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 2017

FINANCIAL HIGHLIGHTS

(1) Revenue from continuing operations for the year ended 31 December 2017 amounted to approximately HK$111,842,000, representing a decrease of approximately 57.7% as compared to the revenue of approximately HK$264,392,000 last year.

(2) Gross profit from continuing operations for the year ended 31 December 2017 amounted to approximately HK$15,723,000, representing a decrease of approximately 88.7% as compared to the gross profit of approximately HK$139,499,000 last year. Overall gross profit margin from continuing operations was approximately 14.1% as compared to approximately 52.8% last year.

(3) Loss attributable to owners of the Company from continuing operations for the year ended 31 December 2017 amounted to approximately HK$143,240,000 as compared to approximately HK$123,414,000 last year.

(4) The Board does not recommend the payment of any final dividend the year ended 31 December 2017.

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 2017 together with the comparative figures for the year ended 31 December 2016 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
Continuing operations			
Revenue	*5*	**111,842**	264,392
Cost of sales		**(96,119)**	(124,893)
Gross profit		**15,723**	139,499
Other income	*6*	**6,050**	461
Selling and distribution expenses		**(5,608)**	(10,818)
Administrative expenses		**(51,496)**	(67,463)
Impairment loss on property, plant and equipment		**(118,417)**	(122,954)
Impairment loss on goodwill		**–**	(2,907)
Impairment loss on intangible asset		**(2,477)**	(17,573)
Impairment loss on trade and other receivables		**–**	(5,493)
Other operating expenses		**–**	(6,557)
Loss from operations		**(156,225)**	(93,805)
Finance costs	*8*	**(1,169)**	(2,180)
Loss before tax		**(157,394)**	(95,985)
Income tax expense	*9*	**(2,415)**	(32,726)
Loss for the year from continuing operations		**(159,809)**	(128,711)
Discontinued operation			
Profit for the year from discontinued operation	*10*	**–**	3,136
Loss for the year	*11*	**(159,809)**	(125,575)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)

For the year ended 31 December 2017

	Note	**2017** ***HK$'000***	2016 *HK$'000*
Attributable to:			
Owners of the Company			
Loss from continuing operations		**(143,240)**	(123,414)
Profit from discontinued operation		**–**	3,136
Loss attributable to owners of the Company		**(143,240)**	(120,278)
Non-controlling interests		**(16,569)**	(5,297)
		(159,809)	(125,575)
			(Restated)
Loss per share			
From continuing and discontinued operations	*13(a)*		
– basic		**HK(12.44) cents**	HK(13.39) cents
– diluted		**N/A**	N/A
From continuing operations	*13(b)*		
– basic		**HK(12.44) cents**	HK(13.74) cents
– diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	2017	2016
	HK$'000	*HK$'000*
Loss for the year	**(159,809)**	(125,575)
Other comprehensive income after tax:		
Item that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**9,573**	(8,880)
Exchange differences reclassified to profit or loss on disposal of foreign operations	**–**	(26,741)
Other comprehensive income for the year, net of tax	**9,573**	(35,621)
Total comprehensive income for the year	**(150,236)**	(161,196)
Attributable to:		
Owners of the Company	**(136,441)**	(153,450)
Non-controlling interests	**(13,795)**	(7,746)
	(150,236)	(161,196)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Note	**2017**	2016
		HK$'000	*HK$'000*
Non-current assets			
Property, plant and equipment		**196,344**	296,991
Intangible asset		**35,217**	36,918
Deferred tax assets		**12,175**	13,013
Prepayments		**3,623**	–
Deposits		**918**	854
Total non-current assets		**248,277**	347,776
Current assets			
Inventories		**24,855**	7,391
Trade and bill receivables	*14*	**2,850**	7,655
Deposits, prepayments and other receivables		**11,166**	9,173
Restricted bank deposits		**10,737**	7,134
Bank and cash balances		**105,286**	93,238
Total current assets		**154,894**	124,591
Current liabilities			
Due to non-controlling shareholders	*15*	**7,393**	6,874
Other loans		**–**	25,228
Accrued charges and other payables		**167,756**	177,218
Total current liabilities		**175,149**	209,320
Net current liabilities		**(20,255)**	(84,729)
Total assets less current liabilities		**228,022**	263,047

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2017

	Note	**2017**	2016
		HK$'000	*HK$'000*
Non-current liabilities			
Due to a director	*16*	**20,883**	20,230
Other loans		**10,994**	9,150
Provision		**5,245**	–
Deferred revenue		**–**	2,233
Deferred tax liabilities		**31,313**	28,546
Total non-current liabilities		**68,435**	60,159
NET ASSETS		**159,587**	202,888
Capital and reserves			
Share capital		**15,035**	251,739
Other reserves		**113,088**	(94,110)
Equity attributable to owners of the Company		**128,123**	157,629
Non-controlling interests		**31,464**	45,259
TOTAL EQUITY		**159,587**	202,888

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 Companies 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 production and sale of coal (the "**Coal Mining Business**") and provision of low-rank coal upgrading services (the "**Coal Upgrading Business**"). In November 2016, the Group disposed of and discontinued its business in the manufacture and sale of plastic woven bags, paper bags and plastic barrels business (the "**Bags Business**").

2. BASIS OF PREPARATION

(a) Statement of compliance

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).

(b) Basis of measurement and going concern assumption

The financial statements have been prepared under the historical cost basis.

During the year, the Group has incurred a loss from continuing operations of approximately HK$159,809,000 (2016: HK$128,711,000) and at the end of reporting period, its current liabilities exceeded its current assets by HK$20,255,000 (2016: HK$84,729,000). This situation indicates the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and therefore, the Group may not be able 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 2019 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 implemented some cost saving measures along with the reduction in production capacity of the Coal Mining Business.

- The directors have adopted a prudent approach in applying the Group's cash onto the capital expenditure in relation to the development and commencement of the commercial production of the Coal Upgrading Business.

The substantial shareholder has further provided an undertaking for an unsecured financial facility with maximum amount of HK$100 million to the Company for the period from 7 March 2018 to 31 December 2019, 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 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. The Group therefore continues to adopt the going concern basis in preparing consolidated financial statements.

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 2017. Of these, the following new or revised HKFRSs are relevant to the Company.

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 12, Disclosure of Interests in Other Entities

Amendments to HKAS 7 – Disclosure Initiative

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

Amendments to HKAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses

The amendments relate to the recognition of deferred tax assets and clarify some of the necessary considerations, including how to account for deferred tax assets related to debt instruments measured of fair value.

Annual Improvements to HKFRSs 2014-2016 Cycle – Amendments to HKFRS 12, Disclosure of Interests in Other Entities

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 12, Disclosure of Interests in Other Entities, to clarify that the disclosure requirements of HKFRS 12, other than the requirements to disclose summarised financial information, also apply to an entity's interests in other entities classified as held for sale or discontinued operations in accordance with HKFRS 5, Non-Current Assets Held for Sale and Discontinued Operations.

The Group has applied these amendment retrospectively. The adoption of the above amendments has not resulted in any material impact on the financial statements of the Group.

(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 1 January 2017. 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 HKFRS 2 Share-based Payment: Classification and measurement of share-based payment transactions	1 January 2018
HKFRS 9 Financial Instruments	1 January 2018
HKFRS 15 Revenue from Contracts with Customers	1 January 2018
Amendments to HKFRS 15: Revenue from Contracts with Customers (Clarifications to HKFRS 15)	1 January 2018
HK(IFRIC) – Int 22: Foreign Currency Transactions and Advance Consideration	1 January 2018
HKFRS 16 Leases	1 January 2019
Amendments to HKFRS 9 Prepayment Features with Negative Compensation	1 January 2019
HK(IFRIC) – Int 23: Uncertainty over Income Tax Treatments	1 January 2019

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 2017 was approximately HK$196,344,000 (2016: HK$296,991,000). An impairment loss on property, plant and equipment of approximately HK$118,417,000 (2016: HK$161,656,000) was recognised for the year ended 31 December 2017.

(b) Impairment loss on property, plant and equipment

Determining whether the property, plant and equipment is 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 be generated 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 2017, the carrying amount of the Group's property, plant and equipment allocated to the Coal CGU is approximately HK$150,304,000 (2016: HK$165,392,000). An impairment loss of approximately HK$10,570,000 (2016: HK$73,442,000) was recognised for the year ended 31 December 2017.

The recoverable amount of the assets of the Coal CGU of HK$185,521,000 has been determined and approved by the directors based on the value in use approach by reference to the discounted cash flow forecasts for the period until the expiry date of the business license.

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

(i) Inner Mongolia Yuan Yuan Energy Group Jinyuanli Underground Mining Company Limited ("**Inner Mongolia Jinyuanli**", an indirect non wholly-owned subsidiary of the Company) will continue to operate the coal mine of the Inner Mongolia Mine 958 ("**Inner Mongolia Mine 958**") at annual production capacity of 1.2 million tonnes, and reduced annual production output level of 1,003,600 tonnes for the period until the expiry date of the business license.

(ii) The coal from the Inner Mongolia Mine 958 with 3,500kcal/kg will be sold at the average selling price of RMB148 per tonne (with value-added tax of 17%) for 2018 with an annual growth rate of 2.5% in the subsequent years for the period until the expiry date of the business license.

(iii) Inflation rate of 2.5% p.a. (2016: 2% p.a.) is applied in the cash flow forecast for the period until the expiry date of the business license. The inflation rate does not exceed the average inflation rate for the relevant market in the PRC.

(iv) Pre-tax discount rate of 15.51% (2016: 12.84%) is adopted based on the assessment of the discount rate analysis independently performed by an independent valuer engaged by the Company.

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

(a) As at 31 December 2017, the construction in progress of approximately HK$43,320,000 (2016: HK$123,217,000) represents a low-rank coal upgrading plant in Xilinhaote City, Inner Mongolia, the PRC (the "**Coal Upgrading Plant**") under construction by Xilinhaote City Guochuan Energy Technology Development Co., Ltd. (the "**Xilinhaote Guochuan**"), an indirect wholly-owned subsidiary of the Company. The Coal Upgrading Plant has been constructed on a piece of land under a Grant Contract for State-owned Land Use Right ("**Land Use Right Contract**"). The legal land use right title has not been obtained up to the date of this announcement and the grant of which is subject to the payment of land premium of approximately HK$18.9 million (2016 HK$17.7 million).

(b) Due to the market conditions of the coal industry in the Inner Mongolia region and the technical issue with the production facility of the Coal Upgrading Plant, the management of Coal Upgrading Plant have postponed the commercial production plan to 2019. The prolonged delay in the commencement of commercial production indicated a potential impairment loss on the assets allocated to the Coal Upgrading CGU. As at 31 December 2017, the Group carried out reviews of the recoverable amount of the assets, including the property, plant and equipment, goodwill and deposit paid for land use right, allocated to the Coal Upgrading CGU, an impairment loss on property, plant and equipment under the Coal Upgrading CGU of approximately HK$107,847,000 has been recognised in profit or loss, having regard to the current market conditions of coal-related industries.

The recoverable amount of the assets of the Coal Upgrading CGU of HK$46,170,000 has been determined and approved by the directors based on the value in use 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 fulfill the conditions of the Land Use Right Contract entered between the Xilinhaote Municipal Land Resources Bureau and Xilinhaote Guochuan, and will obtain the legal land use rights certificate in 2019 by payment of the land use right premium of approximately HK$18.9 million provided that the Coal Upgrading Plant will commence its commercial production with an annual production capacity of 500,000 tonnes upgraded coal output.

(ii) The first phase of Coal Upgrading Plant with annual capacity of 500,000 tonnes of upgraded coal will commence production in 2019. The Group will commence its trial coal upgrading production in 2018 of 12,000 tonnes and will increase to 500,000 tonnes per annum from 2019 to 2022.

(iii) The technology and equipment of the Coal Upgrading 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 RMB450 per tonne in year 2018 and RMB475 per tonne in year 2019 with an annual growth rate of 2.5% in subsequent years during the 5-year forecast period.

(iv) Inflation rate applied in the 5-Year cash flow forecast is 2.5% p.a. (2016: 3% p.a.). The inflation rate does not exceed the average inflation rate for the relevant market in the PRC.

(v) Pre-tax discount rate of 15.52% is adopted based on the assessment of the discount rate analysis independently performed by an independent valuer engaged by the Company.

(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 2017 was approximately HK$12,175,000 (2016: HK$13,013,000).

(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 was nil (2016: HK$277,000) and deferred tax liabilities of approximately HK$732,000 (2016: HK$28,350,000) 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 be generated 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. The goodwill was fully impaired 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$35,217,000 (2016: HK$36,918,000). An impairment loss on intangible asset of approximately HK$2,477,000 (2016: HK$17,573,000) was recognised for the year ended 31 December 2017.

(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 2017, the accumulated impairment loss on trade receivables amounted to approximately HK$2,593,000 (2016: HK$2,411,000).

(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. No allowance was made in the year ended 31 December 2017. Allowance for slow-moving inventories of approximately HK$7,823,000 from continuing operations was made for the year ended 31 December 2016.

5. REVENUE

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

	2017	2016
	HK$'000	*HK$'000*
Sales of coal	**111,842**	264,392
Representing:		
Continuing operations	**111,842**	264,392
Discontinued operations *(note 10)*	**–**	–
	111,842	264,392

6. OTHER INCOME

	2017	2016
	HK$'000	*HK$'000*
Gain on disposals of property, plant and equipment	**653**	5
Interest income	**53**	429
Net foreign exchange gains	**58**	1
Reversal of allowance for inventories *(note (a))*	**–**	1,255
Other taxes waived by PRC government	**–**	220
Waiver of other loan interest payable	**3,011**	–
Reversal of provision for coal resources tax *(note (b))*	**2,128**	–
Sundry income	**147**	26
	6,050	1,936
Representing:		
Continuing operations	**6,050**	461
Discontinued operation *(note 10)*	**–**	1,475
	6,050	1,936

Notes:

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

(b) The reversal of provision for coal resources tax made in previous years is due to change of government policy.

7. SEGMENT INFORMATION

The Group determines its operating segments based on the business from products/services perspective. The Group has two reportable segments as follows:

Coal	–	Production and sale of coal; and
Coal upgrading	–	Provision of low-rank coal upgrading services.

The Group discontinued the Bags Business in 2016.

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 performance is evaluated based on operating loss and is measured consistently with operating loss in the consolidated financial statements. However, group financing costs are managed on a group basis and are not allocated to the reportable segments.

Segment assets exclude deferred tax assets as these assets are managed on a group basis.

Segment liabilities exclude deferred tax liabilities as these liabilities are managed on a group basis.

Information about reportable segment results, assets and liabilities:

	Coal	**Coal upgrading**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Year ended 31 December 2017			
Revenue from external customers	**111,842**	**–**	**111,842**
Segment loss	**(34,074)**	**(110,302)**	**(144,376)**
Interest revenue	**42**	**–**	**42**
Interest expense	**–**	**(284)**	**(284)**
Income tax expense	**(5,140)**	**–**	**(5,140)**
Depreciation and amortisation	**(21,273)**	**(1,218)**	**(22,491)**
Gain on disposals of property, plant and equipment	**–**	**653**	**653**
Impairment loss on property, plant and equipment	**(10,570)**	**(107,847)**	**(118,417)**
Impairment loss on intangible asset	**(2,477)**	**–**	**(2,477)**
Additions to segment non-current assets	**(3,302)**	**(17,929)**	**(21,231)**
At 31 December 2017			
Segment assets	**283,859**	**50,102**	**333,961**
Segment liabilities	**214,199**	**182,442**	**396,641**

	Coal	Coal upgrading	Bags (Discontinued operation)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2016				
Revenue from external customers	264,392	–	–	264,392
Segment loss	(6,243)	(67,851)	(42,352)	(116,446)
Interest revenue	426	–	–	426
Interest expense	–	(338)	–	(338)
Income tax expense	(3,805)	–	–	(3,805)
Depreciation and amortisation	(25,979)	(2,107)	(2,745)	(30,831)
Reversal of allowance/(allowance) for inventories	(7,823)	–	1,255	(6,568)
Gain /(loss) on disposals of property, plant and equipment	457	(452)	–	5
Impairment loss on property, plant and equipment	(73,422)	(49,532)	(38,702)	(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

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

	2017	2016
	HK$'000	*HK$'000*
Revenue		
Total revenue of reportable segments	**111,842**	264,392
Elimination of discontinued operation *(note 10)*	**–**	–
Consolidated revenue from continuing operations	**111,842**	264,392
Profit or loss		
Total loss of reportable segments	**(144,376)**	(116,446)
Unallocated corporate income	**3,082**	1,101
Unallocated corporate expenses	**(18,515)**	(58,961)
Discontinued operation *(note 10)*	**–**	45,595
Consolidated loss for the year from continuing operations	**(159,809)**	(128,711)
Assets		
Total assets of reportable segments	**333,961**	461,655
Corporate assets	**104,316**	43,541
Deferred tax assets	**12,174**	13,013
Elimination of intersegment assets	**(47,280)**	(45,842)
Consolidated total assets	**403,171**	472,367
Liabilities		
Total liabilities of reportable segments	**396,641**	380,979
Corporate liabilities	**27,987**	50,893
Deferred tax liabilities	**30,690**	28,546
Elimination of intersegment liabilities	**(211,734)**	(190,939)
Consolidated total liabilities	**243,584**	269,479

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	
	2017	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**–**	–	**294**	599
The PRC except Hong Kong	**111,842**	264,392	**235,808**	334,164
Consolidated total	**111,842**	264,392	**236,102**	334,763

Revenue from major customers:

	2017	2016
	HK$'000	*HK$'000*
Coal segment		
Customer a	**29,042**	40,173
Customer b	**12,325**	32,405
Customer c	**11,446**	–

8. FINANCE COSTS

	2017	2016
	HK$'000	*HK$'000*
Interest on other loans – wholly repayable within five years	**285**	641
Interest on loans from a director	**316**	399
Imputed interest expenses	**568**	1,443
Total borrowing costs	**1,169**	2,483
Amount capitalised	**–**	(303)
	1,169	2,180
Representing:		
Continuing operations	**1,169**	2,180
Discontinued operation *(note 10)*	**–**	–
	1,169	2,180

9. INCOME TAX EXPENSE

Income tax expense has been recognised in profit or loss as follows:

	2017	2016
	HK$'000	*HK$'000*
Current tax – Overseas		
PRC interest withholding tax	**–**	277
Deferred tax	**2,415**	32,449
	2,415	32,726
Representing:		
Continuing operations	**2,415**	32,726
Discontinued operation *(note 10)*	**–**	–
	2,415	32,726

(a) No provision for Hong Kong Profits Tax has been made for the year ended 31 December 2017 as the Group did not generate any assessable profits arising in Hong Kong during the year (2016: HK$Nil).

Under the law of the PRC on Enterprise Income Tax (the "**EIT law**") and Implementation Regulation of the EIT law, the tax rate applicable to the PRC subsidiaries is 25% (2016: 25%). No provision for PRC Enterprise Income Tax was made for the financial year ended 31 December 2017 as the PRC subsidiaries did not have any assessable profits during the year.

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

	2017	2016
	HK$'000	*HK$'000*
Loss before tax		
Continuing operations	**(157,394)**	(95,985)
Discontinued operation *(note 10)*	**–**	(45,595)
	(157,394)	(141,580)
Tax at the PRC Enterprise Income Tax rate of 25% (2016: 25%)	**(39,348)**	(35,395)
Tax effect of expenses that are not deductible	**4,138**	24,485
Tax effect of income that are not taxable	**(1,297)**	–
Tax effect of temporary differences not recognised	**14,764**	34,476
Tax effect of tax losses not recognised	**16,876**	29,748
Tax effect of utilisation of tax losses not previously recognised	**6,039**	(22,497)
Reversal of deferred tax on undistributed earnings of a PRC subsidiary	**(288)**	(294)
Effect of different tax rates	**1,531**	1,926
PRC interest withholding tax	**–**	277
Income tax expense	**2,415**	32,726

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 and its subsidiaries were 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 in year 2016.

The profit from the discontinued operation up to the date of the disposal is analysed as follows:

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

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

	2016 *HK$'000*
Revenue *(note 5)*	–
Cost of sales	–
Gross loss	–
Other income *(note 6)*	1,475
Administrative expenses	(7,219)
Impairment loss on property, plant and equipment	(38,702)
Other operating expenses	(1,149)
Loss from operations	(45,595)
Finance costs *(note 8)*	–
Loss before tax	(45,595)
Income tax credit *(note 9)*	–
Loss for the year *(note 11)*	(45,595)

Cash flows from discontinued operation:

Net cash outflows from operating activities	(254)
Net cash inflows from investing activities	–
Net cash outflows	(254)

11. LOSS FOR THE YEAR

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

	Continuing operation		Discontinued operation		Total	
	2017	2016	**2017**	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Auditor's remuneration	**1,080**	1,000	**–**	–	**1,080**	1,000
Allowance for inventories (included in cost of sales)	**–**	7,823	**–**	–	**–**	7,823
Reversal of allowance for inventories	**–**	–	**–**	(1,255)	**–**	(1,255)
Amortisation of mining right (included in cost of sales)	**1,851**	3,510	**–**	–	**1,851**	3,510
Cost of inventories sold	**96,119**	124,893	**–**	–	**96,119**	124,893
Depreciation of property, plant and equipment	**20,915**	24,766	**–**	3,125	**20,915**	27,891
Fair value losses on initial recognition of financial liabilities	**–**	194	**–**	–	**–**	194
Gain on disposals of property, plant and equipment	**653**	5	**–**	–	**653**	5
Impairment loss on property, plant and equipment	**118,417**	122,954	**–**	38,702	**118,417**	161,656
Impairment loss on goodwill	**–**	2,907	**–**	–	**–**	2,907
Impairment loss on intangible asset	**2,477**	17,573	**–**	–	**2,477**	17,573
Impairment loss on receivables						
– trade receivables	**–**	2,519	**–**	–	**–**	2,519
– other receivables	**–**	2,974	**–**	–	**–**	2,974
	–	5,493	**–**	–	**–**	5,493
Operating lease charges						
– Land and buildings	**3,004**	2,585	**–**	471	**3,004**	3,056

Cost of inventories sold includes staff costs, allowance for inventories, amortisation of mining right and depreciation of approximately HK$55,087,000 (2016: HK$64,817,000) 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 2017 (2016: 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$143,240,000 (2016: HK$120,278,000) and the weighted average number of ordinary shares of 1,151,798,178 (2016: 897,992,115 (restated)) in issue during the year.

The weighted average number of ordinary shares for the purpose of basic loss per share for the year ended 31 December 2016 are restated to reflect the bonus element of the placement of shares in July 2017.

Diluted loss per share

No diluted loss per share is presented as the Company did not have any dilutive potential ordinary shares during the years ended 31 December 2017 and 31 December 2016.

(b) From continuing operations

Basic loss per share

The calculation of basic loss from continuing operations per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company from continuing operations of approximately HK$143,240,000 (2016: HK$123,414,000) and the weighted average number of ordinary shares using the denominators detailed above for basic 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 years ended 31 December 2017 and 31 December 2016.

(c) From discontinued operation

No earnings per share from discontinued operations is presented for the year as there is no discontinued operation during the year. Basic earnings per share from discontinued operations for the year ended 31 December 2016 was HK$0.35 cents per share (restated), which was calculated, based on the profit attributable to owners of the Company from discontinued operations of approximately HK$3,136,000 and the weighted average number of ordinary shares using the denominators detailed above for basic 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.

14. TRADE AND BILL RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
Trade receivables	**4,619**	3,627
Impairment loss on trade receivables	**(2,593)**	(2,411)
	2,026	1,216
Bill receivables	**824**	6,439
	2,850	7,655

The general credit terms of 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:

	2017	2016
	HK$'000	*HK$'000*
0 to 90 days	**571**	1,100
91 to 180 days	**–**	–
181 to 365 days	**1,291**	116
Over 365 days	**164**	–
	2,026	1,216

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

15. DUE TO NON-CONTROLLING SHAREHOLDERS

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

	2017	2016
	HK$'000	*HK$'000*
Current liabilities		
Other payables *(note)*	**7,393**	6,874

Note: The other payables are unsecured, interest-free and repayable at normal business term.

16. DUE TO A DIRECTOR

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

	2017	2016
	HK$'000	*HK$'000*
Non-current liabilities		
Loans *(note)*	**20,883**	20,230

Note: The loans from a Director are unsecured, interest bearing at Nil – 5% per annum and repayable on 31 December 2019 (2016: 31 December 2018).

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The auditor expressed a disclaimer opinion in the independent auditor's report in the consolidated financial statements of the Group for the year ended 31 December 2017. The basis of disclaimer of opinion is extracted as follows:

Basis for Disclaimer of Opinion

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

In the audit of the Group's consolidated financial statements for the year ended 31 December 2016, the predecessor auditor was unable to obtain sufficient appropriate audit evidence in their review of the impairment assessment made by the directors of the Company for the coal cash generating unit ("Coal CGU") prepared on the value in use basis. As stated in the predecessor auditor's report in relation to the cash flow forecast, one of the assumptions is the estimated production volume over the forecast period. The cash flow forecast was based on 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. However, subsequent to the mining agreement the local government imposed a policy to reduce the production limit by around 16%. In preparing the impairment assessment for the year ended 31 December 2016, the directors of the Company considered that the temporarily resumption of production from 21 November 2016 to 30 May 2017 granted by the local government in 2016 will extend further during the forecast period.

The predecessor auditor stated in their report that they were unable to obtain sufficient appropriate audit evidence to support the reasonableness of the revenue stated in the forecast. As a result, the predecessor auditor was unable to determine whether the recoverable amount of the Coal CGU has been overstated or any further impairment on the carrying amounts of the Coal CGU assets was required.

Due to the inability to obtain the above information, the predecessor auditor was unable to determine whether it was probable that there would be sufficient taxable profits available against which the deferred tax assets of approximately HK$13,013,000 as at 31 December 2016 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.

The aforesaid limitations have not been subsequently resolved during our audit of the consolidated financial statements for the year ended 31 December 2017.

Accordingly, any adjustments to the impairment loss on property, plant and equipment of HK$73,422,000, impairment loss on intangible asset of HK$17,573,000 and tax credit of HK$4,100,000 included in income tax expense reflected in profit or loss for the year ended 31 December 2016 would affect the carrying amount of the property, plant and equipment, intangible assets and deferred tax assets at 31 December 2016.

Our opinion on the consolidated financial statements for the year ended 31 December 2017 is also modified because of the possible effects of these matters on the comparability of the current year's figures and the corresponding figures.

(b) Impairment of 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. During the preparation of the trial run in the third quarter of 2017, the coal upgrading plant encountered a technical issue with the autoclaves in relation to the obstruction of the valves during the process of high-pressured steaming. The Group has then employed provisional autoclaves for a small scale of trial production to preclude temporarily such technical issue in the fourth quarter of 2017. By the end of year 2017, approximately 1,200 tonnes of upgraded coals were produced. As at 31 December 2017, the carrying amounts of the Group's property, plant and equipment included plant and machinery and construction in progress of approximately HK$1,904,000 and HK$43,320,000 respectively, and deposits under non-current assets of approximately HK$918,000 belonged to the coal upgrading cash-generating unit (the "Coal Upgrading CGU").

As described in note 18(c) to the consolidated financial statements for impairment assessment, the directors of the Company estimated the recoverable amount of the Coal Upgrading CGU at 31 December 2017, by using value in use basis. Based on the impairment assessment, impairment loss of HK$107,847,000 has been recognised in profit or loss in respect of the property, plant and equipment of the Coal Upgrading CGU. The directors of the Company prepared cash flow forecast based on the assumptions that the Coal Upgrading CGU will implement the business plan to commence coal upgrading annual production of 500,000 tonnes in January 2019.

We were unable to assess whether the technical issue mentioned above could be resolved by the end of 2018 so that the coal production of 500,000 tonnes per annum could be achieved in 2019 as no technical report could be obtained.

As a result, we were unable to determine whether the recoverable amount of the Coal Upgrading CGU has been properly determined following the Group's accounting policies as disclosed in note 4(w) to the consolidated financial statements. There were no other alternative audit procedures that we could perform to satisfy ourselves as to the recoverable amounts of the plant and machinery and construction in progress and deposits under non-current assets approximately of HK$1,904,000, HK$43,320,000 and HK$918,000 respectively as at 31 December 2017 and whether the impairment losses on property, plant and equipment of HK$107,847,000 attributable to the Coal Upgrading CGU and the corresponding movements in the consolidated statement of cash flows were properly stated. Any adjustments to these figures would have consequential effect on the Group's net assets as at 31 December 2017 and its performance and cash flows for the year then ended.

In the audit of the Group's consolidated financial statements for the year ended 31 December 2016, the predecessor auditor stated in their report that, among other limitations, they were unable to obtain sufficient appropriate audit evidence on whether the production line was capable of processing low-rank coal to upgraded coal at stable quality by July 2017. As a result, the predecessor auditor was 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 property, plant and equipment of the Coal Upgrading CGU was required and they did not express opinion on the 2016 figures.

Accordingly, any adjustments to the impairment loss on goodwill of HK$2,907,000, and impairment loss on property, plant and equipment of HK$49,532,000 reflected in profit or loss for the year ended 31 December 2016 would affect the carrying amount of the property, plant and equipment and goodwill at 31 December 2016.

Our opinion on the consolidated financial statements for the year ended 31 December 2017 is also modified because of the possible effects of these matters on the comparability of the current year's figures and the corresponding figures.

Disagreement on the Measurement of Land Use Right

As further explained in Note 18(b) to the consolidated financial statements, the Group entered into a contract with local anthority in 2013 to acquire the piece of land occupied by the Coal Upgrading CGU and no prepaid land lease payment has been recorded as at 31 December 2017.

Given these circumstances, the directors of the Company have not recognised any amortisation of the above land in the consolidated financial statements which, in our opinion, is not in accordance with Hong Kong Financial Reporting Standards. Based on the straight-line method of amortisation over the useful lives of the land use rights, the loss of the year should be increased by approximately HK$364,000, prepaid lease payments should be increased by approximately HK$17.2 million in 2017 and HK$16.4 million in 2016, other payables should be increased by approximately HK$18.9 million in 2017 and HK$17.7 million in 2016, and the accumulated losses should be increased by approximately HK$1.6 million in 2017 and HK$1.2 million in 2016.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the consolidated financial statements, which indicates that the Group incurred a loss attributable to the Group of approximately HK$143,240,000 for the year ended 31 December 2017 and as at 31 December 2017 the Group had net current liabilities of approximately HK$20,255,000. As stated in Note 2, these conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

MANAGEMENT DISCUSSION AND ANALYSIS

Business and financial review

The Group recorded total revenue of approximately HK$111,842,000 for the year ended 31 December 2017, representing a decrease of approximately HK$152,550,000 or approximately 57.7% as compared to the revenue for the year ended 31 December 2016 of approximately HK$264,392,000. The loss attributable to the owners of the Company from continuing operations for the year ended 31 December 2017 amounted to approximately HK$143,240,000 as compared to the corresponding period in 2016 of approximately HK$123,414,000. The Group reported its annual results for the year ended 31 December 2017 in two segments, namely: (i) the Coal Mining Business; and (ii) the Coal Upgrading Business. The Bags Business was reclassified to discontinued operation following the completion of disposal during the financial year ended 31 December 2016.

The Coal Mining Business

Over the past few years, there were changes in the policies of the PRC coal industry regarding the country's coal supply reform in resolving excess coal production capacities of the PRC. In year 2016, there were two major policies released which affected the production capacities of coal production enterprises in the PRC. On 3 May 2016, the Coal Industrial Bureau (煤炭工業局) of the PRC released the notice "Nei Mei Ju Zi (2016) No. 63" in relation to the reduction of the annual working days of the coal production enterprises from 330 days to 276 days effective from 1 May 2016, resulting in a decrease of approximately 16% in the production capacities of coal production enterprise (the "**First Notice**"). Thereafter, on 21 November 2016, the Inner Mongolia Autonomous Region Economic and Information Technology Commission (內蒙古自治區經濟和信息化委員會) released the notice "Nei Jing Xin Ban Zi (2016) No. 409", allowing the annual working days of the coal production enterprises to be temporarily resumed to 330 days during the period from 21 November 2016 to 30 May 2017 (the "**Second Notice**").

Inner Mongolia Yuan Yuan Energy Group Jinyuanli Underground Mining Company Limited ("**Inner Mongolia Jinyuanli**"), an indirect non-wholly owned subsidiary of the Company, operates the Group's coal mine of the Inner Mongolia Mine 958 ("**Inner Mongolia Mine 958**") in Inner Mongolia region with an authorized annual production capacity of 1.2 million tonnes. The Board is delighted to announce that, during the financial year ended 31 December 2017, Inner Mongolia Jinyuanli has successfully renewed its: (i) safety production license (安全生產許可證) being approved by the State Administration of Coal Mine Safely of Inner Mongolia; and (ii) coal mining license (採礦許可證) being approved by the Land and Resources Bureau of Huolinguole City, both of which were approved to extend for a term of three years. The renewed safety production license will expire on 24 September 2020 and the coal mining license will expire on 26 October 2020.

In view of the increasing productivity of Inner Mongolia Mine 958, which produced approximately 1.66 million tonnes and 2.20 million tonnes of coals in years 2014 and 2015 respectively, the management of Inner Mongolia Jinyuanli applied to the Land and Resources Bureau of Huolinguole City (霍林郭勒市國土資源局) for increasing the allowed annual production capacity of Inner Mongolia Mine 958 from 1.2 million tonnes to 1.8 million tonnes in year 2015 (the "**Application**"). However, based on the understanding of the management of Inner Mongolia Jinyuanli, the Land and Resources Bureau of Huolinguole City is reluctant to grant the approval of the Application due to the tightening PRC coal industry policies. The Group will continue to pursue such approval and will update the shareholders of the Company the status of the Application as and when appropriate.

In view of the Application had been pended for over 2 years and to ensure the compliance with the relevant PRC coal industry policies, the management of Inner Mongolia Jinyuanli decided to lower the coal production output to approximately 1.18 million tonnes (i.e. within the allowed annual production capacity of 1.2 million tonnes) during the financial year ended 31 December 2017 (2016: approximately 1.94 million tonnes), and approximately 0.93 million tonnes of coals were sold during the period (2016: 2.01 million tonnes) respectively. Such decrease in production output led to the decrease in revenue of approximately HK$152,550,000 or 57.7% as compared to the corresponding period in 2016 of approximately HK$264,392,000 for the Coal Mining Business. The segment loss of the Coal Mining Business for the year ended 31 December 2017 was approximately HK$34,074,000 as compared to approximately HK$6,243,000 for 2016, which was resulted from, in addition to the abovementioned decrease in production output, the additional costs incurred for the change of mining location within the coal mining license, during the financial year ended 31 December 2017.

Besides, contingent liabilities in the amount of RMB2 million (approximately HK$2,402,000) was reported in the Group's consolidated financial statements for the year ended 31 December 2016 and 2017 on a prudent basis, which represented the maximum amount of penalty as a result of over-production in the year 2016. As at the date of this announcement, Inner Mongolia Jinyuanli has not received any indication or formal notice of warning or penalty regarding prior years' over-production.

The Coal Upgrading Business

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**") by Xilinhaote City Guochuan Energy Technology Development Co. Ltd ("**Xilinhaote Guochuan**"), an indirect wholly-owned subsidiary of the Company, were substantially completed in 2015 and intended to commence commercial production in the third quarter of 2017 as disclosed in the Company's 2016 annual report. During the preparation of the commercial production in the third quarter of 2017, the Coal Upgrading Plant encountered a technical issue with the autoclaves in relation to the obstruction of the valves during the process of high-pressured steaming. In view of this, the management of the Coal Upgrading Plant is currently working with a research institution to assess the additional costs and time required to resolve such technical issue before the Coal Upgrading Plant can commerce its commercial production with an economy of scale, which is tentatively scheduled to 2019.

Despite the postponement of the commercial production, the Group has made progress in promoting the upgraded coal products. The Coal Upgrading Plant has employed provisional autoclaves for a small scale of trial production to preclude temporarily such technical issue in the fourth quarter of 2017. By the end of the year 2017, approximately 1,200 tonnes of upgraded coals of around 4,800 cal/kg were produced with lower calorific value level as a result of using the provisional autoclaves, of which 1,190 tonnes were sold at a unit price of RMB450 per tonne (VAT inclusive) to a local power plant with total proceeds of approximately RMB536,000 (approximately of HK$620,000).

As disclosed in the Company's 2016 annual report, the existing approval granted to the development of the Coal Upgrading Plant (the "**Development Approval**") had expired in June 2016 and the management of Coal Upgrading Plant has applied to relevant government authorities for further extension of the Development Approval. In addition, the Group has yet to obtain the title of the land at which the Coal Upgrading Plant is located and the outstanding land premium to be paid is HK$18.9 million. Notwithstanding the various issues the Coal Upgrading Plant are facing, the management of the Coal Upgrading Plant will continue to focus on resolving the above technical issue and perfecting its project approvals including the land title. In addition, the Coal Upgrading Plant will continue to identify potential customers and enhance its marketing plan with its trial upgraded coal products produced using the provisional autoclaves. The Board believes that the feedbacks from the customers will provide sufficient data and references to the management to determine the future plans.

Since 2016, the Board has been very prudent in applying capital to operate this business segment given the difficulties the Group faced to raise funding in the past few years, due to the capital intensive nature and relative long payback period for this business. The Board currently intends to invest additional capital to perfect the project approvals, including the land title, such investments will be made with reference to financial forecasts upon the commercial production in order to ensure that the Coal Upgrading Plant can generate efficient revenue for its future working capital.

Prior to the commencement of commercial production of the Coal Upgrading Plant, the Coal Upgrading Business segment did not record any revenue for the year ended 31 December 2017. This segment reported a loss of approximately HK$110,302,000 as compared to a loss in the corresponding period of HK$67,851,000. The increase in loss for the year mainly attributable to impairment on the property, plant and equipment of approximately HK$107,847,000.

In accordance with relevant accounting standards, the net small scale production expenses for the trial production in 2017 of approximately HK$749,000 were capitalised as part of the construction costs based on the current status of the Coal Upgrading Plant.

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

In accordance with the Group's accounting policies, each assets or cash-generating unit ("**CGU**") will be evaluated at the end of each reporting period. In assessing whether an impairment is required, the CGU will be compared with its recoverable amount. The recoverable amount is the higher of the CGU's fair value less cost of disposal and value in use ("**VIU**").

The Group recorded total impairment losses from continuing operations of approximately HK$120,894,000 for the year ended 31 December 2017, such impairment losses were mainly attributable to:

(i) The Coal Mining Business

The management of the Company has performed an impairment assessment review on all of the carrying amounts of the Group's property, plant and equipment and intangible assets including those non-current assets related to the Coal Mining Business cash generating unit (the "**Coal Mining CGU**"). The recoverable amounts of the assets under the Coal Mining CGU were estimated based on their VIU, determined by discounting the future cash flows to be generated from the continuing use of these assets. The key assumptions of the cash flow projections were made based on the current business and financial conditions of Inner Mongolia Jinyuanli and an independent valuer has been engaged by the Company to review the reasonableness and fairness of the assumptions applied in the cash flow projections.

The Group recorded total impairment losses of approximately HK$13,047,000 on the assets under the Coal Mining CGU for the financial year ended 31 December 2017. Further impairment losses of: (i) approximately HK$10,570,000 on the property, plant and equipment; and (ii) approximately HK$2,477,000 on the intangible assets were recognised for the financial year ended 31 December 2017 due to the reduction in projected annual coal production output following the change in coal production plan of Inner Mongolia Jinyuanli in the year 2017. The key assumptions and parameters in the cash flow projections of the Coal Mining CGU as at 31 December 2017, 30 June 2017 and 31 December 2016 are set out below:

Key assumptions	31 December 2016	30 June 2017	**31 December 2017**
Projected annual coal production output for the period until the expiry date of the business license *(Note 1)*	1,200,000 tonnes	1,200,000 tonnes	**1,003,600 tonnes**
Average unit coal selling price per tonne (including value-added tax) *(Note 2)*	2017-2019: RMB110 2020-2022: RMB115 2023 onwards: RMB120	2017-2019: RMB110 2020-2022: RMB115 2023 onwards: RMB120	**2018: RMB115** **2019: RMB120** **2020 onwards: increase with inflation rate**
Inflation rate	2.0%	2.0%	**2.5%**

Notes:

(1) Due to the pending status of the Application and the recent PRC coal industry policies of the compression of production capacity in the PRC, as well as the change the projected annual coal production output from 1,200,000 tonnes to 1,003,000 tonnes of Inner Mongolia Jinyuanli in the year 2017's cash flow projections.

(2) The estimated unit coal price per tonne (average selling price) was determined by referencing to: (i) the average unit selling price of coal for the year ended 31 December 2017 of Inner Mongolia Jinyuanli; (ii) the prevailing market price of coal in the Inner Mongolia Region; (iii) fluctuation of market price of coal in the PRC; and (iv) the historical average unit selling price of coal over past few years of Inner Mongolia Jinyuanli.

Unlike the prices of coal of relatively high calorific value (5,000KJ/Kg or above) with a transparent index that could be quoted on http://www.cqcoal.com, the price level of the coal produced by Inner Mongolia Jinyuanli with relative low calorific value (around 3,100 KJ/Kg to 3,500 KJ/Kg) was quoted from local reference for the Inner Mongolia region – http://www.imcec.cn. The management of Inner Mongolia Jinyuanli relies on such reference in determining the selling price of its coal during the business negotiations with their buyers (with a +/-10% variance taking into account factors such as the means of transportation and size of purchase order etc), which we considered a relevant reference of coal price in the locality of Huolinguole City, Inner Mongolia, the PRC.

Following to the reduction in production output and measures taken as discussed in previous section, during year 2017, the issues identified by the former auditor of the Company have been resolved. In view of the effect on the opening effect on the carrying of property, plant and equipment of the Coal Mining CGU, the current auditor has modified opinion as shown in section "Extract of Independent Auditor's Report".

(ii) The Coal Upgrading Business

The management of the Company has performed impairment assessment on all of the carrying amounts of the Group's property, plant and equipment and deposits under non-current assets including those non-current assets related to the Coal Upgrading Business (the "**Coal Upgrading CGU**"). The recoverable amounts of Coal Upgrading CGU are estimated based on the their VIU determined by discounting the future cash flows to be generated from the continuing use of these assets. The other key assumptions of the cash flow projection were made based on the current business and financial conditions of Coal Upgrading Plant and an independent valuer has been engaged to review the reasonableness and fairness of the assumption used in the cash flow projections. Subsequent to the Group's recorded total impairment losses of approximately of HK$52,763,000 for goodwill, property, plant and equipment and deposits under non-current assets for the financial year ended 31 December 2016, further impairment losses of approximately of HK$107,847,000 has been made on the property, plant and equipment for the year ended 31 December 2017 due to further postponement in commencing the commercial production of the Coal Upgrading Plant.

The key assumptions and parameters applied in the cash flow projections of the Coal Upgrading CGU as at 31 December 2016, 30 June 2017 and 31 December 2017 are set out below:

Key assumptions	31 December 2016	30 June 2017	**31 December 2017**
Projected annual coal production output *(note 1)*	2017: 250,000 tonnes 2018: 500,000 tonnes 2019: 1 million tonnes 2020: 1 million tonnes 2021: 2 million tonnes	2017: 250,000 tonnes 2018: 500,000 tonnes 2019: 1 million tonnes 2020: 1 million tonnes 2021: 2 million tonnes	**2018: 12,000 tonnes** **2019: 500,000 tonnes** **2020: 500,000 tonnes** **2021: 500,000 tonnes** **2022: 500,000 tonnes**
Average unit upgraded coal selling price per tonne (including value-added tax) *(note 2)*	2017-2021: 5,000kcal/kg of RMB300	2017-2021: 5,000kcal/kg of RMB300	**2018: 4,800kcal/kg of RMB450** **2019: 5,000kcal/kg of RMB475** **2020 onwards: increase with inflation rate**
Inflation rate	2.0%	2.0%	**2.5%**

Notes:

1. The management of Coal Upgrading Plant has considered the lack of funding of the Group to support the future capital expenditures for Phase 2 and Phase 3 development. As such, the Coal Upgrading Plant will maintain an annual production output of upgraded coal at 500,000 tonnes during the period from 2019 to 2022.

   The management of Coal Upgrading Plant is currently focusing on the small scale production to assess the market and its profitability. The management of Coal Upgrading Plant aims to overcome the technical issues with the autoclaves during the year 2018 and perfect the land use rights and relevant permit and licenses in due course. The commencement of commercial production is then further postponed to 2019 upon resolving the above issues.

2. The average unit selling price is based on the prevailing market price of coal in the Inner Mongolia region of similar calorific value with a reasonable profit margin, and referenced to the selling price of the 1,200 tonnes of upgraded coal in December 2017. The pricing of the Coal Upgrading Plant's upgraded coal products will depend on: (i) the characteristics and specifications of the upgraded coal products and their applications, applications other than electricity production would possibly improve the profit margins significantly; (ii) the costs of low rank coals as raw materials, with a productivity ratio of 2 (upgraded coal output): 3 (low rank coal input); and (iii) PRC's coal market sentiment. While the Coal Upgrading Plant is yet to commence its commercial production, the other assumptions made in the valuation was referenced to the latest information available to the management of the Coal Upgrading Plant.

In view of the audit qualifications regarding the Company's assessments in making any impairment loss on the property, plant and equipment, goodwill and deposits under non-current assets for the Coal Upgrading Business for the years ended 31 December 2015, 2016 and 2017, after the discussion with the audit committee, the Board and the management of Coal Upgrading Plant have taken the following measures to resolve the issues giving rise to the disclaimer of opinion expressed by the auditors of the Company.

a. The management of Coal Upgrading Plant had produced 1,200 tonnes of the commencement of commercial production and upgraded coal in December 2017 to make progress with the marketing plan of the upgraded coal products;

b. The management of the Coal Upgrading Plant has revised the timetable of the development of Phase 2 and Phase 3;

c. The Company raised net proceeds of HK$106.8 million from the Placing in July 2017, which enables the Group to have sufficient fundings to commence commercial production and perfecting the land title of the Coal Upgrading Plan; and

d. An independent valuer was engaged to review the reasonableness and fairness of the assumptions made in the cash flow projection for the impairment assessment performed during the audit for the financial year ended 31 December 2017.

In view of the disagreement of the measurement of land use right raised from auditor of the Company, the management of the Company were of the view that, in respect of the land occupied by the Coal Upgrading CGU (the "**Land**"), the Group did not have sufficient funding to pay the land use right premium during past few years to perfect the Land title, therefore, it was considered that the Land was yet to become legally owned by Xilinhaote Guochuan. Furthermore, although a trial production was commenced in the fourth quarter of 2017, the Coal Upgrading Plant has yet to be granted the Development Approval and did not commence its commercial production as at the date of this announcement. So, it is also considered that the assets above the Land is also not in use.

The Group has yet to recognise the land as prepaid land lease payment in consolidated financial statement. The above accounting treatment is consistent with the presentation in the Group's audited financial statements for prior years. The Board considers that the effect on profit or loss of unrecognised amortisation qualified by the auditors is not material to the overall financial position of the Group.

The management of the Company will continue to discuss with the auditors of the Company to updating them the latest status of the development of this Coal Upgrading CGU for an appropriate accounting treatment on the Land in due course.

Selling and distribution expenses

The selling and distribution expenses of the Group for the year ended 31 December 2017 from continuing operations was 100% attributed to the Coal Mining Business of approximately HK$5,608,000, representing a decrease of approximately HK$5,210,000 as compared to the corresponding period in 2016 of approximately HK$10,818,000. The significant decrease in selling and distribution expenses was mainly due to lower logistic costs of coal delivery generally in line with the decrease in the quantity of sale of coals as a result of the reduction of coal production output during the year 2017.

Administrative expenses

The administrative expenses of the Group for the year ended 31 December 2017 from continuing operations amounted to approximately HK$51,496,000, representing a decrease of approximately HK$15,967,000 from approximately HK$67,463,000 in the corresponding period in year 2016. The decrease in administrative expenses was mainly attributable to the decrease in staff costs as a result of the cost-saving measures implemented on both the Coal Mining Business and the Coal Upgrading Business and lower depreciation charges due to the impairment of property, plant and equipment made last year which led to a lower depreciable amount of property, plant and equipment.

Finance costs

The finance costs of the Group from continuing operations represented mainly the interest expenses on the loans from a director and loans from third parties. The decrease in finance costs was mainly due to the repayment of certain loans from a director and third parties during the year.

Loss for the year

Net loss attributable to the owners of the Company from continuing operations for the year ended 31 December 2017 increased to HK$143,240,000 as compared to the corresponding period in year 2016 of approximately HK$123,414,000. It was attributable to the (i) operating loss of the Coal Mining Business due to the decrease in the revenue as a result of reduction in coal production output; (ii) operating loss and additional costs for small scale production of the Coal Upgrading Business; and (iii) impairment losses made on certain property, plant and equipment of the Group.

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 substantial shareholder (as defined under 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. Certain part of the loan of approximately HK$1 million has been repaid in year 2017 and the remaining loan of HK$3 million will be due on or before 31 December 2019.

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 million (approximately of HK$24 million) as general working capital of the Group (the "**Original Loan Amount**"). First part of the Original Loan Amount in the book of Beijing Guochuan amounted to RMB8 million was repaid in year 2016 and the second part of the Original Loan Amount in the amount of RMB12 million (approximately of 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 Guochuan to Shanghai Wealthy Ocean, being part of the Group's restructuring and Xilinhaote Guochuan remained as an indirectly wholly-owned subsidiary of the Company after such intra group transfer. The remaining of the Original Loan Amount of RMB12 million (approximately of HK$14 million) in the book of Shanghai Wealthy Ocean is unsecured, interest-free and repayable on or before 31 December 2019.

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. The loan, which has been applied as general working capital of the Company, was originally due on 31 March 2016. The repayment deadline of this loan had been extended to 31 December 2019.

Capital structure, liquidity and financial resources

Capital reduction and subdivision

In November 2016, the Company proposed a reduction in the issued share capital to reduce the par value of each issued share of the Company from HK$0.50 to HK$0.01 by cancelling the paid up share capital of each issued share by an amount of HK$0.49 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 in the extraordinary general meeting held by the Company on 14 December 2016 and obtained the approval by the Grand Court of the Cayman Islands on 17 March 2017, and the completion of the registration by the Registrar of Companies of the Cayman Islands took place on 22 March 2017. Following the fulfillment of all the conditions precedent for the implementation of the Capital Reduction and the Subdivision, the Capital Reduction and Subdivision become effective after 4:00 p.m. on 22 March 2017 and before 9:00 a.m. on 23 March 2017 in Hong Kong due to time difference between Hong Kong and the Cayman Islands.

Fundraising activity

On 12 May 2017, the Company entered into a placing agreement with Grand Cartel Securities Co., Ltd. (the "**Placing Agent**") pursuant to which the Company has conditionally agreed to place, through the Placing Agent, on a best-effort basis, a maximum of 1,000,000,000 ordinary Shares of the Company under the specific mandate to be granted by the shareholders of the Company to not less than six places who and whose ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons as defined in the Listing Rules at the placing price of HK$0.110 per share (the "**Placing**"). All the conditions set out in the Placing agreement had been fulfilled subsequently and the Placing was completed on 31 July 2017 in accordance with the terms and conditions of the placing agreement. The gross and net proceeds raised from the Placing were approximately HK$110.0 million and HK$106.8 million respectively, which were intended to be applied for (i) repayment of overdue construction payables; (ii) development of the Coal Upgrading Business; (iii) repayment of the loan due to a non-controlling shareholder; and (iv) the general working capital of the Company. As at the date of this announcement, the net proceeds from Placing were utilized by approximately of HK$27.4 million comprised of (i) repayment of overdue construction payables approximately HK$14.7 million; (ii) development of Coal Upgrading Business approximately HK$4.4 million; and (iii) the general working capital of the company approximately HK$8.3 million.

Liquidity and financial resources

As at 31 December 2017,

(a) the aggregate amount of the Group's (i) restricted bank deposits; and (ii) bank and cash balances was approximately HK$116,023,000 (as at 31 December 2016: approximately HK$100,372,000);

(b) the Group's total borrowings comprised (i) loan from a non-controlling shareholder; (ii) loans from a director; and (iii) other loans, totaling to approximately HK$39,270,000 (as at 31 December 2016: approximately HK$61,482,000);

(c) the Group's total gearing ratio was approximately 24.6% (as at 31 December 2016: 30.3%). 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 0.88 (as at 31 December 2016: approximately 0.60).

Following the completion of the Placing, the Group's financial position has been strengthened and the Board will continue to closely monitor the financial position of the Group to maintain its financial capacity for future operations and developments.

Pledge of assets

As at 31 December 2017, the Group had no pledge of assets (as at 31 December 2016: 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 ended 31 December 2017.

Acquisition and disposal of material subsidiaries and associates

The Group did not acquire or dispose of any material subsidiaries and associates during the year ended 31 December 2017.

Contingent liabilities

As at 31 December 2017, contingent liabilities in the amount of RMB2 million (approximately HK$2,402,000) which represents the maximum amount of penalty may arise as a result of over-production of the Coal Mining Business in the year 2016.

Capital commitment

As at 31 December 2017, the Group had capital commitment relating to the construction agreements and prepaid land lease payments contracted for but not yet incurred in the amount of approximately HK$43,683,000 (as at 31 December 2016: approximately HK$48,578,000).

Employees

The Group employed 572 full-time employees as at 31 December 2017 (as at 31 December 2016: 613) 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 the year ended 31 December 2017 were HK$69,928,000 (year ended 31 December 2016: HK$80,432,000).

PROSPECTS

The Chinese government's coal industry reform on the supply side in the past few years has continued to affect the coal production enterprises in the PRC on their production capacities, while such industry reform has contributed to the stabilization of coal prices in the PRC in last two years.

Due to the recent changes in policies of the PRC coal industry, Inner Mongolia Jinyuanli has yet to obtain the approval to increase its annual production capacity. Nevertheless, it is still the intention of the management to pursue such approval in due course when the industry policies become less tightening. The Group's coal output in 2017 is significant lower than that in 2016 as result of reduction of coal production output in order to comply with relevant rules and regulations. With an aim to improve the financial performance of the Group, the Group will strive to implement adequate cost saving measures and better sales strategies to enhance the operation efficiency of the Coal Mining Business.

The Board noticed the adverse impacts brought by the prolonged development of the Coal Upgrading Business in the past few years. In view of the material issues facing by the Coal Upgrading Plant, it's the intention of the Board to conduct through assessment on the future plan of the Coal Upgrading Business, taking into account the results of the marketing of the trial upgraded coal products in 2018, with a view to rationalise the future business plan and enhance the long term growth potential of the Company.

The Board considers that the exiting business portfolio of the Group is highly focused and exposed to the risk of the PRC's coal industry policy changes. The Company will continue to explore options for widening the Group's business scope and extending its resources into sectors offering more stable and higher return in order to broaden the Group's revenue base and diversify its business exposure.

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 2017 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. Mr. Xu Bin, the chairman of the Board, attended the annual general meeting held by the Company on 23 June 2017 (the "**2016 AGM**") by telephone conference call. He was well informed by the Company in advance of the date and time of the 2016 AGM and was available to answer questions raised at the 2016 AGM by telephone. Mr. Zhang Fusheng, the chief executive officer of the Company, was elected as the chairman of the 2016 AGM.

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

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 all Directors confirmed that they had complied with the required standards set out in the Model Code during 2017.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During 2017, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

ANNUAL GENERAL MEETING

The 2017 annual general meeting of the Company (the "**2017 AGM**") will be held on 15, June 2018, details of which will be set out in the notice of the 2017 AGM, which will be published and despatched to the shareholders of the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 11 June 2018 to Friday, 15 June 2018, both days inclusive for the purpose of determining the shareholders who are entitled to attend and vote at the 2017 AGM.

In order to be eligible to attend and vote at the 2017 AGM, 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 Friday, 8 June 2018.

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 2017 and was satisfied that the preparation of the results is in compliance with appropriate accounting policies and practices.

SCOPE OF WORK OF BDO LIMITED

The figures in respect of this announcement of the Group's results for the year ended 31 December 2017 have been agreed by the Group's independent auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements and the related notes thereto for the year ended 31 December 2017. The work performed by BDO Limited 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 BDO Limited on this annual results announcement.

DIVIDEND

The Board does not recommend the payment of final divided in respect for the year ended 31 December 2017.

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 2017 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, 23 March 2018

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.