.3% as compared to the revenue of approximately HK$342,943,000 last year.

2) Gross profit for FY2015 amounted to approximately HK$92,224,000, representing a decrease of approximately 13.3% as compared to the gross profit of approximately HK$106,332,000 last year. Overall gross profit margin was approximately 37.5% as compared to approximately 31.0% last year.

3) Loss attributable to owners of the Company for FY2015 amounted to approximately HK$170,849,000 while the loss attributable to owners of the Company amounted to approximately HK$113,109,000 last year.

4) The Board does not recommend the payment of any final dividend for FY2015.

ANNUAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Grand Ocean Advanced Resources Company Limited (the "**Company**", together with its subsidiaries, the "**Group**") presents the audited consolidated results of the Group for the year ended 31 December 2015 ("**FY2015**") together with the comparative figures for the year ended 31 December 2014 ("**FY2014**") as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2015

	Note	**2015** *HK$'000*	2014 *HK$'000*
Revenue	*5*	**245,838**	342,943
Cost of sales		**(153,614)**	(236,611)
Gross profit		**92,224**	106,332
Other income	*6*	**3,429**	7,065
Selling and distribution expenses		**(29,884)**	(21,966)
Administrative expenses		**(109,941)**	(78,585)
Impairment loss on intangible asset		**(15,739)**	–
Impairment loss on property, plant and equipment		**(87,687)**	(16,193)
Impairment loss on trade and other receivables		**(50,297)**	(73,393)
Other operating expenses		**(6,915)**	(719)
Loss from operations		**(204,810)**	(77,459)
Finance costs	*8*	**(4,532)**	(11,866)
Loss before tax		**(209,342)**	(89,325)
Income tax credit/(expense)	*9*	**5,753**	(20,649)
Loss for the year	*10*	**(203,589)**	(109,974)
Attributable to:			
Owners of the Company		**(170,849)**	(113,109)
Non-controlling interests		**(32,740)**	3,135
		(203,589)	(109,974)
Loss per share	*12*		
– Basic		**HK(35.34) cents**	HK(40.98) cents
– Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	2015	2014
	HK$'000	*HK$'000*
Loss for the year	**(203,589)**	(109,974)
Other comprehensive income after tax:		
Item that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**(24,775)**	(9,008)
Other comprehensive income for the year, net of tax	**(24,775)**	(9,008)
Total comprehensive income for the year	**(228,364)**	(118,982)
Attributable to:		
Owners of the Company	**(191,782)**	(120,738)
Non-controlling interests	**(36,582)**	1,756
	(228,364)	(118,982)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Note	2015 HK$'000	2014 HK$'000
Non-current assets			
Property, plant and equipment		**493,093**	582,488
Prepaid land lease payments		**2,481**	2,708
Goodwill		**2,907**	2,907
Intangible asset		**60,146**	87,696
Deferred tax assets		**17,842**	23,708
Deposits		**1,226**	1,303
Total non-current assets		**577,695**	700,810
Current assets			
Prepaid land lease payments		**67**	71
Inventories		**17,723**	30,122
Trade and bill receivables	*13*	**56,939**	55,073
Deposits, prepayments and other receivables		**15,779**	6,434
Current tax assets		**–**	933
Restricted bank deposits		**7,493**	7,938
Bank and cash balances		**48,189**	105,358
Total current assets		**146,190**	205,929
Current liabilities			
Due to a director	*14*	**9,338**	6,611
Due to non-controlling shareholders	*15*	**24,866**	21,827
Other loans		**–**	6,350
Trade payables	*16*	**3,346**	6,501
Accrued charges and other payables		**236,549**	212,828
Current tax liabilities		**32**	–
Total current liabilities		**274,131**	254,117
Net current liabilities		**(127,941)**	(48,188)
Total assets less current liabilities		**449,754**	652,622

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
As at 31 December 2015

	Note	**2015** *HK$'000*	2014 *HK$'000*
Non-current liabilities			
Due to a director	*14*	**29,888**	25,193
Due to non-controlling shareholders	*15*	**3,508**	3,518
Other loans		**50,845**	59,041
Other payables		**–**	4,351
Deferred tax liabilities		**1,429**	12,064
Total non-current liabilities		**85,670**	104,167
NET ASSETS		**364,084**	548,455
Capital and reserves			
Share capital		**251,739**	229,239
Other reserves		**59,340**	229,629
Equity attributable to owners of the Company		**311,079**	458,868
Non-controlling interests		**53,005**	89,587
TOTAL EQUITY		**364,084**	548,455

Notes:

1. GENERAL INFORMATION

Grand Ocean Advanced Resources Company Limited (the "**Company**") was incorporated in the Cayman Islands on 7 April 2000 as an exempted company with limited liability under the Company Law (2000 Revision) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its business office is Suite 3103, Sino Plaza, 255-257 Gloucester Road, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

Pursuant to the special resolution passed at the annual general meeting held on 15 June 2015, the Certificate of Incorporation on Change of Name of the Company issued by the Registrar of Companies in the Cayman Islands on 16 June 2015 and the Certificate of Registration of Alteration of Name of Registered Non-Hong Kong Company issued by the Registrar of Companies in Hong Kong on 9 July 2015, the English name of the Company was changed from "DeTeam Company Limited" to "Grand Ocean Advanced Resources Company Limited" and the Chinese name of the Company was changed from "弘海有限公司" (for identification purpose only) to "弘海高新資源有限公司" as its dual foreign name.

The Company is an investment holding company. The principal activities of its subsidiaries are manufacture and sale of plastic woven bags, paper bags and plastic barrels, production and sale of coal and provision of low-rank coal upgrading services.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). HKFRSs comprise Hong Kong Financial Reporting Standards ("**HKFRS**"); Hong Kong Accounting Standards ("**HKAS**"); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622).

The Group incurred a loss of approximately HK$203,589,000 (2014: HK$109,974,000) for the year ended 31 December 2015 and as at 31 December 2015 the Group had net current liabilities of approximately HK$127,941,000 (2014: HK$48,188,000). As at 31 December 2015, the bank and cash balances included two bank accounts with total bank balances of approximately HK$13,000 frozen by the local tax authority of Huolinguole City, the People's Republic of China (the "**PRC**") due to overdue of other taxes liabilities of approximately HK$27 million included in accrued charges and other payables in the consolidated statement of financial position which have not yet been fully discharged up to the date of this announcement. According to the business plan of coal upgrading segment, additional funds of approximately HK$234 million will be required to complete the remaining phases of the coal upgrading plant in Xilinhaote, the PRC, of which the capital expenditure of approximately HK$77 million will be incurred in the next 18 months to obtain the land use right certificates and to construct the second phase of the coal upgrading plant for increase the annual capacity from 500,000 tonnes to 1,000,000 tonnes of upgraded coal output. The bank and cash balances of the Group as at 31 December 2015 were approximately HK$48,189,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

In preparing the consolidated financial statements, the directors have given careful consideration to the current and anticipated future liquidity of the Group and the ability of the Group to attain profitable and positive cash flows from operations in immediate and long terms. The directors have prepared cash flow forecasts for the period up to June 2017 after taking into account of the measures below. In order to strengthen the Group's capital base and liquidity in foreseeable future, the directors of the Company have taken the following measures:

– The directors have implement the production and sales strategies to enhance the revenue and profitability of coal segment and coal upgrading segment so as to generate sufficient operating cash flows to finance its working capital requirements.

– In early of March 2016, the directors decided to dispose the land and buildings located at Changchun City, the PRC at consideration approximately of HK$71 million to finance the working capital requirement of coal upgrading business in 2016.

– The Group has entered into agreements with its major constructors of underground coal mine and coal upgrading plant in March 2016 to extend the repayment periods for 1.5 to 3.5 years in regarding to other payable of HK$12,615,000 which are presented in current liabilities as at the end of the reporting period.

– The substantial shareholder, Mr.Xu Bin, who is also the chairman and director of the Company, has agreed not to demand for repayment of the loans and advance due to a director as at 31 December 2015 of approximately HK$39,226,000 (Note 14) in aggregate until such time as the Group has sufficient funds to repay its other financial obligations, including the loans and advance due to non-controlling shareholders and other third parties.

– The substantial shareholder further provided an undertaking of unsecured financial facility with maximum amount of HK$100 million to the Company for the period from 30 March 2016 to 31 December 2017, in the events of shortage in working capital of the Company or its subsidiaries and at request of the Company. Up to the date of this announcement, no such facility has yet been used by the Group.

Based on the Group's cash flow forecasts and the current status of the disposal of the land and buildings in Changchun City, together with the ongoing financial support from the substantial shareholder of the Company, the directors are of the opinion that the Group will be able to meet its financial obligations as they fall due for the foreseeable future and accordingly the consolidated financial statements have been prepared on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to the consolidated financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS AND REQUIREMENTS

(a) Application of new and revised HKFRSs

In the current year, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2015:

Amendment to HKFRS 8 (Annual Improvements to HKFRSs 2010–2012 Cycle)

The amendment requires disclosure of the judgements made by management in applying the aggregation criteria to operating segments, and clarifies that reconciliations of the total of the reportable segments' assets to the entity's assets are required only if the segment assets are reported regularly. These clarifications had no effect on the Group's consolidated financial statements.

(b) New and revised HKFRSs in issue but not yet effective

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning on 1 January 2015. The directors anticipate that the new and revised HKFRSs will be adopted in the Group's consolidated financial statements when they become effective. The Group is in the process of assessing, where applicable, the potential effect of all new and revised HKFRSs that will be effective in future periods but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

List of new and revised HKFRSs in issue that are not yet effective but relevant to the Group's operation

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKAS 1	Disclosure Initiative[2]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle[2]

[1] Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

[2] Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

(c) New Hong Kong Companies Ordinance (Cap. 622)

The requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year. Although the Company is not incorporated in Hong Kong, the Listing Rules require the Company to follow the disclosure requirements of the new Hong Kong Companies Ordinance. As a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

(d) Amendments to the Listing Rules

The Stock Exchange in April 2015 released revised Appendix 16 of the Listing Rules in relation to disclosure of financial information in annual reports that are applicable for accounting periods ending on or after 31 December 2015, with earlier application permitted. The Company has adopted the amendments resulting in changes to the presentation and disclosures of certain information in the consolidated financial statements.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Property, plant and equipment and depreciation

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned.

The carrying amount of property, plant and equipment as at 31 December 2015 was approximately HK$493,093,000 (2014: HK$582,488,000). An impairment loss on property, plant and equipment of approximately HK$87,687,000 (2014: HK$16,193,000) was recognised for the year ended 31 December 2015.

(b) Impairment of property, plant and equipment

Determining whether the property, plant and equipment are impaired requires an estimation of the recoverable amount of the CGU to which the property, plant and equipment belong, by value in use and fair value less costs of disposal approaches. The Group estimates the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. Where the future cash flows are less than expected, or there are changes in facts and circumstances which result in revisions of the estimated future cash flows, further impairment on the property, plant and equipment may arise.

Coal cash-generating unit (the "Coal CGU")

As at 31 December 2015, the carrying amount of the Group's property, plant and equipment allocated to the Coal CGU is approximately HK$252,570,000 (2014: HK$373,772,000). An impairment loss of approximately HK$66,750,000 (2014: HK$Nil) was recognised for the year ended 31 December 2015.

The recoverable amount of the assets of Coal CGU of approximately HK$312,716,000 has been determined by the directors based on the value in use using approach by reference to the discounted cash flow forecasts for the remaining license period approved by the directors.

Key assumptions adopted by management in the cash flow forecast of Coal CGU are disclosed as below:

(i) Inner Mongolia Yuan Yuan Energy Group Jinyuanli Underground Mining Company Limited ("**Inner Mongolia Jinyuanli**", a subsidiary of the Company) will continue to operate the coal mine at annual production capacity of 1.8 million tonnes throughout the remaining license period up to July 2037, on the basis that Inner Mongolia Jinyuanli submitted the application in May 2015 to increase its annual production capacity from 1.2 million tonnes to 1.8 million tonnes. After consulting with an independent legal advisor, management did not factor the possible penalty nor the circumstance that suspension of the coal mining operation will be imposed by relevant government authority in the PRC for the production of coal in excess of the pre-approved limit under the current business license.

(ii) The coal from the Inner Mongolia Mine 958 with 3,500kcal/kg will be sold at the average selling price of RMB115 per ton (with value-added tax of 17%) for the period from 2016 to 2018 which is after a 4% discount on the current market price of similar coal in Huolinguole city, the PRC sourced from the China Coal Trading Center Web to promote the business. This price will be increased to RMB120 per ton in the period from 2019 to 2021 and further increased to RMB125 per ton from 2022 and thereafter kept constant in the remaining license period.

(iii) Inflation rate of 2% p.a. is applied in the cash flow forecast for the remaining licensed period. The inflation rate does not exceed the average inflation rate for the relevant market in the PRC.

(iv) Pre-tax discount rate of 13.2% is adopted based on the assessment of the discount rate analysis independently performed by an independent valuer.

Coal upgrading cash-generating unit (the "Coal upgrading CGU")

As at 31 December 2015, the carrying amount of the Group's property, plant and equipment includes plant and machinery of approximately HK$11,215,000 (2014: HK$13,642,000) and construction in progress of approximately HK$172,452,000 (2014: HK$104,955,000) which belong to the Coal upgrading CGU. The directors of the Company were of the view that there was no impairment loss considered necessary to be made in respect of those property, plant and equipment in both years.

The recoverable amount of the CGU has been determined by the directors based on the fair value less cost of disposal approach by reference to the discounted cash flow forecasts for the next 5 years approved by the management (level 3 fair value measurements). Key assumptions adopted by management in the valuation model are as follows:

(i) The Group will commit to the terms within the Grant Contract for State-owned Land Use Right entered between the Xilinhaote Municipal Land Resources Bureau and a subsidiary, Xilinhaote City Guochuan Energy Technology Development Co., Ltd. ("**Xilinhaote Guochuan**"), and will obtain the legal land use rights certificate in 2016 by payment of the land use right premium of approximately HK$18.5 million.

(ii) The first phase of coal upgrading plant with annual capacity of 500,000 tonnes of upgraded coal will commence production from April 2016 and generate sufficient revenue to fund the Coal upgrading operations. The Group will successfully implement its business plan to raise sufficient funds to finance the construction of the remaining phases of low-rank coal upgrading facilities in Xilinhaote City, Inner Mongolia, the PRC. Construction of the 2nd and 3rd phases of the coal upgrading plant will be completed on schedule and the CGU will be able to increase its aggregated annual capacity from 500,000 tonnes to 1,000,000 tonnes of upgraded coal by the end of 2016 and from 1,000,000 tonnes to 2,000,000 tonnes of upgraded coal by the end of 2018. The additional funding requirement of approximately HK$234 million will be financed by the proceeds of HK$71 million from the disposal of prepaid land lease and property, plant and equipment located at Changchun City, the PRC in 2016 and the cash flows generated from coal mining and coal upgrading operations or the Group's fund raising activities with aggregate amount of HK$163 million.

(iii) The technology and equipment of the CGU is able to process the low rank coal into upgraded coal with 5,000kcal/kg (the "**upgraded coal**"). All the upgraded coal will be sold at average selling price with value-added tax of RMB300 per ton during the 5-year forecast period.

(iv) Inflation rate applied in the 5-Year cash flow forecast is 3% p.a and no inflation rate assumed in the residual period. The inflation rate does not exceed the average inflation rate for the relevant market in the PRC.

(v) Discount rate of 12.5% is adopted based on the assessment of the discount rate analysis independently performed by an independent valuer.

(c) Deferred tax assets

The estimates of deferred tax assets require estimates over future taxable profit and corresponding applicable income tax rates of respective years. The change in future income tax rates and timing would affect income tax expense or credit, as well as deferred tax balance. The realisation of deferred tax assets also depends on the realisation of sufficient future taxable profits of the Group. Deviation of future profitability from the estimate could result in material adjustments to the carrying amount of deferred tax assets.

The carrying amount of deferred tax assets as at 31 December 2015 was approximately HK$17,842,000 (2014: HK$23,708,000).

(d) Income taxes

Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. During the year, income tax credit of approximately HK$5,753,000 (2014: income tax expense of HK$20,649,000) was credited/ charged to profit or loss based on the estimated profit from operations.

(e) Impairment of goodwill

As at 31 December 2015, the carrying amount of goodwill was approximately HK$2,907,000 (2014: HK$2,907,000) which had been allocated to the Coal upgrading CGU. Determining whether goodwill is impaired requires an estimation of recoverable amount of the CGU to which the goodwill has been allocated, by the value in use and fair value less costs of disposal approaches. The Group estimates the future cash flows expected to arise from the Coal upgrading CGU and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. No impairment loss was made for the years ended 31 December 2014 and 2015.

Details of the key assumptions that management made when determining the fair value less costs of disposal of the Coal upgrading CGU as at the end of the period are disclosed in note 4(b).

(f) Impairment of intangible asset

Determining whether intangible asset is impaired requires an estimation of the value in use of the CGU to which the intangible asset has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. Details of the key assumptions that management made when determing the value in use of the Coal CGU as at the end of the period are disclosed in note 4 (b). The carrying amount of intangible asset at the end of reporting period was approximately HK$60,146,000 (2014: HK$87,696,000).

(g) Impairment loss on trade receivables

The Group makes impairment loss on trade receivables based on assessment of the recoverability of the trade receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment loss on trade receivables requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade receivables and allowance for trade receivables in the year in which such estimate has been changed. If the financial conditions of the debtors were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. As at 31 December 2015, accumulated impairment loss on trade receivables amounted to approximately HK$116,502,000 (2014: HK$74,883,000).

(h) Allowance for slow-moving inventories

Allowance for slow-moving inventories is made based on the ageing and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed. Allowance for slow-moving inventories of approximately HK$5,705,000 (2014: HK$7,777,000) was made for the year ended 31 December 2015.

5. **REVENUE**

An analysis of the Group's revenue for the year is as follows:

	2015	2014
	HK$'000	*HK$'000*
Sales of bags and barrels	**5,710**	97,126
Sales of coal	**240,128**	241,175
Coal upgrading income	**–**	4,642
	245,838	342,943

6. **OTHER INCOME**

	2015	2014
	HK$'000	*HK$'000*
Consultancy service income	**–**	375
Fair value gains on initial recognition of financial liabilities	**–**	5,436
Gain on disposal of investment properties	**–**	330
Gain on disposals of property, plant and equipment	**1,030**	–
Government grant *(note)*	**1,328**	663
Interest income	**61**	192
Net foreign exchange gains	**1,005**	–
Sundry income	**5**	69
	3,429	7,065

Note: Government grant was received as an incentive for development of coal upgrading technology. There are no unfulfilled conditions or contingencies attached to the grant.

7. **SEGMENT INFORMATION**

The Group has three operating segments as follows:

Bags	–	Manufacture and sale of plastic woven bags, paper bags and plastic barrels;
Coal	–	Production and sale of coal; and
Coal upgrading	–	Provision of low-rank coal upgrading services.

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

Segment profits or losses do not include corporate income and expense and central administration costs. Segment assets do not include goodwill, corporate assets and deferred tax assets. Segment liabilities do not include corporate liabilities and deferred tax liabilities.

Information about operating segment profit or loss, assets and liabilities:

	Bags	Coal	Coal upgrading	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2015				
Revenue from external customers	**5,710**	**240,128**	**–**	**245,838**
Segment loss	**(74,941)**	**(70,525)**	**(16,887)**	**(162,353)**
Interest revenue	**3**	**44**	**1**	**48**
Interest expense	**(81)**	**(416)**	**(536)**	**(1,033)**
Income tax expense/(credit)	**10,631**	**(4,669)**	**–**	**5,962**
Depreciation and amortisation	**(7,322)**	**(49,199)**	**(2,288)**	**(58,809)**
Allowance for inventories	**(5,705)**	**–**	**–**	**(5,705)**
Gain/(loss) on disposals of property, plant and equipment	**–**	**1,070**	**(9)**	**1,061**
Impairment loss on property, plant and equipment	**(20,937)**	**(66,750)**	**–**	**(87,687)**
Impairment loss on intangible asset	**–**	**(15,739)**	**–**	**(15,739)**
Impairment loss on receivables				
– trade receivables	**(48,160)**	**–**	**–**	**(48,160)**
– other receivables	**(236)**	**(1,901)**	**–**	**(2,137)**
Additions to segment non-current assets	**–**	**(4,179)**	**(76,175)**	**(80,354)**
At 31 December 2015				
Segment assets	**171,000**	**469,724**	**202,491**	**843,215**
Segment liabilities	**16,266**	**363,073**	**150,747**	**530,086**
Year ended 31 December 2014				
Revenue from external customers	97,126	241,175	4,642	342,943
Segment profit/(loss)	(75,771)	21,774	(32,213)	(86,210)
Interest revenue	28	137	5	170
Interest expense	(481)	(6,112)	(376)	(6,969)
Income tax expense	(2,784)	(17,529)	(6)	(20,319)
Depreciation and amortisation	(8,341)	(48,423)	(4,303)	(61,067)
Allowance for inventories	(7,777)	–	–	(7,777)
Loss on disposals of property, plant and equipment	(352)	(251)	–	(603)
Gain on disposal of investment properties	330	–	–	330
Impairment loss on property, plant and equipment	–	–	(16,193)	(16,193)
Impairment loss on receivables				
– trade receivables	(72,883)	–	–	(72,883)
– other receivables	–	(510)	–	(510)
Additions to segment non-current assets	(1,643)	(8,816)	(15,003)	(25,462)
At 31 December 2014				
Segment assets	272,292	569,241	132,941	974,474
Segment liabilities	20,873	386,929	122,800	530,602

Reconciliations of segment revenue, profit or loss, assets and liabilities:

	2015	2014
	HK$'000	*HK$'000*
Revenue	**245,838**	342,943
Profit or loss		
Total loss of reportable segments	**(162,353)**	(86,210)
Unallocated corporate income	**1,766**	5,833
Unallocated corporate expenses	**(43,002)**	(29,597)
Consolidated loss for the year	**(203,589)**	(109,974)
Assets		
Total assets of reportable segments	**843,215**	974,474
Corporate assets	**31,149**	88,604
Deferred tax assets	**17,842**	23,708
Goodwill	**2,907**	2,907
Elimination of intersegment assets	**(171,228)**	(182,954)
Consolidated total assets	**723,885**	906,739
Liabilities		
Total liabilities of reportable segments	**530,086**	530,602
Corporate liabilities	**73,424**	70,621
Deferred tax liabilities	**1,429**	12,064
Elimination of intersegment liabilities	**(245,138)**	(255,003)
Consolidated total liabilities	**359,801**	358,284

Geographical information:

The Group's operations are mainly conducted in the PRC. Management considered there is one reportable geographic segment as all revenue from external customers are generated in the PRC and the Group's significant non-current assets are located in the PRC.

Revenue from major customers:

	2015	2014
	HK$'000	*HK$'000*
Bags segment and coal upgrading segment		
Customer a	**–**	101,768
Coal segment		
Customer b	**38,627**	–
Customer c	**31,805**	–

8. FINANCE COSTS

	2015	2014
	HK$'000	*HK$'000*
Interest on other loans – wholly repayable within five years	**3,312**	6,449
Interest on loan from a director	**400**	324
Interest on loan from a non-controlling shareholder	**–**	3,793
Imputed interest expenses	**2,187**	4,245
Bank charges	**81**	480
Total borrowing costs	**5,980**	15,291
Amount capitalised	**(1,448)**	(3,425)
	4,532	11,866

9. INCOME TAX (CREDIT)/EXPENSE

Income tax (credit)/expense has been recognised in profit or loss as follows:

	2015	2014
	HK$'000	*HK$'000*
Current tax – Overseas		
Provision for the year	**–**	2,565
Under-provision in prior year	**4**	225
	4	2,790
Deferred tax	**(5,966)**	17,529
PRC interest withholding tax	**209**	330
	(5,753)	20,649

(a) No provision for Hong Kong Profits Tax has been made for the year ended 31 December 2015 as the Group did not generate any assessable profits arising in Hong Kong during the year (2014: HK$Nil).

PRC Enterprise Income Tax has been provided at a rate of 25% (2014: 25%).

(b) The reconciliation between income tax expense and the product of loss before tax multiplied by the PRC enterprise income tax rate is as follows:

	2015	2014
	HK$'000	*HK$'000*
Loss before tax	**(209,342)**	(89,325)
Tax at the PRC Enterprise Income Tax rate of 25% (2014: 25%)	**(52,335)**	(22,331)
Tax effect of expenses that are not deductible	**12,441**	4,865
Tax effect of temporary differences not recognised	**40,594**	27,508
Tax effect of tax losses not recognised	**2,871**	2,307
Tax losses previously recognised and reversed	**(2,017)**	6,041
Under-provision in prior year	**4**	225
Reversal of deferred tax on undistributed earnings of a PRC subsidiary	**(10,635)**	–
PRC interest withholding tax	**209**	330
Effect of different tax rates	**3,115**	1,704
Income tax (credit)/expense	**(5,753)**	20,649

10. LOSS FOR THE YEAR

The Group's loss for the year is stated after charging/(crediting) the following:

	2015	2014
	HK$'000	*HK$'000*
Auditor's remuneration	**1,000**	972
Allowance for inventories (included in cost of sales)	**5,705**	7,777
Amortisation of mining right (included in cost of sales)	**7,653**	4,755
Cost of inventories sold	**153,613**	236,611
Depreciation of property, plant and equipment and investment properties	**52,172**	57,319
(Gain)/loss on disposal of property, plant and equipment	**(1,030)**	603
Impairment loss on intangible asset	**15,739**	–
Impairment loss on property, plant and equipment	**87,867**	16,193
Impairment loss on receivables		
– Trade receivables	**48,160**	72,883
– Other receivables	**2,137**	510
	50,297	73,393
Operating lease charges		
– Land and buildings	**3,397**	3,583
– Machinery	**439**	–

Cost of inventories sold includes staff costs, allowance for inventories, operating lease charges, amortisation of mining right and depreciation of approximately HK$90,047,000 (2014: HK$118,441,000) which are included in the amounts disclosed separately.

11. DIVIDENDS

The directors do not recommend the payment of any final dividend for the year ended 31 December 2015 (2014: HK$Nil).

12. LOSS PER SHARE

Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of approximately HK$170,849,000 (2014: HK$113,109,000) and the weighted average number of ordinary shares of 483,504,563 (2014: 276,010,979) in issue during the year.

Diluted loss per share

The effect of all potential ordinary shares are anti-dilutive for the year ended 31 December 2015. No diluted loss per shares is presented as the Company did not have any dilutive potential ordinary shares during the year ended 31 December 2014.

13. TRADE AND BILL RECEIVABLES

	2015	2014
	HK$'000	*HK$'000*
Trade receivables	**172,098**	126,418
Impairment loss	**(116,502)**	(74,883)
	55,596	51,535
Bill receivables	**1,343**	3,538
	56,939	55,073

The general credit terms of sales of bags and barrels and coal upgrading business are 30 days. For sale of coal, pay in advance is required but credit terms of 90 days are granted to certain key customers. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the senior management.

The ageing analysis of trade receivables, based on the date of delivery, and net of allowance, is as follows:

	2015	2014
	HK$'000	*HK$'000*
0 to 90 days	**34,762**	18,571
91 to 180 days	**9,450**	5,182
181 to 365 days	**10,876**	27,459
Over 365 days	**508**	323
	55,596	51,535

The carrying amounts of the Group's trade receivable are denominated in Renminbi ("**RMB**").

14. DUE TO A DIRECTOR

The analysis of the carrying amount of the amounts due to a director is as follows:

	Note	2015 HK$'000	2014 HK$'000
Current liabilities			
Other payables	*(a)*	**2,822**	2,611
Loan	*(b)*	**6,516**	4,000
		9,338	6,611
Non-current liabilities			
Loans	*(b)*	**29,888**	25,193
		39,226	31,804

Notes:

(a) The other payables including license fees payable of approximately HK$2,822,000 (2014: HK$2,583,000) are unsecured, interest-free and repayable on demand.

(b) The loans from a Director are unsecured, interest bearing at Nil – 5% per annum and repayable on demand or in 2017.

15. DUE TO NON-CONTROLLING SHAREHOLDERS

The analysis of the carrying amount of the amounts due to non-controlling shareholders is as follows:

	Note	2015 HK$'000	2014 HK$'000
Current liabilities			
Advances	*(a)*	**5,253**	5,583
Other payables	*(b)*	**10,792**	6,869
Loans	*(c)*	**8,821**	9,375
		24,866	21,827
Non-current liabilities			
Loans	*(c)*	**3,508**	3,518
		28,374	25,345

Notes:

(a) The advances are unsecured, interest-free and repayable on demand.

(b) The other payables are unsecured, interest-free and repayable at normal business term.

(c) The loans from non-controlling shareholders are unsecured, interest free (2014: interest bearing at Nil – 10.2% per annum) and repayable on demand or in 2017.

16. TRADE PAYABLES

The ageing analysis of trade payables, based on the date of receipts of goods, is as follows:

	2015	2014
	HK$'000	*HK$'000*
0 to 90 days	**–**	1,135
91 to 180 days	**–**	1,514
181 to 365 days	**592**	1,730
Over 365 days	**2,754**	2,122
	3,346	6,501

The carrying amounts of the Group's trade payables are denominated in RMB.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The auditor expressed a disclaimer opinion in the independent auditor's report on the consolidated financial statements of the Group for the year ended 31 December 2015. The basis of disclaimer of opinion is extracted as follows:

Basis for disclaimer of opinion

(a) Impairment of property, plant and equipment, goodwill and deposits under non-current assets for the coal upgrading cash generating unit

Since April 2013, the Group has been in progress to construct a new coal upgrading plant at Xilinhaote City, Inner Mongolia, the People's Republic of China (the "**PRC**") with a maximum annual capacity of two million tonnes of upgraded coal output. The first phase of coal upgrading facilities with annual output of 500,000 tonnes had been substantially completed by the end of December 2015. At 31 December 2015, the carrying amounts of the Group's property, plant and equipment included plant and machinery and construction in progress of approximately HK$11,215,000 and HK$172,452,000 respectively, and the goodwill and deposits under non-current assets of approximately HK$2,907,000 and HK$1,226,000 respectively belonged to the coal upgrading cash-generating unit (the "**Coal Upgrading CGU**").

As described in note 19 to the consolidated financial statements, at 31 December 2015, the management estimated the recoverable amount of the Coal Upgrading CGU, by using fair value less costs of disposal approach, for impairment assessment on the above mentioned non-current assets. The Group's management prepared cash flow forecast based on the assumptions that (i) the Group will be able to obtain the legal land use rights certificate in 2016 by payment of the land use right premium of approximately HK$18.5 million; (ii) the Group will complete the remaining phases of the coal upgrading plant to increase its annual capacity from 500,000 tonnes to 2,000,000 tonnes of upgraded coal output by the end of 2018 with additional funding requirement of approximately HK$234 million, which will be financed by the proceeds of HK$71 million arising from the disposal of prepaid land lease and property, plant and equipment located at Changchun City, the PRC in 2016 and the cash flows generated from the coal mining cash-generating unit (the "**Coal CGU**") and Coal Upgrading CGU or from the Group's fund raising activities with aggregate amount of HK$163 million; (iii) the Coal Upgrading CGU will implement the business plan to commence coal upgrading production from April 2016 at its maximum capacity and will be able to generate income by selling all of its upgraded coal at a competitive selling price with value-add tax of RMB300 per ton.

We were unable to obtain sufficient appropriate audit evidence to assess the availability of adequate funds to finance the payment of land premium and the construction costs of coal upgrading plant because no formal real estate sale and purchase agreement for disposal of the land and buildings has even been entered by the Group up to the date of this announcement. Furthermore, based on the cash flow forecasts of Coal CGU and Coal Upgrading CGU prepared by the management, the estimated cash flows to be generated from the operations will not be sufficient to finance the construction of the coal upgrading plant. A substantial shareholder of the Company has agreed to provide unsecured financial assistance of HK$100 million to the Group up to 31 December 2017, however we were unable to obtain sufficient appropriate evidence that the substantial shareholder has sufficient liquid funds available as no audited financial information was provided to us in this regard.

We were unable to assess whether the production line is currently capable to process low-rank coal into upgraded coal at stable quality by the end of April 2016 because we have not observed any production process up to date of this announcement and no reliable coal quality-check report was provided as evidence.

As a result, we were unable to determine whether the recoverable amount of the Coal Upgrading CGU has been materially overstated or any impairment on the carrying amounts of the CGU is required. There were no other alternative audit procedures that we could perform to satisfy ourselves as to the recoverable amounts of the plant and machinery, construction in progress, goodwill and deposits under non-current assets approximately of HK$11,215,000, HK$172,452,000, HK$2,907,000 and HK$1,226,000 respectively. Any adjustments to these figures might have a significant consequential effect on the results for the year and net assets as at 31 December 2015.

(b) Impairment of property, plant and equipment and intangible asset for the coal cash-generating unit

The Group operates an underground coal mine 958 for the production and sale of coal through a subsidiary, Inner Mongolia Yuan Yuan Energy Group Jinyuanli Underground Mining Company Limited ("**Inner Mongolia Jinyuanli**"), for which the assets employed are allocated to the Coal CGU. At 31 December 2015, the carrying amounts of the Group's property, plant and equipment and intangible asset approximately of HK$252,570,000 and HK$60,146,000 respectively belonged to the Coal CGU.

As described in Notes 17 (e) and 20 to the consolidated financial statements, the carrying amounts of the CGU were assessed for impairment by management as at 31 December 2015 on the basis of its value in use. Management prepared cash flow forecasts based on the assumption that Inner Mongolia Jinyuanli will successfully obtain the approval from Department of Land and Resources of the China to increase its annual production capacity from 1.2 million tonnes to 1.8 million tonnes from 2016 onward. The forecasted turnover was derived from the assumption that coal could be sold at price with value-added tax of RMB115 per ton for the three years up to 2018, which has taken into account for a 4% discount on the current market price of similar coal in Huolinguole city, the PRC sourced from the China Coal Trading Center Web and this price could be increased to RMB120 per ton in the period from 2019 to 2021 and further increased to RMB125 per ton from 2022 and kept constant in the remaining license period. Management also assumed that the Group could continue to operate the underground coal mine at the capacity above the allowed level until the above approval is obtained and this will not lead to the local authority to impose a penalty nor order to termination of mining operations.

The permit to increase annual production capacity has not yet granted to Inner Mongolia Jinyuanli up to the date of this announcement because an accident occurred in June 2015. Besides, based on the latest guidance announced by the State Council of the PRC in February 2016, no approval for the increase of production capacity shall be provided within 3 years. The coal selling price with value-added tax included in the cash flow forecasts was significantly higher than the latest average selling prices achieved. Moreover, coal prices in the PRC faced significant downward pressure due to persisting oversupply which is inconsistent with management assumption that coal prices will increase by 2016.

Therefore, we were unable to obtain sufficient appropriate audit evidence to support the reasonableness of the revenue stated in the forecast. As a result, we were unable to determine whether the recoverable amount of the Coal CGU has been overstated or any further impairment on the carrying amounts of the CGU is required. There were no other alternative audit procedures that we could perform to satisfy ourselves as to the recoverable amounts of the property, plant and equipment and intangible asset approximately of HK$252,570,000 and HK$60,146,000 respectively. Any adjustments to these figures might have a significant consequential effect on the results for the year and net assets as at 31 December 2015.

(c) Recoverability of deferred tax assets

As at 31 December 2015, the Group recorded deferred tax assets of approximately HK$17,842,000 (note 30) which mainly related to the coal mining operation. Because of the matters as detailed in paragraph (b) above regarding to the assumptions adopted in the profit forecast for the Coal CGU, we were then unable to determine whether it was probable that there would be sufficient taxable profits available against which the deferred tax assets can be utilised and therefore whether the carrying amount of the deferred tax assets has been fairly stated at the end of the reporting period.

(d) Impairment of the amounts due from subsidiaries

As the aforesaid assets at (a) to (c) above were held by various subsidiaries, any impairment loss on these assets found to be necessary would also affect the carrying amount of the Company's amounts due from those subsidiaries which amounted to approximately HK$170,659,000 as at 31 December 2015 and the Company's accumulated losses as at 31 December 2015 as presented in the statement of financial position of the Company in note 33 to the consolidated financial statements.

(e) Material uncertainties relating to the going concern

As disclosed in note 2 to the consolidated financial statements, the Group incurred a loss of HK$203,589,000 for the year ended 31 December 2015 and as at 31 December 2015 the Group had net current liabilities of approximately HK$127,941,000. At 31 December 2015, the bank and cash balances included two bank accounts of approximately HK$13,000 frozen by the local tax authority of Huolinguole City, the PRC due to overdue of other taxes liabilities of approximately HK$27 million which has not yet been discharged up to date of this announcement. Besides, additional funds are also required to implement the business plan of Coal Upgrading CGU in the coming year. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

The consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon (i) whether the operating cash flows will be generated from the Coal CGU and Coal Upgrading CGU at a level sufficient to finance the working capital requirements of the Group; (ii) whether the Group is able to raise funds by disposal of the prepaid land lease payments and the property, plant and equipment located at Changchun City, the PRC in 2016; and (iii) the availability of additional sources of financing, including those to finance the development of the low-rank coal upgrading business. The consolidated financial statements do not include any adjustments that would result from the failure to obtain the financial support and to implement the business plans mentioned above.

We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the adequacy of operating cash flows to be generated from the Coal CGU and Coal Upgrading CGU in the next twelve months because of the limitations on the scope of our work on the key assumptions adopted by management in determining the forecast revenue as discussed above. Furthermore, we were also unable to assess whether the Coal CGU can avoid the suspension of operation by government authorities in foreseeable future if the Group operates the underground coal mine at the level above the annual allowed production capacity as according to its published policies, the PRC government aims to further tighten overall inspection on coal mines with focus on safety and will set stricter conditions for coal mines not to exceed approved capacity output. Up to the date of this announcement, no formal real estate sales and purchase agreement has yet been entered into. A substantial shareholder of the Company has agreed to provide unsecured financial assistance of HK$100 million to the Group up to 31 December 2017, however we are unable to obtain evidence that the substantial shareholder has sufficient liquid funds available as no audited financial information was provided to us in this regard.

There are no other satisfactory audit procedures that we could adopt to determine whether there will be sufficient financial resources available to the Group; and to assess the Group's ability to generate adequate operating cash flows and to obtain financing necessary to implement its business plan.

Accordingly, we are unable to determine whether the directors' use of the going concern assumption in preparing the consolidated financial statements is appropriate in the circumstances. Should the Group be unable to continue as a going concern, adjustments would have to be made to the consolidated financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

Disclaimer of Opinion

Because of the significance of the matters described in the basis for disclaimer of opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

The Group recorded a revenue of HK$245,838,000 for FY2015, representing a decrease of approximately 28.3% as compared to FY2014. The loss for FY2015 attributable to the owners of the Company increased from approximately HK$113,109,000 for FY2014 to approximately HK$170,849,000 for FY2015. The Group reports its annual results in three business segments, namely: (i) production and sale of coal; (ii) provision of low-rank coal upgrading services; and (iii) manufacture and sale of plastic woven bags, paper bags and plastic barrels.

Production and sale of coal

The Group recorded a revenue from its coal production and sale business of approximately HK$240,128,000 for FY2015, representing a modest decrease of approximately 0.43% as compared to a revenue of approximately HK$241,175,000 for FY2014. Despite the increase in the sales and production volume of coal, the segment reported a loss of approximately HK$70,525,000 for FY2015 as compared to a profit of approximately HK$21,774,000 for FY2014 as a result of: (i) the decrease in the average selling price of coal with prevailing market conditions; (ii) higher logistics costs; and (iii) impairment loss on property, plant and equipment and intangible asset.

During FY2015, approximately 2.20 million tonnes of coal was produced (FY2014: approximately 1.75 million tonnes) and approximately 2.21 million tonnes of coal was sold (FY2014: approximately 1.66 million tonnes) respectively. During FY2015, Inner Mongolia Yuan Yuan Energy Group Jinyuanli Underground Mining Company Limited ("**Inner Mongolia Jinyuanli**"), an indirect non-wholly owned subsidiary of the Company, has applied to relevant authorities to increase its production capacity to 1.8 million tonnes per year (the "**Application**"). Due to an industrial accident in June 2015, Inner Mongolia Jinyuanli suspended its production for safety investigations by the authorities. Inner Mongolia Jinyuanli also conducted internal safety trainings during the period, and upon passing the examinations conducted by the authorities, resumed its operations five days after such suspension in production. This accident resulted in an extension to the Application. The management of Inner Mongolia Jinyuanli will use their best endeavors to obtain an approval for the Application. Meanwhile, the annual coal output of Inner Mongolia Jinyuanli is expected to remain at around 1.8 million tonnes per year until further development of the Application. Inner Mongolia Jinyuanli has engaged an independent legal adviser to advise on the legality of its operations.

Coal trading operations of this segment remained at a minimal level due to unjustifiable profit margin during FY2015.

Provision of low-rank coal upgrading services

By the end of December 2015, the construction of the first phase of designed annual production capacity of 500,000 tonnes of the Group's coal upgrading plant located at Xilinhaote City (the "**Xilinhaote Plant**"), Inner Mongolia, the People's Republic of China ("**PRC**") was completed. The Xilinhaote Plant has commenced instrument calibrations and trial production since the first quarter of 2016, approximately 30 tonnes of upgraded coal trial products were produced in January 2016, it is scheduled to commence commercial production in the second quarter of 2016. As set out in the Company's 2015 interim report, the Group commenced the relocation of major equipment and machineries from our coal upgrading plant located at Dehui City (the "**Dehui Plant**"), Jilin Province, the PRC to the Xilinhaote Plant (the "**Machineries Relocation**") in the second quarter of 2015, the Machineries Relocation was completed in the third quarter of 2015. Following the Machineries Relocation, operations of the Dehui Plant were ceased in FY2015.

On the other hand, the Group is currently in negotiation for further favourable supports from the local government in the PRC, following which it will pay to the local government in the PRC an agreed land premium to perfect the title to the properties where the Xilinhaote Plant is located. The existing approvals granted to the Xilinhaote Plant for the development of the site will expire in June 2016. The management of the Xilinhaote Plant will apply for an extension in due course in compliance with the local regulations.

In FY2015, this segment did not record any revenue as commercial production of the Xilinhaote Plant has not commenced (FY2014: approximately HK$4,642,000 (from Dehui Plant before the Machineries Relocation)). The segment reported a loss of approximately HK$16,887,000 as a result of: (i) the costs incurred for the Machineries Relocation; and (ii) the increase in wage costs and other administrative expenses.

Manufacture and sale of plastic woven bags, paper bags and plastic barrels

During FY2015, the performance of the manufacture and sale of plastic woven bags, paper bags and plastic barrels business suffered from further reduction of orders from our major customers. Since May 2015, there was no further orders from our customers. Revenue from this business segment recorded a significant drop to approximately HK$5,710,000 in FY2015 as compared to approximately HK$97,126,000 in FY2014, representing a year-on-year decrease of approximately 94.1%. Accordingly, the loss of this segment decreased from approximately HK$75,771,000 for FY2014 to approximately HK$74,941,000 for FY2015, which was mainly attributable to: (i) the impairment losses on inventories and trade receivables; and (ii) the impairment losses on property, plant and equipment.

In view of the performance, the Company has taken significant measures to reduce administrative expenses and to recover trade receivables of this business segment. In FY2015, an aggregate of about 200 workers had been dismissed as a result of scaling down of labour power, which incurred compensation payment of approximately HK$2,200,000 being recognised in other operating expenses.

Furthermore, the management has conducted appropriate business assessments and after reviewing the performance of this business segment for FY2015, the management has decided to terminate operations of this business segment and to realise the assets to strengthen the Group's financial position.

Selling and distribution expenses

The selling and distribution expenses of the Group were approximately HK$29,884,000 in FY2015, representing an increase of approximately HK$7,918,000 or approximately 36.0% as compared to approximately HK$21,966,000 in FY2014. The increase was mainly due to the increase in logistics charges related to the coal production and sale business, generally in line with the increase in the quantity of sale of coal.

Administrative expenses

The administrative expenses of the Group in FY2015 amounted to approximately HK$109,941,000, representing an increase of approximately HK$31,356,000 or approximately 39.9% from approximately HK$78,585,000 in FY2014. The increase in administrative expenses was mainly attributable to the increase in directors' & employees' emoluments and the fair value loss of the share options granted in the amount of approximately HK$1,843,000 and HK$8,509,000 respectively, and the increase in the wages of labour in the production and sale of coal business segment by approximately HK$13,918,000.

Impairment of property, plant and equipment, intangible asset and trade and other receivables

The Group recorded total impairment losses of approximately HK$151,586,000 in FY2015, such impairment losses were mainly attributable to:

(i) the impairment loss of the trade receivables amounting to approximately HK$48,160,000 associated with the manufacture and sale of plastic woven bags, paper bags and plastic barrels business segment due to management's opinion that the chance to recover those receivables would be relatively low;

(ii) the impairment loss of property, plant and equipment in the amount of approximately HK$20,937,000 associated with the manufacture and sale of plastic woven bags, paper bags and plastic barrels business segment due to management's view on the future business prospects of the segment; and

(iii) the impairment loss on the intangible asset and property, plant and equipment amounting to approximately HK$82,489,000 in the coal production and sale business as a result of the drop in the average selling price of coal.

In assessing the impairments of the Group's assets, the Company conducted valuations by adopting discounted cashflow method to derive the respective recoverable amounts of our assets, the assumptions of the valuations were made based on the current business conditions and project development progress. An independent valuer was engaged by the Company to review the reasonableness and fairness of the assumptions used and the values of the assets.

Finance costs

Finance costs of the Group decreased from approximately HK$11,866,000 in FY2014 to approximately HK$4,532,000 in FY2015, representing a decrease of approximately HK$7,334,000 or approximately 61.8%. The decrease was mainly attributable to the reduced interest expenses as a result of certain repayments to the non-controlling shareholders and third parties in an aggregate amount of approximately HK$61,000,000 and HK$19,745,000 respectively in FY2014.

Loss for FY2015

Net loss attributable to the owners of the Company increased to approximately HK$170,849,000 for FY2015 as compared to approximately HK$113,109,000 for FY2014. The loss for FY2015 was mainly due to: (i) a significant decrease in the revenue of the manufacture and sale of plastic woven bags and plastic barrels business; (ii) the relocation of equipment and machineries for the provision for low-rank coal upgrading services business; (iii) the fair value of share options granted to management, employees and other eligible persons; and (iv) the impairment losses of assets of the Group in FY2015.

Capital structure, liquidity and financial resources

Issue of new shares

The Company entered into a placing agreement (the "**Placing Agreement**") dated 4 June 2015 with a placing agent in order to provide additional working capital to the Group, pursuant to which the placing agent had conditionally agreed to place up to 45,000,000 new ordinary shares (the "**Placing Share(s)**") of HK$0.50 each in the share capital of the Company on a best effort basis, to not less than six placees who are independent of and not connected with the Company, its directors, chief executive and substantial shareholders and its subsidiaries or any of their respective associates ("**Independent Third Parties**") at a placing price of HK$0.82 per Placing Share (the "**Placing**").

The placing price represented (i) a discount of approximately 8.89% to the closing price of HK$0.900 per share as quoted on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 3 June 2015; and (ii) a discount of approximately 3.76% to the average closing price of HK$0.852 per share as quoted on the Stock Exchange for the last five trading days of the share immediately prior to the date of the Placing Agreement.

On 11 June 2015, 45,000,000 new ordinary shares were placed at HK$0.82 per share to not less than six placees who were Independent Third Parties with an aggregate nominal value of HK$22,500,000. The net proceeds from the Placing were approximately HK$35.30 million, representing a net placing price of HK$0.784 per Placing Share, which has been used as general working capital of the Group. Further details of the Placing were set out in the Company's announcements dated 4 June 2015 and 11 June 2015 respectively.

Loans from a director

On 2 January 2014, the Company as the borrower, entered into a loan agreement with Mr. Xu Bin ("**Mr. Xu**"), the chairman, an executive director and a controlling shareholder (as defined in the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**")) of the Company, as lender, pursuant to which Mr. Xu agreed to grant to the Company an unsecured loan of HK$4,000,000 at an interest rate of 5% per annum. This loan, which has been applied as general working capital of the Company, the repayment date of this loan had been extended to 31 December 2017.

On 24 March 2014, Beijing Guochuan New Energy Development Co., Ltd. ("**Beijing Guochuan**"), an indirect wholly-owned subsidiary of the Company, as borrower, entered into a loan agreement with Mr. Xu, as lender, pursuant to which Mr. Xu agreed to grant to Beijing Guochuan an unsecured and interest-free loan of RMB20,000,000 (approximately HK$25,000,000) as general working capital of the Group. The repayment date of this loan had been extended to 31 October 2017.

On 5 May 2014, the Company, as borrower, entered into a loan agreement with Mr. Xu, as lender, pursuant to which Mr. Xu agreed to grant to the Company an unsecured loan of HK$1,000,000 at an interest rate of 5% per annum. This loan, which had been applied as general working capital of the Company, will be repayable on 30 June 2016. The repayment date of this loan had been extended to 31 December 2017.

On 7 May 2014, the Company, as borrower, entered into a loan agreement with Mr. Xu, as lender, pursuant to which Mr. Xu agreed to grant to the Company an unsecured loan of HK$3,000,000 at an interest rate of 5% per annum. This loan, which had been applied as general working capital of the Company, will be repayable on 31 March 2016. The repayment date of this loan had been extended to 31 December 2017.

On 8 May 2014, the Company, as borrower, entered into a loan agreement (the "**Loan Agreement**") with Mr. Xu, as lender, pursuant to which Mr. Xu agreed to grant to the Company unsecured loans up to 8 tranches with an aggregate principal amount of up to HK$200,000,000 during the availability period at an interest rate of 5% per annum. As at the date of this announcement, the Company has not made any drawdown under the Loan Agreement and the Loan Agreement will be expired on 7 May 2016.

As at 31 December 2015,

(a) the Group's aggregate amount of (i) restricted bank deposits; and (ii) bank and cash balances was approximately HK$55,682,000 (as at 31 December 2014: approximately HK$113,296,000). The management will continue to closely monitor the financial position of the Group to maintain its financial capacity.

(b) the Group's total borrowings comprised (i) loans from non-controlling shareholders; (ii) loans from a director; and (iii) other loans, totaling approximately HK$118,445,000 (as at 31 December 2014: approximately HK$122,540,000).

(c) the Group's total gearing ratio was approximately 32.5% (as at 31 December 2014: approximately 22.3%). The gearing ratio was calculated as the Group's total borrowings divided by total equity.

(d) the current ratio of the Group was approximately 0.53 (as at 31 December 2014: approximately 0.81).

Pledge of assets

As at 31 December 2015, the Group had no pledge of assets (as at 31 December 2014: Nil).

Foreign currency risk

In FY2015, the Group's sale and purchases are mainly transacted in Renminbi and the books are recorded in Hong Kong dollars. The management of the Group noted that the recent fluctuation in the exchange rate between Renminbi and Hong Kong dollar, and is of the opinion that it does not currently have a material adverse impact on the Group's financial position. The Group currently does not have a foreign currency hedging policy. The management will continue to monitor the foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Significant investments

The Group did not purchase, sell or hold any significant investments during FY2015 and as at 31 December 2015.

Acquisition and disposal of material subsidiaries and associates

The Group did not acquire or dispose of any material subsidiaries and associates during FY2015 and as at 31 December 2015.

Contingent liabilities

The Group has a potential contingent liabilities with a maximum amount of HK$2,352,000 as at 31 December 2015 arisen from the potential penalty of over-production of coal (as at 31 December 2014: Nil).

Capital commitment

As at 31 December 2015, the Group had capital commitment relating to the construction agreements and prepaid land lease payments contracted for at the end of reporting period but not yet incurred in the amount of approximately HK$58,220,000 (as at 31 December 2014: approximately HK$65,073,000).

Employees

As at 31 December 2015, the Group employed 630 full-time employees including contracted manufacturing labour (as at 31 December 2014: 919) in Hong Kong and the PRC. Remuneration of the staff comprised monthly salaries, provident fund contributions, medical benefits, training programs, housing allowances, discretionary bonus and discretionary options based on their contributions to the Group. Staff costs (including directors' emoluments) for FY2015 were HK$107,374,000 (FY2014: HK$99,790,000).

Prospects

Going forward, the Group expects that the China government's recent reforms on eliminating the overcapacity issue of the coal industry will be favourable to the long term development of the coal industry. However, such measures are unlikely to lift the weakening coal prices in the short term. Coal prices in the PRC are expected to hover at current levels in the foreseeable future in tandem with the existing global commodity market.

In an effort to mitigate the impacts of low coal price, the Group has taken stringent cost control measures and efficiency enhancement moves in the last few years. Upon reaching the optimal production efficiency of the Inner Mongolia Jinyuanli coal mine, the Group expects that the production and sale of coal segment will achieve a stable performance in the medium to long term.

The low-rank coal upgrading services business is expected to contribute to the revenue to the Group for the year ending 31 December 2016 upon the commencement of commercial production of the first phase of the Xilinhaote Plant in the second quarter of 2016. The Group will proceed to the development of later phases of the Xilinhaote Plant of annual designed capacity of 1,500,000 tonnes of upgraded coal output in 2016, 2017 and 2018.

In a bid to fully leverage the potential of the low-rank coal upgrading technologies, the Group plans to implement a technology-based business model for this segment and broaden the applications of our upgraded coal. Meanwhile, the Group is carrying out its research and development activities at the Xilinhaote Plant, as well as collaborating with leading research institutes of the coal industry in the PRC.

After years of preparation and restructuring, the low rank coal upgrading business is expected to create meaningful values to the Group following commencement of the commercial production of the Xilinhaote Plant. On the other hand, the management believes that, in realising the assets of the plastic woven bags, paper bags and plastic barrels manufacture and sale business, it will provide further financial support to the development of the Group. The Group is gradually consolidating its business into a technology-based and resources-focused company.

CHANGE OF COMPANY NAME

Pursuant to a special resolution passed at the annual general meeting of the Company held on 15 June 2015 (the "**2014 AGM**"), the Certificate of Incorporation on Change of Name of the Company issued by the Registrar of Companies in the Cayman Islands on 16 June 2015 and the Certificate of Registration of Alteration of Name of Registered Non-Hong Kong Company issued by the Registrar of Companies in Hong Kong on 9 July 2015, the English name of the Company was changed from "DeTeam Company Limited" to "Grand Ocean Advanced Resources Company Limited" and the Chinese name of the Company was changed from "弘海有限公司" (for identification purpose only) to "弘海高新資源有限公司" as its dual foreign name in chinese.

MATERIAL ACQUISITIONS AND SIGNIFICANT INVESTMENT

The Group had no material acquisition or disposal of subsidiaries and affiliated companies during FY2015 and as at the date of this announcement, there is no potential material investments or capital assets.

CORPORATE GOVERNANCE

The Company has complied with the applicable code provisions as set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules throughout FY2015 except for the following deviations:

Under the code provision E.1.2 of the CG Code, the chairman of the board should attend the annual general meeting. The chairman of the Board, Mr. Xu Bin, attended the 2014 AGM by telephone conference call, but he was well informed by the Company in advance of the date and time of the 2014 AGM and was available to answer questions raised at the 2014 AGM by telephone. Mr. Tse Kam Fow, the deputy chairman of the Company, was elected as the chairman of the 2014 AGM.

Following the resignations of Mr. Tse Kam Fow as an executive Director and Mr. Kwok Siu Man as an independent non-executive Directors of the Company ("**INED(s)**") being effective on 1 March 2016, (i) the number of INEDs fell below the minimum number required under Rule 3.10(1) of the Listing Rules, which prescribes that a listed issuer must have at least three INEDs; (ii) the number of the members of the Audit Committee (as defined below) fell below the minimum number required under Rule 3.21 of the Listing Rules, which prescribes that a listed issuer's audit committee must comprise a minimum of three members who should all be non-executive directors with at least one of whom is an INED; (iii) the number of the members of the remuneration committee of the Company (the "**Remuneration Committee**") fell below the minimum number required under Rule 3.25 of the Listing Rules, which stipulates that the remuneration committee shall comprise a majority of INEDs; and (iv) the number of the members of the nomination committee of the Company (the "**Nomination Committee**") fell below the minimum number required under code provision A.5.1 of the CG Code, which stipulates that the Nomination Committee shall comprise a majority of INEDs. Upon the appointment of Mr. Chang Xuejun as an INED and a member of each of the Audit Committee, Remuneration Committee and Nomination Committee on 17 March 2016, the relevant requirements under the Rules 3.10(1), 3.21 and 3.25 of the Listing Rules and code provision A.5.1 of the CG Code were then fulfilled.

The Company reviewed its corporate governance practices regularly to ensure compliance with the CG Code. Under the code provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term, subject to re-election. Certain INEDs were not appointed for a specific term in FY2014. To comply with this code provision A.4.1, appointment letters were entered into between the Company and each of the INEDs during FY2015 and their services shall continue for a term of three years and could be terminated by the Company or the INEDs with a written notice of not less than three months.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the required standard governing Director's securities transactions. The Company made specific enquiries of all the Directors and each of the Directors have confirmed that they had complied with the required standards set out in the Model Code during FY2015.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During FY2015, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

ANNUAL GENERAL MEETING

The 2015 annual general meeting of the Company (the "**2015 AGM**") will be held on Friday, 17 June 2016 at 11:00 a.m. and details of which will be set out in the notice of the 2015 AGM, which will be published in due course.

REVIEW OF THE ANNUAL RESULTS BY AUDIT COMMITTEE

An audit committee of the Company (the "**Audit Committee**") has been established for the purposes of reviewing the financial information of the Group and overseeing the financial reporting system, risk management and internal control systems to ensure the integrity of the financial statements of the Group and the effectiveness of internal control and risk management systems of the Group. The Audit Committee, comprising three INEDs, namely Mr. Kwok Chi Shing (chairman), Mr. Huang Shao Ru and Mr. Chang Xuejun, has reviewed the Group's consolidated financial statements for FY2015 and agreed to the accounting policies and practices adopted by the Group.

SCOPE OF WORK OF RSM HONG KONG

The figures in respect of this announcement of the Group's results for FY2015 have been agreed by the Group's independent auditor, RSM Hong Kong, to the amounts set out in the Group's audited consolidated financial statements and the related notes thereto for FY2015. The work performed by RSM Hong Kong in this respect did not constitute an assurance engagement in accordance with the Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagement issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by RSM Hong Kong on this annual results announcement.

DIVIDENDS

The Board does not recommend the payment of any final divided in respect for FY2015.

CHANGE OF COMPANY WEBSITE

A new website of the Company for the publication of corporate communications (www.grandocean65.com) (the "**New Company Website**") will be launched with effect from 31 March 2016. The existing website of the Company (www.irasia.com/listco/hk/grandocean) (the "**Existing Company Website**") will remain in operation until 30 June 2016.

All the corporation communications of the Company will be published on the Existing Company Website and the New Company Website at the same time during the transitional period.

PUBLICATION OF ANNUAL RESULTS

This annual results announcement is published on the website of the Stock Exchange (www.hkexnews.hk), the Existing Company Website and the New Company Website. The annual report of the Company for FY2015 containing all the information required by the Listing Rules will be despatched to shareholders of the Company and published on the above websites in due course.

By Order of the Board
Grand Ocean Advanced Resources Company Limited
Xu Bin
Chairman and Executive Director

Hong Kong, 30 March 2016

As at the date of this announcement, the Board comprises four executive Directors, namely Mr. Xu Bin (Chairman), Mr. Zhang Fusheng (Chief Executive Officer), Mr. Ng Ying Kit and Ms. Huo Lijie; and three independent non-executive Directors, namely Mr. Kwok Chi Shing, Mr. Huang Shao Ru and Mr. Chang Xuejun.