Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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 2016

FINANCIAL HIGHLIGHTS

1) Revenue (including continuing and discontinued operations) for the year ended 31 December 2016 amounted to approximately HK$264,392,000, representing an increase of approximately 7.5% as compared to the revenue of approximately HK$245,838,000 last year.

2) Gross profit (including continuing and discontinued operations) for the year ended 31 December 2016 amounted to approximately HK$139,499,000, representing an increase of approximately 51.3% as compared to the gross profit of approximately HK$92,224,000 last year. Overall gross profit margin (including continuing and discontinued operations) was approximately 52.8% as compared to approximately 37.5% last year.

3) Loss attributable to owners of the Company (including continuing and discontinued operations) for the year ended 31 December 2016 amounted to approximately HK$120,278,000 while the loss attributable to owners of the Company amounted to approximately HK$170,849,000 last year.

4) The Board does not recommend the payment of any final dividend the year ended 31 December 2016.

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 2016 together with the comparative figures for the year ended 31 December 2015 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2016

	Note	**2016** ***HK$'000***	2015 *HK$'000* (Represented)
Continuing operations			
Revenue	*5*	**264,392**	240,128
Cost of sales		**(124,893)**	(141,953)
Gross profit		**139,499**	98,175
Other income	*6*	**461**	3,425
Selling and distribution expenses		**(10,818)**	(29,884)
Administrative expenses		**(67,463)**	(93,389)
Impairment loss on property, plant and equipment		**(122,954)**	(66,750)
Impairment loss on goodwill		**(2,907)**	–
Impairment loss on intangible asset		**(17,573)**	(15,739)
Impairment loss on trade and other receivables		**(5,493)**	(1,901)
Other operating expenses		**(6,557)**	(4,401)
Loss from operations		**(93,805)**	(110,464)
Finance costs	*8*	**(2,180)**	(4,451)
Loss before tax		**(95,985)**	(114,915)
Income tax expense	*9*	**(32,726)**	(4,878)
Loss for the year from continuing operations		**(128,711)**	(119,793)
Discontinued operation			
Profit/(Loss) for the year from discontinued operation	*10*	**3,136**	(83,796)
Loss for the year	*11*	**(125,575)**	(203,589)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)

For the year ended 31 December 2016

	Note	2016 HK$'000	2015 HK$'000 (Represented)
Attributable to:			
Owners of the Company			
Loss from continuing operations		**(123,414)**	(87,053)
Profit/(Loss) from discontinued operation		**3,136**	(83,796)
Loss attributable to owners of the Company		**(120,278)**	(170,849)
Non-controlling interests		**(5,297)**	(32,740)
		(125,575)	(203,589)
Loss per share			
From continuing and discontinued operations	*13(a)*		
– basic		**HK(23.89) cents**	HK(35.34) cents
– diluted		**N/A**	N/A
From continuing operations	*13(b)*		
– basic		**HK(24.51) cents**	HK(18.01) cents
– diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	2016	2015
	HK$'000	*HK$'000*
Loss for the year	**(125,575)**	(203,589)
Other comprehensive income after tax:		
Item that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**(8,880)**	(24,775)
Exchange differences reclassified to profit or loss on disposal of foreign operations	**(26,741)**	–
Other comprehensive income for the year, net of tax	**(35,621)**	(24,775)
Total comprehensive income for the year	**(161,196)**	(228,364)
Attributable to:		
Owners of the Company	**(153,450)**	(191,782)
Non-controlling interests	**(7,746)**	(36,582)
	(161,196)	(228,364)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Note	2016 HK$'000	2015 HK$'000
Non-current assets			
Property, plant and equipment		**296,991**	493,093
Prepaid land lease payments		**–**	2,481
Goodwill		**–**	2,907
Intangible asset		**36,918**	60,146
Deferred tax assets		**13,013**	17,842
Deposits		**854**	1,226
Total non-current assets		**347,776**	577,695
Current assets			
Prepaid land lease payments		**–**	67
Inventories		**7,391**	17,723
Trade and bill receivables	*14*	**7,655**	56,939
Deposits, prepayments and other receivables		**9,173**	15,779
Restricted bank deposits		**7,134**	7,493
Bank and cash balances		**93,238**	48,189
Total current assets		**124,591**	146,190
Current liabilities			
Due to a director	*15*	**–**	9,338
Due to non-controlling shareholders	*16*	**6,874**	24,866
Other loans		**25,228**	–
Trade payables	*17*	**–**	3,346
Accrued charges and other payables		**177,218**	236,549
Current tax liabilities		**–**	32
Total current liabilities		**209,320**	274,131
Net current liabilities		**(84,729)**	(127,941)
Total assets less current liabilities		**263,047**	449,754

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2016

	Note	**2016**	2015
		HK$'000	*HK$'000*
Non-current liabilities			
Due to a director	*15*	**20,230**	29,888
Due to non-controlling shareholders	*16*	**–**	3,508
Other loans		**9,150**	50,845
Deferred revenue		**2,233**	–
Deferred tax liabilities		**28,546**	1,429
Total non-current liabilities		**60,159**	85,670
NET ASSETS		**202,888**	364,084
Capital and reserves			
Share capital		**251,739**	251,739
Other reserves		**(94,110)**	59,340
Equity attributable to owners of the Company		**157,629**	311,079
Non-controlling interests		**45,259**	53,005
TOTAL EQUITY		**202,888**	364,084

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**").

The Company is an investment holding company. The principal activities of its subsidiaries are the manufacture and sale of plastic woven bags, paper bags and plastic barrels business (the "**Bags Business**"), production and sale of coal (the "**Coal Mining Business**") and provision of low-rank coal upgrading services (the "**Coal Upgrading Business**"). The Bags Business has been disposed in November 2016.

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 from continuing operations of approximately HK$128,711,000 (2015: HK$119,793,000) for the year ended 31 December 2016 and as at 31 December 2016 the Group had net current liabilities of approximately HK$84,729,000 (2015: HK$127,941,000). According to the business plan of Coal Upgrading Business segment, additional funds of approximately HK$214 million will be required to complete the remaining phases of the coal upgrading plant in Xilinhaote City, Inner Mongolia, the People's Republic of China (the "**PRC**"), of which the capital expenditure of approximately HK$19 million will be incurred in the next 18 months to obtain the land use right certificates and purchase additional property, plant and equipment for commencement of the coal upgrading production with annual capacity of 500,000 tonnes of upgraded coal output. The bank and cash balances of the Group as at 31 December 2016 were approximately HK$93,238,000. 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 carefully considered 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 2018 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 Mining Business segment and Coal Upgrading Business segment so as to generate sufficient operating cash flows to finance its working capital requirements.

– The substantial shareholder has further provided an undertaking of an unsecured financial facility with maximum amount of HK$100 million to the Company for the period from 7 March 2017 to 31 December 2018, in the event of a 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 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

(a) Application of new and revised HKFRSs

The HKICPA has issued a number of new and revised HKFRSs that are first effective for annual periods beginning on or after 1 January 2016. Of these, the following new or revised HKFRSs are relevant to the Company.

Amendments to HKAS 1 Presentation of Financial Statements: Disclosure Initiative

The amendments to HKAS 1 clarify, rather than significantly change, existing HKAS 1 requirements. The amendments clarify various presentation issues relating to:

- Assessment of materiality versus minimum disclosure requirements of a standard.
- Disaggregation of specific line items in the statement(s) of profit or loss and other comprehensive income and the statement of financial position. There is also new guidance on the use of subtotals.
- Confirmation that the notes do not need to be presented in a particular order.

None of these developments have had a material effect on how the Company's results and financial position for the current or prior periods have been prepared or presented.

(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 2016. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 7 Statement of Cash Flows: Disclosure initiative	1 January 2017
Amendments to HKAS 12 Income Taxes: Recognition of deferred tax assets for unrealised losses	1 January 2017
Amendments to HKFRS 4 Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts	1 January 2018
HKFRS 9 Financial Instruments	1 January 2018
HKFRS 15 Revenue from Contracts with Customers	1 January 2018
Amendments to HKFRS 2 Share-based Payment: Classification and measurement of share-based payment transactions	1 January 2018
HKFRS 16 Leases	1 January 2019
Amendments to HKFRS 10 Consolidated Financial Statements	To be determined

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. As the Group has not completed its assessment, further impacts may be identified in due course.

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 2016 was approximately HK$296,991,000 (2015: HK$493,093,000). An impairment loss on property, plant and equipment of approximately HK$161,656,000 (2015: HK$87,687,000) was recognised for the year ended 31 December 2016.

(b) Impairment loss on property, plant and equipment

Determining whether the property, plant and equipment are impaired requires an estimation of the recoverable amount of the cash-generating unit ("**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 2016, the carrying amount of the Group's property, plant and equipment allocated to the Coal CGU is approximately HK$165,392,000 (2015: HK$252,570,000). An impairment loss of approximately HK$73,422,000 (2015: HK$66,750,000) was recognised for the year ended 31 December 2016.

The recoverable amount of the assets of Coal CGU 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 1.2 million tonnes throughout the remaining license period up to July 2037.

(ii) The coal from the Inner Mongolia Mine 958 with 3,500kcal/kg will be sold at the average selling price of RMB110 per tonne (with value-added tax of 17%) for the period from 2017 to 2019. This price will be increased to RMB115 per tonne in the period from 2020 to 2022 and further increased to RMB120 per tonne from 2023 and thereafter kept constant in the remaining license period.

(iii) The owner of coal mine 958 could successfully apply for the renewal of coal mining license upon expiry date on 8 November 2017; or to supply sufficient tonnes of coal with similar quality to the Group if the coal mining license could not be renewed.

(iv) Inflation rate of 2% p.a. (2015: 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.

(v) Pre-tax discount rate of 12.84% (2015: 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 2016, the carrying amount of the Group's property, plant and equipment includes plant and machinery of approximately HK$6,632,000 (2015: HK$11,215,000) and construction in progress of approximately HK$123,217,000 (2015: HK$172,452,000) which belong to the Coal Upgrading CGU. An impairment loss of approximately HK$49,532,000 (2015: HK$Nil) was recognised for the year ended 31 December 2016.

The recoverable amount of the assets of Coal Upgrading 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 2017 by payment of the land use right premium of approximately HK$17.7 million.

(ii) The first phase of coal upgrading plant with annual capacity of 500,000 tonnes of upgraded coal will commence production from July 2017. 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 third quarter of 2018 and from 1,000,000 tonnes to 2,000,000 tonnes of upgraded coal by the end of 2020. The additional funding requirement of approximately HK$214 million will be financed by the cash flows generated from Coal CGU and Coal Upgrading CGU or the Group's fund raising activities.

(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 tonne during the 5-year forecast period.

(iv) Inflation rate applied in the 5-Year cash flow forecast is 3% p.a. (2015: 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 11.97% (2015: 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 2016 was approximately HK$13,013,000 (2015: HK$17,842,000).

(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, the PRC interest withholding tax of approximately HK$277,000 (2015: HK$209,000) and deferred tax liabilities of approximately HK$32,449,000 (2015: reversal of deferred tax assets of HK$4,669,000) was charged to profit or loss based on the estimated assessable income from continuing operations.

(e) Impairment loss on goodwill

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. An impairment loss on goodwill of approximately HK$2,907,000 (2015: HK$Nil) was made for the year ended 31 December 2016.

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 loss on 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 Coal CGU and a suitable discount rate in order to calculate the present value. Details of the key assumptions that management made when determining 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$36,918,000 (2015: HK$60,146,000). An impairment loss on intangible asset of approximately HK$17,573,000 (2015: HK$15,739,000) was recognised for the year ended 31 December 2016.

(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 2016, accumulated impairment loss on trade receivables amounted to approximately HK$2,411,000 (2015: HK$116,502,000).

(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$7,823,000 from continuing operations was made for the year ended 31 December 2016 (2015: HK$Nil).

5. REVENUE

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

	2016	2015
	HK$'000	*HK$'000*
Sales of bags and barrels	**–**	5,710
Sales of coal	**264,392**	240,128
	264,392	245,838
Representing:		
Continuing operations	**264,392**	240,128
Discontinued operation *(note 10)*	**–**	5,710
	264,392	245,838

6. OTHER INCOME

	2016	2015
	HK$'000	*HK$'000*
Gain on disposals of property, plant and equipment	**5**	1,030
Government grant *(note (a))*	**–**	1,328
Interest income	**429**	61
Net foreign exchange gains	**1**	1,005
Reversal of allowance for inventories *(note (b))*	**1,255**	–
Other taxes waived by PRC government	**220**	–
Sundry income	**26**	5
	1,936	3,429
Representing:		
Continuing operations	**461**	3,425
Discontinued operation *(note 10)*	**1,475**	4
	1,936	3,429

Notes:

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

(b) The reversal of allowance for inventories during the year ended 31 December 2016 is resulted from the subsequent sale of the relevant inventories.

7. SEGMENT INFORMATION

The Group has three operating segments as follows:

Bags	–	Manufacture and sale of plastic woven bags, paper bags and plastic barrels (Discontinued operation);
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 (Discontinued operation) *HK$'000*	**Coal** *HK$'000*	**Coal upgrading** *HK$'000*	**Total** *HK$'000*
Year ended 31 December 2016				
Revenue from external customers	**–**	**264,392**	**–**	**264,392**
Segment loss	**(42,352)**	**(6,243)**	**(67,851)**	**(116,446)**
Interest revenue	**–**	**426**	**–**	**426**
Interest expense	**–**	**–**	**(338)**	**(338)**
Income tax expense	**–**	**(3,805)**	**–**	**(3,805)**
Depreciation and amortisation	**(2,745)**	**(25,979)**	**(2,107)**	**(30,831)**
Reversal of allowance/(allowance) for inventories	**1,255**	**(7,823)**	**–**	**(6,568)**
Gain /(loss) on disposals of property, plant and equipment	**–**	**457**	**(452)**	**5**
Impairment loss on property, plant and equipment	**(38,702)**	**(73,422)**	**(49,532)**	**(161,656)**
Impairment loss on intangible asset	**–**	**(17,573)**	**–**	**(17,573)**
Impairment loss on receivables				
– trade receivables	**–**	**(2,519)**	**–**	**(2,519)**
– other receivables	**–**	**–**	**(2,974)**	**(2,974)**
Additions to segment non-current assets	**–**	**(18,486)**	**(4,983)**	**(23,469)**
At 31 December 2016				
Segment assets	**–**	**324,102**	**137,553**	**461,655**
Segment liabilities	**–**	**227,349**	**153,630**	**380,979**

	Bags (Discontinued operation)	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 credit/(expense)	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

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

	2016	2015
	HK$'000	*HK$'000*
Revenue		
Total revenue of reportable segments	**264,392**	245,838
Elimination of discontinued operation *(note 10)*	**–**	(5,710)
Consolidated revenue from continuing operations	**264,392**	240,128
Profit or loss		
Total loss of reportable segments	**(116,446)**	(162,353)
Unallocated corporate income	**1,101**	1,766
Unallocated corporate expenses	**(58,961)**	(43,002)
Discontinued operation *(note 10)*	**45,595**	83,796
Consolidated loss for the year from continuing operations	**(128,711)**	(119,793)
Assets		
Total assets of reportable segments	**461,655**	843,215
Corporate assets	**43,541**	31,149
Deferred tax assets	**13,013**	17,842
Goodwill	**–**	2,907
Elimination of intersegment assets	**(45,842)**	(171,228)
Consolidated total assets	**472,367**	723,885
Liabilities		
Total liabilities of reportable segments	**380,979**	530,086
Corporate liabilities	**50,893**	73,424
Deferred tax liabilities	**28,546**	1,429
Elimination of intersegment liabilities	**(190,939)**	(245,138)
Consolidated total liabilities	**269,479**	359,801

Geographical information:

The Group's revenue from external customers by location of operations and information about its non-current assets by location of assets are detailed below:

	Revenue		Non-current assets	
	2016	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**–**	–	**599**	1,224
The PRC except Hong Kong	**264,392**	245,838	**334,164**	558,629
Consolidated total	**264,392**	245,838	**334,763**	559,853

Revenue from major customers:

	2016	2015
	HK$'000	*HK$'000*
Coal segment		
Customer a	**40,173**	–
Customer b	**32,405**	–
Customer c	**–**	38,627
Customer d	**–**	31,805

8. FINANCE COSTS

	2016	2015
	HK$'000	*HK$'000*
Interest on other loans – wholly repayable within five years	**641**	3,312
Interest on loan from a director	**399**	400
Imputed interest expenses	**1,443**	2,187
Bank charges	**–**	81
Total borrowing costs	**2,483**	5,980
Amount capitalised	**(303)**	(1,448)
	2,180	4,532
Representing:		
Continuing operations	**2,180**	4,451
Discontinued operation *(note 10)*	**–**	81
	2,180	4,532

9. INCOME TAX EXPENSE/(CREDIT)

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

	2016	2015
	HK$'000	*HK$'000*
Current tax – Overseas		
Under-provision in prior year	**–**	4
PRC interest withholding tax	**277**	209
	277	213
Deferred tax	**32,449**	(5,966)
	32,726	(5,753)
Representing:		
Continuing operations	**32,726**	4,878
Discontinued operation *(note 10)*	**–**	(10,631)
	32,726	(5,753)

(a) No provision for Hong Kong Profits Tax has been made for the year ended 31 December 2016 as the Group did not generate any assessable profits arising in Hong Kong during the year (2015: HK$Nil).

The Enterprise Income Tax rate applicable to the subsidiaries in the PRC is 25% (2015: 25%). However, no provision was made for the financial year ended 31 December 2016 as the subsidiaries have sufficient tax losses brought forward to set off against current year's assessable profit or have no assessable profit for the year.

(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:

	2016	2015
	HK$'000	*HK$'000*
Loss before tax		
Continuing operations	**(95,985)**	(114,915)
Discontinued operation *(note 10)*	**(45,595)**	(94,427)
	(141,580)	(209,342)
Tax at the PRC Enterprise Income Tax rate of 25% (2015: 25%)	**(35,395)**	(52,335)
Tax effect of expenses that are not deductible	**24,485**	12,441
Tax effect of temporary differences not recognised	**34,476**	40,594
Tax effect of tax losses not recognised	**29,748**	2,871
Tax effect of utilisation of tax losses not previously recognised	**(22,497)**	(2,017)
Reversal of deferred tax on undistributed earnings of a PRC subsidiary	**(294)**	(10,635)
Effect of different tax rates	**1,926**	3,115
PRC interest withholding tax	**277**	209
Under-provision in prior year	**–**	4
Income tax expense/(credit)	**32,726**	(5,753)

10. DISCONTINUED OPERATION

Pursuant to a sale and purchase agreement dated 27 October 2016 entered into between the Company and an independent third party, the Company disposed of 100% interests in East Harvest International Limited ("**EHI**"), a company incorporated in British Virgin Islands at a consideration of HK$22,800,000. EHI was engaged in investment holding, with its subsidiaries engaged in manufacture and sale of plastic woven bags, paper bags and plastic barrels in PRC. The disposal was completed on 24 November 2016 and the Group discontinued its manufacture and sale of plastic woven bags, paper bags and plastic barrels business.

The profit/(loss) for the year from the discontinued operation is analysed as follows:

	2016	2015
	HK$'000	*HK$'000*
Loss for the year from discontinued operation	**(45,595)**	(83,796)
Gain on disposal of subsidiaries	**48,731**	–
Profit/(loss) for the year from discontinued operation attributable to owners of the Company	**3,136**	(83,796)

The results of the discontinued operation for period from 1 January 2016 to 24 November 2016, which have been included in consolidated profit or loss (2015: 1 January 2015 to 31 December 2015), are as follows:

	2016	2015
	HK$'000	*HK$'000*
Revenue *(note 5)*	**–**	5,710
Cost of sales	**–**	(11,661)
Gross loss	**–**	(5,951)
Other income *(note 6)*	**1,475**	4
Administrative expenses	**(7,219)**	(16,552)
Impairment loss on property, plant and equipment	**(38,702)**	(20,937)
Impairment loss on trade and other receivables	**–**	(48,396)
Other operating expenses	**(1,149)**	(2,514)
Loss from operations	**(45,595)**	(94,346)
Finance costs *(note 8)*	**–**	(81)
Loss before tax	**(45,595)**	(94,427)
Income tax credit *(note 9)*	**–**	10,631
Loss for the year *(note 7)*	**(45,595)**	(83,796)

Cash flows from discontinued operation:

Net cash outflows from operating activities	**(254)**	(8,153)
Net cash inflows from investing activities	**–**	4
Net cash outflows	**(254)**	(8,149)

11. LOSS FOR THE YEAR

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

	Continuing operation		Discontinued operation		Total	
	2016	2015	**2016**	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Auditor's remuneration	**1,000**	1,000	**–**	–	**1,000**	1,000
Allowance for inventories (included in cost of sales)	**7,823**	–	**–**	5,705	**7,823**	5,705
Reversal of allowance for inventories	**–**	–	**(1,255)**	–	**(1,255)**	–
Amortisation of mining right (included in cost of sales)	**3,510**	7,653	**–**	–	**3,510**	7,653
Cost of inventories sold	**124,893**	141,954	**–**	11,660	**124,893**	153,614
Depreciation of property, plant and equipment	**24,766**	43,949	**3,125**	8,223	**27,891**	52,172
Fair value losses on initial recognition of financial liabilities	**194**	–	**–**	–	**194**	–
Gain on disposals of property, plant and equipment	**(5)**	(1,030)	**–**	–	**(5)**	(1,030)
Impairment loss on property, plant and equipment	**122,954**	66,750	**38,702**	20,937	**161,656**	87,687
Impairment loss on goodwill	**2,907**	–	**–**	–	**2,907**	–
Impairment loss on intangible asset	**17,573**	15,739	**–**	–	**17,573**	15,739
Impairment loss on receivables						
– trade receivables	**2,519**	–	**–**	48,160	**2,519**	48,160
– other receivables	**2,974**	1,901	**–**	236	**2,974**	2,137
	5,493	1,901	**–**	48,396	**5,493**	50,297
Operating lease charges						
– Land and buildings	**2,585**	2,061	**471**	1,336	**3,056**	3,397
– Machinery	**–**	439	**–**	–	**–**	439

Cost of inventories sold includes staff costs, allowance for inventories, amortisation of mining right and depreciation of approximately HK$64,817,000 (2015: HK$90,047,000) which are included in the amounts disclosed separately.

12. DIVIDENDS

The directors do not recommend the payment of any final dividend for the year ended 31 December 2016 (2015: HK$Nil).

13. LOSS PER SHARE

(a) From continuing and discontinued operations

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$120,278,000 (2015: HK$170,849,000) and the weighted average number of ordinary shares of 503,477,166 (2015: 483,504,563) in issue during the year.

Diluted loss per share

No diluted loss per share is presented as the Company did not have any dilutive potential ordinary shares during the year ended 31 December 2016. The effect of all potential ordinary shares is anti-dilutive for the years ended 31 December 2015.

(b) From continuing operations

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$123,414,000 (2015: HK$87,053,000) and the denominator used is the same as that detailed above for basis loss per share from continuing and discontinued operations.

Diluted loss per share

No diluted loss per share is presented as the Company did not have any dilutive potential ordinary shares during the year ended 31 December 2016. The effect of all potential ordinary shares is anti-dilutive for the years ended 31 December 2015.

(c) From discontinued operation

Basic earnings per share from the discontinued operation is HK0.62 cent per share (2015: loss per share HK17.33 cent per share), based on the profit for the year from discontinued operation attributable to the owners of the Company of approximately HK$3,136,000 (2015: loss of HK$83,796,000) and the denominator used is the same as that detailed above for basis loss per share from continuing and discontinued operations.

No diluted loss per share is presented as the Company did not have any dilutive potential ordinary shares during the year ended 31 December 2016. The effect of all potential ordinary shares is anti-dilutive for the years ended 31 December 2015.

14. TRADE AND BILL RECEIVABLES

	2016	2015
	HK$'000	*HK$'000*
Trade receivables	**3,627**	172,098
Impairment loss on trade receivables	**(2,411)**	(116,502)
	1,216	55,596
Bill receivables	**6,439**	1,343
	7,655	56,939

The general credit terms of sales of bags and barrels and coal upgrading business are 30 days. For sale of coal, payment 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:

	2016	2015
	HK$'000	*HK$'000*
0 to 90 days	**1,100**	34,762
91 to 180 days	**–**	9,450
181 to 365 days	**116**	10,876
Over 365 days	**–**	508
	1,216	55,596

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

15. DUE TO A DIRECTOR

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

	Note	**2016** **HK$'000**	2015 *HK$'000*
Current liabilities			
Other payables	*(a)*	**–**	2,822
Loans	*(b)*	**–**	6,516
		–	9,338
Non-current liabilities			
Loans	*(b)*	**20,230**	29,888
		20,230	39,226

Notes:

(a) The other payables were fully repaid during the year.

(b) The loans from a Director are unsecured, interest bearing at Nil – 5% per annum and repayable on 31 December 2018 (2015: 31 December 2017).

16. DUE TO NON-CONTROLLING SHAREHOLDERS

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

	Note	**2016** **HK$'000**	2015 *HK$'000*
Current liabilities			
Loans	*(a)*	**–**	8,821
Advances	*(a)*	**–**	5,253
Other payables	*(b)*	**6,874**	10,792
		6,874	24,866
Non-current liabilities			
Loans	*(a)*	**–**	3,508
		6,874	28,374

Notes:

(a) The loans and advances were unsecured, interest-free and fully repaid during the year.

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

17. TRADE PAYABLES

No trade payable is arising from continuing operations as at 31 December 2016. The ageing analysis of trade payables, based on the date of receipts of goods, was as follows:

	2016 **HK$'000**	2015 *HK$'000*
0 to 90 days	**–**	–
91 to 180 days	**–**	–
181 to 365 days	**–**	592
Over 365 days	**–**	2,754
	–	3,346

The carrying amounts of the Group's trade payables were 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 2016. The basis of disclaimer of opinion is extracted as follows:

Basis for disclaimer of opinion

(a) Impairment of goodwill, property, plant and equipment 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. As at 31 December 2016, the carrying amounts of the Group's property, plant and equipment included plant and machinery and construction in progress of approximately HK$6,632,000 and HK$123,217,000 respectively, and deposits under non-current assets of approximately HK$854,000 belonged to the coal upgrading cash-generating unit (the "**Coal Upgrading CGU**").

At 31 December 2016, 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 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 December 2017 by payment of the land use right premium of approximately HK$17.7 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 2020 with additional funding requirement of approximately HK$214 million, which will be financed by the cash flows generated from the coal cash-generating unit (the "**Coal CGU**") and Coal Upgrading CGU or from the Group's fund raising activities; and (iii) the Coal Upgrading CGU will implement the business plan to commence coal upgrading production from July 2017 at its maximum capacity and will be able to generate income by selling all of its upgraded coal at a competitive selling price including value-added tax of RMB300 per tonne.

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. 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 whole coal upgrading plant with annual capacity of 2,000,000 tonnes of upgraded coal in the forecasted period. A substantial shareholder of the Company has agreed to provide unsecured financial assistance of HK$100 million to the Group up to 31 December 2018, however we were unable to obtain sufficient appropriate evidence that the substantial shareholder has sufficient liquid funds available as no financial information was provided to us in this regard.

We were unable to assess whether the current production line is capable of processing low-rank coal to upgraded coal at stable quality by July 2017 because we did not notice any production process up to date of this report 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 further impairment on the carrying amounts of the CGU assets 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 and deposits under non-current assets approximately of HK$6,632,000, HK$123,217,000 and HK$854,000 respectively and whether the impairment losses on goodwill of HK$2,907,000 and on property, plant and equipment of HK$49,532,000 attributable to the Coal Upgrading CGU were properly stated. Any adjustments to these figures might have a significant consequential effect on the results for the year and net assets as at 31 December 2016.

(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 2016, the carrying amounts of the Group's property, plant and equipment and intangible asset of approximately HK$165,392,000 and HK$36,918,000 respectively belonged to the Coal CGU.

The carrying amount of the Coal CGU was assessed for impairment by the management as at 31 December 2016 on the basis of its value in use. The management prepared cash flow forecasts based on the assumptions that (i) Inner Mongolia Jinyuanli could continue to operate the underground coal mine at the pre-approved production limit of 1,200,000 tonnes per annum in accordance with the exclusive mining right agreement signed with the owner of coal mine 958 ("**Coal Mine Owner**") and the mining license issued by Ministry of Land and Resources of the PRC to the Coal Mine Owner; (ii) the Coal Mine Owner could successfully apply for the renewal of coal mining license upon expiry date on 8 November 2017 or the Coal Mine Owner could supply sufficient quantity of coal with similar quality to the Group if the coal mining license could not be renewed; and (iii) Inner Mongolia Jinyuanli could continue to operate the underground coal mine with no penalty nor order the termination of mining operations though it had operated the underground coal mine at the capacity above the allowed level for the last two years.

Based on the recent policies of the compression of production capacity for the coal industry in the PRC and the notice "Nei Mei Ju Zi (2016) No. 63" issued by Coal Industrial Bureau of Inner Mongolia, the production output of each coal mining entity should be reduced by around 16% by means of reducing the annual working days of the industry from 330 days to 276 days with effective from 1 May 2016. However, owing to the shortage of coal supply for the winter and spring seasons and with an aim to stabilise the coal market price, Inner Mongolia Autonomous Region Economic and Information Technology Commission published another notice that the annual working days of the industry can be temporarily resumed to 330 days from 21 Nov 2016 to 30 May 2017.

The forecast stated above was prepared on the assumption that the production will be remained at 1,200,000 tonnes per annum till the end of its business license. 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$165,392,000 and HK$36,918,000 respectively and whether the impairment losses on property, plant and equipment of HK$73,422,000 and intangible assets of HK$17,573,000 attributable to the Coal CGU were properly stated. Any adjustments to these figures might have a significant consequential effect on the results for the year and net assets as at 31 December 2016.

(c) Recoverability of deferred tax assets

As at 31 December 2016, the Group recorded deferred tax assets of approximately HK$13,013,000 which is mainly related to the coal mining operation. Because of the matters as detailed in paragraph (b) above regarding the assumptions adopted in the profit forecast for the Coal CGU, we were 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$135,799,000 as at 31 December 2016 and the Company's accumulated losses as at 31 December 2016 as presented in the statement of financial position of the Company.

(e) Material uncertainties relating to the going concern

We draw attention to the consolidated financial statements, which discloses that the Group incurred a net loss of HK$128,711,000 from the continuing operations for the year ended 31 December 2016, and as of that date, the Group's current liabilities exceeded its current assets by approximately HK$84,729,000. In addition, additional funds of approximately HK$19 million are also required to commence the commercial production of the Coal Upgrading CGU with annual capacity of 500,000 tonnes in the coming year. These events or conditions indicate that a material uncertainty exits that 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 sufficient operating cash flows will be generated from the Coal CGU at a level sufficient to finance the working capital requirements of the Group; and (ii) 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 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 as the Group operated the underground coal mine at the level above the annual allowed production capacity for the last two years, as according to those 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. A substantial shareholder of the Company has agreed to provide unsecured financial assistance of HK$100 million to the Group up to 31 December 2018, however we are unable to obtain evidence that the substantial shareholder has sufficient liquid funds available as no financial information was provided to us in this regard.

There were 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

The Group recorded a revenue (including continuing and discontinued operations) of approximately HK$264,392,000 for the year ended 31 December 2016, representing an increase of approximately HK$18,554,000 or approximately 7.5% as compared to approximately HK$245,838,000 for the year ended 31 December 2015. The loss attributable to the owners of the Company (including continuing and discontinued operations) for the year ended 31 December 2016 of approximately HK$120,278,000 decreased by approximately HK$50,571,000 as compared to the corresponding period in 2015 of approximately HK$170,849,000. The Group reported its annual results in three segments, namely: (i) production and sale of coal (the "**Coal Mining Business**"); (ii) provision of low-rank coal upgrading services (the "**Coal Upgrading Business**"); and (iii) the manufacture and sale of plastic woven bags, paper bags and plastic barrels (the "**Bags Business**"). The Bags Business have been disposed in November 2016.

The Coal Mining Business

The Group recognised revenue of approximately HK$264,392,000 from the Coal Mining Business during the year, accounting for 100.0% of the Group's total revenue. The revenue from Coal Mining Business recorded an increase of approximately HK$24,264,000, or approximately 10.1% as compared to the corresponding period in 2015. Affected by the national structural reform on countrywide's coal supply, as well as the compression of production capacity of the coal industry and other policy factors, the average coal selling prices have increased gradually during the second half of 2016, which improved the profitability of the Coal Mining Business. The improved operating profit of the Coal Mining Business (segment loss exclude impairment on the property, plant and equipment, intangible assets and trade and other receivables) was HK$87,271,000 for the year ended 31 December 2016 as compared to an operating profit of HK$13,865,000 for the year ended 31 December 2015 was mainly attributable to the increased average selling price, decrease in depreciation charges and lower logistic costs for the year.

Impairment review has been conducted at each of the end of the reporting date, impairment loss have been made on the property, plant and equipment, intangible assets and trade and other receivables of approximately HK$93,514,000. For further details, please refer to the paragraph headed "Impairment of property, plant and equipment, intangible assets, goodwill and trade and other receivables" of this announcement.

In 2015, the management of 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 in the PRC to increase its production capacity to 1.80 million tonnes per year (the "**Application**") and the Application is still subject to an examination period as at the date of this announcement. In view of this, the management of the Inner Mongolia Jinyuanli has decided to lower the projected annual coal output of Inner Mongoli Jinyuanli to around 1.40 million tonnes for the whole year of 2016. However, during the third quarter of 2016, the price of coal was stabilized and began to revive, the management of Inner Mongolia Jinyuanli then re-arranged the coal production to the extent that is permissible under the relevant policies. Hence, for the year ended 31 December 2016, approximately 1.94 million tonnes (2015: approximately 2.20 million tonnes) were produced and 2.01 million tonnes (2015: approximately 2.21 million tonnes) of coal were sold, respectively.

In this circumstance, the management of Inner Mongolia Jinyuanli has engaged an independent legal adviser to advise on the legality of its operations and its opinion stated that it is very unlikely that the operations of Inner Mongolia Jinyuanli will be penalized or suspended (the "**JYL Legal Opinion**"). As at the date of this announcement, Inner Mongolia Jinyuanli has not been notified for over-production penalty nor suspension of operations and the management of Company relied on the JYL Legal Opinion to conduct its business operations.

Nevertheless, a contingent liability in the amount of RMB2 million (approximately HK$2,233,000) was disclosed in the Group's consolidated financial statements (2015: RMB2 million (approximately HK$2,352,000), on a prudent basis, which represents the maximum amount of penalty as a result of over-production. The management of Inner Mongolia Jinyuanli will be able to change its production plan and capacity to comply with corresponding rules and regulations in the PRC depending on the progress of the Application.

The Coal Upgrading Business

Further to the completion of the construction of the first phase with designed annual production capacity of 500,000 tonnes of the Group's coal upgrading plant located at Xilinhaote City, Inner Mongolia, the PRC (the "**Coal Upgrading Plant**"), the Coal Upgrading Plant has commenced instrument calibrations and trial production since the first quarter of 2016. Amid unfavourable factors overcasting in the coal industry of the PRC in the first three quarter of 2016, the management of Coal Upgrading Plant has postponed the commercial production of Coal Upgrading Plant to the fourth quarter of 2016 and has implemented relevant cost saving measures to reduce administrative expenses.

In relation to the progress on the commercial production of the Coal Upgrading Plant, the existing approvals granted to the development of the Coal Upgrading Plant has been expired in June 2016 (the "**Development Approvals**"), the management of the Coal Upgrading Plant has applied for further extension for the Development Approvals, which is still pending for local government's approval. In the view of the recent market conditions, the management of Coal Upgrading Plant has continued to solicit orders from potential customers for the commencement of commercial production over the past few months, however, no commercial order is received as at the date of this announcement.

In this regards, this Coal Upgrading Business segment did not record any revenue. This segment reported a loss of approximately HK$67,851,000 (2015: HK$16,887,000). The significant increase in loss was mainly due to the impairment on property, plant and equipment and other receivables of approximately HK$52,506,000. For further details, please refer to the paragraph headed "Impairment of property, plant and equipment, intangible assets, goodwill and trade and other receivables" of this announcement.

The Bags Business – Discontinued operations

As set out in the 2015 Annual Report, there were no further orders from our customers since May 2015, the management had decided to suspend the operation of the Bags Business segment and actively seeking for potential buyers to realise the assets in the Bags Business segment to strengthen the Group's financial position. During the year, the Company entered into a sale and purchase agreement to dispose the Bags Business (the "**Discontinued Operations**") for a cash consideration of HK$22,800,000 on 27 October 2016 (the "**Disposal**") and the completion of the Disposal took place on 24 November 2016. Upon completion of the Disposal, all the subsidiaries under the Bags Business segment (the "**Disposal Group**") ceased to be subsidiaries of the Company and the financial results and position of the Disposal Group were deconsolidated from the consolidated financial statements of the Group thereafter. The Group recognized gains arising from the Disposal of approximately HK$48,731,000 during the year.

There was no revenue recognised from the Bags Business segment during the year and the loss from the Discontinued Operations for the period from 1 January 2016 to 24 November 2016 of approximately HK$45,595,000 was mainly attributable to the impairment losses on property, plant and equipment made during the first half of 2016. For further details, please refer to the paragraph headed "Impairment of property, plant and equipment, intangible assets, goodwill and trade and other receivables" of this announcement.

Selling and distribution expenses

The selling and distribution expenses of the Group for the year ended 31 December 2016 from continuing operations were mainly come from the Coal Mining Business of approximately HK$10,818,000, representing a decrease of approximately HK$19,066,000 or approximately 63.80% as compared to the corresponding period in year 2015 from continuing operations. The significant decrease in selling and distribution expenses was mainly resulted from lower logistic costs of coal delivery.

Administrative expenses

The administrative expenses of the Group for the year ended 31 December 2016 from continuing operations amounted to approximately HK$67,463,000, representing a decrease of approximately 27.8% from approximately HK$93,389,000 in the corresponding period in 2015 from continuing operations. The decrease in administrative expenses was mainly attributable to the decrease in staff costs as a result of the cost-saving measures implemented and lower depreciation charges due to the impairment of property, plant and equipment made as at 31 December 2015 which led to the lower depreciable amount of property, plant and equipment.

Impairment of property, plant and equipment, intangible assets, goodwill and trade and other receivables from continuing operations

The Group recorded total impairment losses of approximately HK$148,927,000 for the year ended 31 December 2016, such impairment losses were mainly attributable to:

(i) *The Coal Mining Business segment*

Given the challenging market conditions in the mining industry, the Group continues to rigorously test its assets for impairment as part of its financial reporting process. The Group recorded total impairment losses of approximately HK$17,573,000 and HK$73,422,000 for intangible asset and property, plant and equipment, respectively as at 31 December 2016 in the Coal Mining Business segment. Certain impairment losses have been made on the balances of trade receivables of approximately HK$2,519,000 which has been over due more than 1 year.

In assessing the impairment of the Group's assets under the Coal Mining Business, the Company conducted valuation by adopting discounted cash flow method to derive the respective recoverable amounts of our coal mining assets, the assumptions of the valuation were made based on the current business conditions and project development progress. The assumption of coal production capacity has been adjusted due to the issue of relevant coal mining regulations by the State Council of the PRC in relation to the compression of the coal production capacity in the PRC and the current status of the Application. The directors of the Company consider that this could avoid potential violation of the relevant new mining regulations in the PRC imposed in 2016 in relation to the compression of coal production capacity in the PRC.

The key assumptions and parameters in the valuation conducted for assessing the impairments of the Group's assets under the Coal Mining Business as at 31 December 2015, 30 June 2016 and 31 December 2016 are set out as below:

Key assumptions	31 December 2015	30 June 2016	**31 December 2016**
Projected annual coal production capacity *(note 1)*	1,800,000 tonnes	1,400,000 tonnes	**1,200,000 tonnes**
Unit coal price per tonne adopted (including value-added tax) *(note 2)*	2016-2018: RMB115 2019-2021: RMB120 2022 onwards: RMB125	2016-2018: RMB110 2019-2021: RMB115 2022 onwards: RMB120	**2017-2019: RMB110** **2020-2022: RMB115** **2023 onwards: RMB120**

Note:

(1) Due to the Application is still under the exanimation period and the recent coal industry policy of the compression of production capacity in the PRC, the projected annual coal production capacity was adjusted in accordance with the existing mining license. Further adjustment will be made in accordance with the outcome of the Application.

(2) The estimated unit coal price per tonne (average selling price) was determined by referencing to (i) the average unit selling price of coal in the year ended 31 December 2016 of approximately RMB115 per tonne; (ii) fluctuation of market price of coal in the PRC; and (iii) the historical average unit selling price of coal over past few years of approximately RMB110 per tonne.

(ii) The Coal Upgrading Business segment

Key assumptions and parameters in the valuations conducted for assessing the impairments of the Group's assets under the Coal Upgrading Business are set out below:

(1) Availability of adequate funding to finance the future capital expenditures of the Coal Upgrading Plant

Further to the extended time table of the commercial production of Coal Upgrading Business, in assessing the recoverable amount of the Coal Upgrading Business segment, the Company conducted valuation by adopting discounted cash flow method to derive the respective recoverable amounts of our assets. The management has factored in the future capital expenditures (the "**CAPEX**") for the land use right of the Coal Upgrading Plant and the construction costs of the Coal Upgrading Plant for the phase 2 and phase 3 in the aggregate amount of approximately HK$214 million. The management of Coal Upgrading Business has revisited the schedule of the development of phase 2 and phase 3. Out of the total CAPEX, it was planned that HK$19 million will be incurred in the next 18 months for the development of the Coal Upgrading Plant, depending on the financial position of the Group.

It is the current intention of the management to fund the total CAPEX from (i) the projected net cash inflow to be generated from the Coal Mining Business and Coal Upgrading Business segment; (ii) financial supports in the amount of HK$100 million from the Company's controlling shareholder; and (iii) possible fund raisings of the Group in form of equity and/or debt financing, if necessary.

(2) Assumption on the selling price of the coal under the assumption of Coal Upgrading Business

In forecasting the future cash flows to be generated from the Coal Upgrading Business, the management of the Coal Upgrading Plant applied an unit selling price of RMB300 per tonne (including value-added tax) which is same as last year and parameters extracted from the existing sales and production plan (commencing production in second half of 2017) based on the existing assigned annual production capacity of upgraded coal output (i.e. 250,000 tonnes per annum in 2017; 500,000 tonnes per annum in 2018; 1,000,000 tonnes per annum from 2019-2020; and 2,000,000 tonnes per annum from 2021 onwards). The unit selling price is based on the latest discussions with our potential customers. Further adjustment will be made in accordance with the realised unit selling price of the future commercial orders from potential customers.

In respect of the above, total impairment losses of approximately HK$2,907,000, HK$49,532,000 and HK$324,000 have been made on the goodwill and the property, plant and equipment and deposits, respectively, to reflect (i) the further extended time table of the commercial production; (ii) uncertainties of upgraded coal selling price; and (iii) increasing productions costs.

Impairment of property, plant and equipment from discontinued operation

In assessing the impairment of the Group's assets under the Bag Business segment, the management of the Company assessed the recoverable amount of the assets and impairment loss has been made on the carrying amount of the land and buildings of the production plant of the Bags Business (the "**Bags Production Plant**") of approximately HK$52,197,000 during the first half of 2016. During the interim period, the Bags Production Plant were unused for over a very long period and the Group has not received any solid offer from potential buyers, full impairment has been made on the carrying amount of the building of the Bags Production Plant. Following to the Disposal of the Bags Business, certain impairment loss of approximately HK$13,495,000 made during interim period of the building of the Bags Production Plant have been reversed by reference to the market value of the Bags Production Plant as at the Disposal date which provided by an independent qualified professional valuer of RMB33,300,000 (approximately HK$37,482,000).

As such, impairment loss has been made for the period ended 24 November 2016 is approximately HK$38,702,000.

Finance costs

The finance costs of the Group from continuing operations mainly represented interest expenses on the loans from director and loans from third parties. For the year ended 31 December 2016, finance costs recorded by the Group decreased to approximately HK$2,180,000, dropped by HK$2,271,000, mainly due to certain repayments made to the non-controlling shareholders, third parties and director during the year.

Loss for the year

Net loss attributable to the owners of the Company (including continuing and discontinued operation) for the year ended 31 December 2016 decreased to approximately HK$120,278,000 as compared to approximately HK$170,849,000 for the year ended 31 December 2015. The decrease was mainly due to the decrease in operating loss in the Coal Upgrading Business and the Bags Business.

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 under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 million at an interest rate of 5% per annum. This loan has been applied as general working capital of the Company. The repayment date of this loan had been extended to 31 December 2018.

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 Guochan an unsecured and interest-free loan of RMB20 million (approximately HK$24 million) as general working capital of the Group (the "**Original Loan Amount**"). Part of the Original Loan Amount in the amount of RMB12 million (approximately HK$14 million) has been assumed by Shanghai Wealthy Ocean International Trading Co., Ltd ("**Shanghai Wealthy Ocean**"), an indirect wholly-owned subsidiary of the Company, as part of the consideration of intra group transfer of 37.5% equity interests in Xilinhaote Guochuan held by Beijing Gouchuan to Shanghai Wealthy Ocean, as part of the Group's restructuring and Xilinhaote Guochuan remained as an indirect wholly-owned subsidiary of the Company. The loan of RMB12 million in the book of Shanghai Wealthy Ocean is unsecured, interest-free and repayable on 31 December 2018. The remaining of the Original Loan Amount in the book of Beijing Guochuan amounted to RMB8 million (approximately HK$9 million) was repaid during the year.

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 million at an interest rate of 5% per annum. This loan has been fully repaid during the year.

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 million at an interest rate of 5% per annum. This loan which had been applied as general working capital of the Company, was repayable on 31 March 2016. The repayment date of this loan had been extended to 31 December 2018.

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 million during the availability period at an interest rate of 5% per annum. The Loan Agreement expired on 7 May 2016 and the Company has not made any drawdown under the Loan Agreement.

Capital structure, liquidity and financial resources

There was no change in share capital during the year and as at 31 December 2016,

(a) the Group's aggregate amount of (i) restricted bank deposits; and (ii) bank and cash balances was approximately HK$100,372,000 (31 December 2015: approximately HK$55,682,000). 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$61,482,000 (31 December 2015: approximately HK$118,445,000). An amount of approximately HK$25,228,000 other loans have been repaid in January 2017;

(c) the Group's total gearing ratio was approximately 30.3% (31 December 2015: approximately 32.5%). The gearing ratio was calculated as the Group's total borrowings divided by total equity; and

(d) the current ratio of the Group was approximately 0.60 (31 December 2015: approximately 0.53).

In view of the recent financial performance and position of the Group, the Company will consider possible and adequate fundraising opportunities in order to strengthen its capital base, to ease the Group's short-term financial stress and to enhance its financial position as and when necessary.

Capital reduction and subdivision

On 3 November 2016, the Company proposed to implement a reduction of the issued share capital by reducing the par value of each issued share of Company from HK$0.50 to HK$0.01 by cancelling the paid up share capital to the extent of HK$0.49 on each issued share so that each issued share shall be treated as one fully paid up share of par value of HK$0.01 each in the share capital of the Company (the "**Capital Reduction**") and each authorized but unissued share of the Company of par value of HK$0.50 each be subdivided into 50 shares of HK$0.01 par value each immediately following the Capital Reduction (the "**Subdivision**"), which were duly passed by the shareholders of the Company at the extraordinary general meeting held on 14 December 2016 and subject to the approval by the Grand Court of the Cayman Islands (the "**Court**").

As stated in the announcement of the Company dated 17 February 2017, the Board announced that pursuant to the directions given by the Court, the petition hearing for the confirmation of the Capital Reduction and Subdivision will be held on Friday, 17 March 2017 (Cayman Islands date) at the Court. Further announcement(s) will be made by the Company on the outcome of the Court hearing and/or the precise timetable for the implementation of the Capital Reduction and the Subdivision.

Pledge of assets

As at 31 December 2016, the Group had no pledge of assets (2015: HK$Nil).

Foreign currency risk

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 of 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 the year and as at 31 December 2016.

Acquisition and disposal of material subsidiaries and associates

Save as disclosed in the announcement in relation to the Disposal of the Bags Business dated 27 October 2016, the Group did not acquire or dispose of any material subsidiaries and associates during 2016.

Contingent liabilities

As at 31 December 2016, contingent liabilities in the amount of RMB2 million (approximately HK$2,233,000) which represents the maximum amount of penalty as a result of over-production of the Coal Mining Business.

Capital commitment

As at 31 December 2016, the Group had capital commitment relating to the construction agreements and prepaid land lease payments of the Coal Upgrading Plant contracted for (but not yet incurred) in the amount of approximately HK$48,578,000 (31 December 2015: approximately HK$58,220,000).

Employees

The Group employed 613 full-time employees as at 31 December 2016 in Hong Kong and the PRC (2015: 630). 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 the year ended 31 December 2016 were HK$80,432,000 (2015: HK$107,374,000).

Prospects

The Chinese Government is likely to stay committed to its supply side reform in the coal industry over the next few years, as evidenced by recent announcement on the country's coal capacity elimination target of 800 million tonnes by 2020. In addition, the state government's recent announcement of suspending coal import from North Korea is expected to further tighten coal supply in 2017. These factors are likely to contribute to the stabilization of coal prices in the PRC in the current year. The management will focus on enhancing the fundamental qualities of this business by continuing its stringent cost controls and stepping up measures to enhance production efficiency.

Regarding the Group's Coal Upgrading Plant, the outlook for this plant seems to have been brightened by recent recovery in coal prices. The Chinese Government's determination of promoting clean energy continues to portray a favorable backdrop for the plant's long term growth prospects. The management is actively promoting product of the Coal Upgrading Plant as an environmental friendly alternative for power plants and other industrial users.

The management is cautiously assessing the appropriate timing for the commencement of commercial production of the Coal Upgrading Plant. To ensure that the Group's financial resource is efficiently allocated, the Group intends to secure sufficient amount of firm orders before committing further capital for the Coal Upgrading Plant's full operation.

The existing business portfolio of the Group has limited potential for drastic expansion of operation scale or profitability. The existing operations are also vulnerable to the PRC's coal industry policy changes and a single market fluctuation. It is, therefore, deemed necessary by the management to explore options for widening the Group's business scope and extending its resources into sectors offering more stable and higher return. The management is looking for opportunities in high growth industries in order to widen the Group's revenue base and diversifying its business exposure.

To fuel the Group's planned business diversification, and to provide the Group with sufficient working capital to meet its operation requirement, as well as to trim its financial liability, the management is considering possible fund raising alternatives for the current year.

Although stabilization of coal price is expected to provide a relatively favourable environment for the Group's coal mining activity in the current year, the market remains challenging given the forecasted decline in coal consumption due to softened demand from electricity and steel sectors. The management will remain vigilant to the changing market situation and strive to enhance its operation efficiency through tightened cost compression.

CORPORATE GOVERNANCE

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules on the Stock Exchange.

The Company has complied with the applicable code provisions as set out in the CG Code throughout 2016 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 annual general meeting of the Company held on 17 June 2016 (the "**2015 AGM**") by telephone conference call, but he was well informed by the Company in advance of the date and time of the 2015 AGM and was available to answer questions raised at the 2015 AGM by telephone. Mr. Zhang Fusheng, the chief executive officer of the Company, attended the 2015 AGM and was elected as the chairman of the 2015 AGM.

Under the code provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Kwok Chi Shing, an independent non-executive Director of the Company ("**INED**") and the chairman of the audit committee of the Company (the "**Audit Committee**"), was not able to attend the 2015 AGM due to his personal business engagement. Mr. Huang Shao Ru and Mr. Chang Xuejun, INEDs and members of the Audit Committee, were present at the 2015 AGM to ensure an effective communication with the shareholders of the Company thereat.

Following the resignations of Mr. Tse Kam Fow as an executive Director and Mr. Kwok Siu Man as an INED 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 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; (iii) the requirement under Rule 3.25 of the Listing Rules that the remuneration committee of the Company (the "**Remuneration Committee**") shall comprise a majority of INEDs was not fulfilled; and (iv) the requirement under the code provision A.5.1 of the CG Code that the nomination committee of the Company (the "**Nomination Committee**") shall comprise a majority of INEDs was not fulfilled. Following 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 the code provision A.5.1 of the CG Code were then fulfilled.

Under the code provision A.4.3 of the CG Code, an independent non-executive director serves more than nine (9) years, his further appointment should be subject to a separate resolution to be approved by shareholders. Mr. Kwok Chi Shing, who was appointed as an INED on 27 January 2006, has been serving the Company for more than nine years. The Board considered that Mr. Kwok Chi Shing continues to be independent as he has satisfied all the criteria for independence set out in Rule 3.13 of the Listing Rules. During his tenure as an INED, he has made positive contributions to the Company's strategies and policies with independent judgement from his areas of expertise. The Board considered that his continued tenure with the Company will continue to bring wide range of valuable insights and expertises to the Board. To comply with the code provision A.4.3 of the CG Code, the further appointment of Mr. Kwok Chi Shing has been proposed and approved by the shareholders of the Company at the 2015 AGM, and any further appointment is subject to a separate resolution to be approved by the shareholders of the Company.

The Company reviewed its corporate governance practices regularly to ensure compliance with the CG Code.

CHANGE IN CONSTITUTIONAL DOCUMENTS

In order to modernize and update as well as to bring the existing memorandum and articles association of the Company in line with the amendments to the Listing Rules, new Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and the CG Code, pursuant to a special resolution passed by shareholders of the Company at the extraordinary general meeting held on 14 December 2016, the amended and restated memorandum and articles of association of the Company took effect on 14 December 2016. An updated version of the amended and restated memorandum and articles of association of the Company is available on the websites of the Company and the Stock Exchange.

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 securities transactions by the Directors. 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 2016.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During 2016, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

ANNUAL GENERAL MEETING

The 2016 annual general meeting of the Company (the "**2016 AGM**") will be held on Friday, 23 June 2017 at 11:00 a.m. and details of which will be set out in the notice of the 2016 AGM, which will be published in due course.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the shareholders who are entitled to attend and vote at the 2016 AGM, the register of members of the Company will be closed from Tuesday, 20 June 2017 to Friday, 23 June 2017, both days inclusive. During the aforementioned period, no request for the transfer of shares will be accepted. All transfers of the shares of the Company accompanied by the relevant share certificates and transfer forms must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Abacus Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Monday, 19 June 2017 in order to be eligible to attend and vote at the 2016 AGM.

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 the year ended 31 December 2016 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 the year ended 31 December 2016 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 the year ended 31 December 2016. 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 the year ended 31 December 2016.

PUBLICATION OF ANNUAL RESULTS

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.grandocean65.com). The annual report of the Company for the year ended 31 December 2016 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, 17 March 2017

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.