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 2018

FINANCIAL HIGHLIGHTS

(1) Revenue from continuing operations for the year ended 31 December 2018 amounted to approximately HK$194,109,000, representing an increase of approximately 73.6% as compared to the revenue of approximately HK$111,842,000 last year.

(2) Gross profit from continuing operations for the year ended 31 December 2018 amounted to approximately HK$73,533,000, representing an increase of approximately 367.7% as compared to the gross profit of approximately HK$15,723,000 last year. Overall gross profit margin from continuing operations was approximately 37.9% as compared to approximately 14.1% last year.

(3) Loss attributable to owners of the Company (including continuing and discontinued operations) for the year ended 31 December 2018 amounted to approximately HK$18,933,000 while the loss attributable to owners of the Company amounted to approximately HK$143,604,000 (restated and represented) last year.

(4) The Board does not recommend the payment of any final dividend the year ended 31 December 2018.

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 2018 together with the comparative figures for the year ended 31 December 2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2018

	Note	**2018** *HK$'000*	2017 *HK$'000* (Restated and represented)
Continuing operations			
Revenue	*6*	**194,109**	111,842
Cost of sales		**(120,576)**	(96,119)
Gross profit		**73,533**	15,723
Other income	*7*	**538**	2,658
Selling and distribution expenses		**(6,375)**	(5,608)
Administrative expenses		**(53,876)**	(48,502)
Impairment loss on property, plant and equipment		**–**	(10,569)
Impairment loss on intangible asset		**–**	(2,477)
Impairment loss on trade and other receivables		**(622)**	–
Other operating expenses		**(42,842)**	–
Loss from operations		**(29,644)**	(48,775)
Finance costs	*9*	**(717)**	(715)
Loss before tax		**(30,361)**	(49,490)
Income tax credit/(expense)	*10*	**17,267**	(2,415)
Loss for the year from continuing operations		**(13,094)**	(51,905)
Discontinued operation			
Profit/(loss) for the year from discontinued operation	*11*	**7,758**	(108,268)
Loss for the year	*12*	**(5,336)**	(160,173)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)

For the year ended 31 December 2018

	Note	2018 *HK$'000*	2017 *HK$'000* (Restated and represented)
Attributable to:			
Owners of the Company			
Loss from continuing operations		**(27,018)**	(36,585)
Profit/(loss) from discontinued operation		**8,085**	(107,019)
Loss attributable to owners of the Company		**(18,933)**	(143,604)
Non-controlling interests			
Profit/(loss) from continuing operations		**13,924**	(15,320)
Loss from discontinued operation		**(327)**	(1,249)
Profit/(loss) attributable to non-controlling interests		**13,597**	(16,569)
Loss for the year		**(5,336)**	(160,173)
			(Restated)
Loss per share			
From continuing and discontinued operations	*14(a)*		
– basic		**HK(1.26) cents**	HK(12.47) cents
– diluted		**HK(1.26) cents**	HK(12.47) cents
From continuing operations	*14(b)*		
– basic		**HK(1.80) cents**	HK(3.18) cents
– diluted		**HK(1.80) cents**	HK(3.18) cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	2018	2017
	HK$'000	*HK$'000* (Restated and represented)
Loss for the year	**(5,336)**	(160,173)
Other comprehensive income after tax:		
Item that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**(4,490)**	9,471
Exchange differences reclassified to profit or loss on disposal of foreign operations	**6,440**	–
Other comprehensive income for the year, net of tax	**1,950**	9,471
Total comprehensive income for the year	**(3,386)**	(150,702)
Attributable to:		
Owners of the Company	**(14,874)**	(136,907)
Non-controlling interests	**11,488**	(13,795)
	(3,386)	(150,702)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Note	**31 December 2018** *HK$'000*	31 December 2017 *HK$'000* (restated)	1 January 2017 *HK$'000* (restated)
Non-current assets				
Property, plant and equipment		**131,143**	196,344	296,991
Intangible asset		**31,681**	35,217	36,918
Deferred tax assets		**13,784**	12,175	13,013
Prepaid land lease payments		**–**	16,861	16,027
Prepayments		**–**	3,623	–
Deposits		**–**	918	854
Total non-current assets		**176,608**	265,138	363,803
Current assets				
Prepaid land lease payments		**–**	377	351
Inventories		**6,250**	24,855	7,391
Trade and bills receivable	*15*	**1,983**	2,850	7,655
Deposits, prepayments and other receivables		**14,984**	11,166	9,173
Due from non-controlling shareholder	*16*	**5,717**	–	–
Restricted bank deposits		**7,321**	10,737	7,134
Bank and cash balances		**155,635**	105,286	93,238
Total current assets		**191,890**	155,271	124,942
Current liabilities				
Accrued charges and other payables		**112,262**	186,630	194,766
Contract liabilities		**18,922**	–	–
Due to non-controlling shareholder	*16*	**–**	7,393	6,874
Other loans	*17*	**13,653**	–	25,228
Total current liabilities		**144,837**	194,023	226,868
Net current assets/(liabilities)		**47,053**	(38,752)	(101,926)
Total assets less current liabilities		**223,661**	226,386	261,877

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2018

	Note	**31 December 2018**	31 December 2017	1 January 2017
		HK$'000	*HK$'000*	*HK$'000*
			(restated)	(restated)
Non-current liabilities				
Due to a director	*18*	**–**	20,883	20,230
Other loans	*17*	**–**	10,994	9,150
Provision		**4,974**	5,245	–
Deferred tax liabilities		**15,348**	31,313	28,546
Deferred revenue		**–**	–	2,233
Total non-current liabilities		**20,322**	68,435	60,159
NET ASSETS		**203,339**	157,951	201,718
Capital and reserves				
Share capital		**15,035**	15,035	251,739
Reserves		**138,533**	111,452	(95,280)
Equity attributable to owners of the Company		**153,568**	126,487	156,459
Non-controlling interests		**49,771**	31,464	45,259
TOTAL EQUITY		**203,339**	157,951	201,718

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 December 2018, the Group disposed of and discontinued its Coal Upgrading 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.

Based on the Group's cash flow forecasts, 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.

(c) Functional and presentation currency

The consolidated financial statements of the Company and its subsidiaries ("**Group**") are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

(d) Use of judgments and estimates

The preparation of financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these financial statements, are disclosed in note 4.

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 2018. Of these, the following new or revised HKFRSs are relevant to the Company.

Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)
HK(IFRIC)–Int 22	Foreign Currency Transactions and Advance Consideration

Amendments to HKFRS 2 – Classification and Measurement of Shared-Based Payment Transactions

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The adoption of these amendments has no impact on these financial statements as the Group does not have any cash-settled share-based payment transaction and has no share-based payment transaction with net settlement features for withholding tax.

A. HKFRS 9 – Financial Instruments

(i) Classification and measurement of financial instruments

HKFRS 9 replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment and (3) hedge accounting. The adoption of HKFRS 9 from 1 January 2018 has resulted in changes in accounting policies of the Group and the amounts recognised in the consolidated financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities. However, it eliminates the previous HKAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of HKFRS 9 has no material impact on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of HKFRS 9 on the Group's classification and measurement of financial assets is set out below.

Under HKFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with HKFRS 15), an entity shall, at initial recognition, measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("**FVTPL**"), transaction costs. A financial asset is classified as: (i) financial assets at amortised cost ("**amortised costs**"); (ii) financial assets at fair value through other comprehensive income ("**FVOCI**"); or (iii) FVTPL (as defined in above). The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the "solely payments of principal and interest" criterion, also known as "**SPPI criterion**"). Under HKFRS 9, embedded derivatives is no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

A financial asset is measured at amortised cost if it meets both of the following conditions are met and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

A debt investment is measured at FVOCI if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to achieve by both collecting contractual cash flows and selling financial assets; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. All other financial assets not classified at amortised cost or FVOCI as described above are classified as FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The following accounting policies has been applied to the Group's financial assets as follows:

Amortised cost	Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

The following table summarises the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 January 2018:

Financial assets	**Original classification under HKAS 39**	**New classification under HKFRS 9**	**Carrying amount as at 1 January 2018 under HKAS 39**	**Carrying amount as at 1 January 2018 under HKFRS 9**
			HK\$'000	*HK\$'000*
Deposits, prepayments and other receivables	Loans and receivables	Amortised cost	11,166	11,166
Trade and bills receivable	Loans and receivables	Amortised cost	2,850	2,219

(ii) Impairment of financial assets

The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the "expected credit losses ("**ECLs**") model". HKFRS 9 requires the Group to recognise ECL for trade receivables, financial assets at amortised costs, contract assets and debt investment at FVOCI earlier than HKAS 39. Cash and cash equivalents are subject to ECL model but the impairment is immaterial for the current period.

Under HKFRS 9, the losses allowances are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Measurement of ECLs

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For all other financial instruments, the Group measures the loss allowance equal to 12-months ECLs, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of a default occurring since initial recognition.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

Presentation of ECLs

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Impact of the ECL model

(I) Impairment of trade receivables and bills receivable

As mentioned above, the Group applies the HKFRS 9 simplified approach to measure ECLs which recognises lifetime ECLs for all trade receivables and bills receivable. To measure the ECLs, trade receivables and bills receivable have been grouped based on shared credit risk characteristics and the days past due. Based on management assessment, the lifetime loss allowance as at 1 January 2018 was HK$631,000.

(II) Impairment of other receivables

Other financial assets at amortised cost of the Group include other receivables. Applying the ECL model, no allowance for loss is required at 1 January 2018.

(iii) Transition

The Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECLs rules are therefore not reflected in the statement of financial position as at 31 December 2017, but are recognised in the statement of financial position on 1 January 2018. This means that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of HKFRS 9 but rather those of HKAS 39.

The assessment on the determination of business have been made on the basis of the facts and circumstances that existed at the date of initial application of HKFRS 9 (the "**DIA**"):

- The determination of the business model within which a financial asset is held;

- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL; and

- The designation of certain investments in equity investments not held for trading as at FVOCI.

If an investment in a debt investment had low credit risk at the DIA, then the Group has assumed that the credit risk on the asset had not increased significantly since its initial recognition.

B. HKFRS 15 Revenue from Contracts with Customers ("**HKFRS 15**")

HKFRS 15 supersedes HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations. HKFRS 15 has established a five-steps model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group has adopted HKFRS 15 using the cumulative effect method with practical expedients whereby any cumulative effect of initially applying HKFRS 15 is recognised as an adjustment to the opening balance of retained earnings at the date of initial application (that is, 1 January 2018). As a result, the financial information presented for 2017 has not been restated in this respect. The adoption of HKFRS 15 from 1 January 2018 has resulted in change in accounting policies of the Group. The impact on the adoption of HKFRS 15 to the Group's financial statements as at 1 January 2018 is the reclassification of an amount of HK$23,856,000 from accrued charges and other payables to contract liabilities. The impact to the consolidated financial statements of the Group as at 31 December 2018 is the increase in contract liabilities and the decrease in accrued charges and other payables for an amount of HK$18,922,000.

Amendments HKFRS 15 – Revenue from Contracts with Customers (Clarifications to HKFRS 15)

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

The adoption of these amendments has no impact on these financial statements as the Group had not previously adopted HKFRS 15 and took up the clarifications in this, its first, year.

HK(IFRIC)–Int 22 – Foreign Currency Transactions and Advance Consideration

The Interpretation provides guidance on determining the date of the transaction for determining an exchange rate to use for transactions that involve advance consideration paid or received in a foreign currency and the recognition of a non-monetary asset or non-monetary liability. The Interpretations specifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

The adoption of these amendments has no impact on these financial statements as the Group has not paid or received advance consideration in a foreign currency.

(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 2018. These new and revised HKFRSs include the following which may be relevant to the Group.

HKFRS 16	Leases[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, Business Combinations[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 12, Income Taxes[1]
Amendments to HKAS 1 and HKAS 8	Definition of Material[2]
Amendments to HKFRS 3	Definition of a Business[3]

[1] Effective for annual periods beginning on or after 1 January 2019
[2] Effective for annual periods beginning on or after 1 January 2020
[3] Effective for transactions that occur on or after 1 January 2020

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) Estimated useful lives of property, plant and equipment

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.

(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.

The carrying amount of property, plant and equipment as at 31 December 2018 was approximately HK$131,143,000 (2017: HK$196,344,000). An impairment loss on property, plant and equipment of approximately HK$8,486,000 (2017: HK$118,417,000) was recognised for the year ended 31 December 2018.

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

As at 31 December 2018, the carrying amount of the Group's property, plant and equipment allocated to the Coal CGU is approximately HK$130,645,000 (2017: HK$150,304,000). An impairment loss of approximately HK$Nil (2017: HK$10,570,000) was recognised for the year ended 31 December 2018.

The recoverable amount of the assets of the Coal CGU 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.

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

As at 31 December 2017, the carrying amount of the Group's property, plant and equipment includes plant and machinery of approximately HK$1,904,000 and construction in progress of approximately HK$43,320,000 which belonged to the Coal Upgrading CGU. An impairment loss of approximately HK$107,847,000 was recognised for the year ended 31 December 2017.

(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 2018 was approximately HK$13,784,000 (2017: HK$12,175,000).

(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, release of taxable timing differences previously recognised due to disposal of subsidiaries of approximately HK$14,060,000 (2017: Nil) and deferred tax assets of approximately HK$3,207,000 (2017: deferred tax liabilities of approximately HK$732,000) was credited to profit or loss mainly based on the future estimated assessable income from continuing operations.

(e) 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$31,681,000 (2017: HK$35,217,000). An impairment loss on intangible asset of approximately HK$Nil (2017: HK$2,477,000) was recognised for the year ended 31 December 2018.

(f) 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 2018, the accumulated impairment loss on trade receivables amounted to approximately HK$3,656,000 (2017: HK$2,593,000).

(g) 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 and 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 made in the year ended 31 December 2018 and 2017.

5. PRIOR YEAR ADJUSTMENTS

Xilinhaote City Guochuan Energy Technology Development Co. Ltd ("**Xilinhaote Guochuan**"), an indirectly wholly-owned subsidiary of the Company, entered into a Grant Contract for State-owned Land Use Right with local authority in September 2013 (the "**Land Use Right Contract**") to acquire the piece of land (the "**Land**" or "**Land Use Right**") for the construction of a coal upgrading plant in Xilinhaote City, Inner Mongolia, the PRC (the "**Coal Upgrading Plant**"). The Company did not recognise the amount of land premium paid under the Land Use Right Contract as prepaid land lease payments and the corresponding amortisation on the prepaid land lease payments in the consolidated financial statements of the Group for the year ended 31 December 2017.

The legal land use right title has not been obtained up to the date of disposal of the Coal Upgrading Plant. Following the temporary suspension of the operations and development of the Coal Upgrading Plant in July 2018, the directors have reassessed the relevant facts and circumstances and the appropriate accounting treatment in relation to the measurement of land use rights and considered that certain prior year adjustments should be made to correct the prior year errors as described above and certain comparative information has been restated as further detailed below and elsewhere in the consolidated financial statements.

The financial effects of the prior year adjustments on the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2017, the consolidated statement of financial position as at 31 December 2017 and 1 January 2017 are as follows:

The amounts of the adjustment for each item affected are as follows:

(i) Effects on the consolidated statement of financial position

	As previously reported at 31 December 2017	Effect of prior year adjustments	As restated
	HK$'000	*HK$'000*	*HK$'000*
As at 31 December 2017			
Prepaid land lease payments			
– non-current assets	–	16,861	16,861
Non-current assets	248,277	16,861	265,138
Prepaid land lease payments			
– current assets	–	377	377
Current assets	154,894	377	155,271
Accrued charges and other payables			
– current liabilities	(167,756)	(18,874)	(186,630)
Current liabilities	(175,149)	(18,874)	(194,023)
Net current liabilities	(20,255)	(18,497)	(38,752)
Non-current liabilities	(68,435)	–	(68,435)
Net assets	159,587	(1,636)	157,951
Reserves			
Total equity attributable to owners of the Company	128,123	(1,636)	126,487
Total equity	159,587	(1,636)	157,951

	As previously reported at 31 December 2016 *HK$'000*	Effect of prior year adjustments *HK$'000*	Opening balances as at 1 January 2017, as restated *HK$'000*
Opening balances as at 1 January 2017			
Prepaid land lease payments			
– non-current assets	–	16,027	16,027
Non-current assets	347,776	16,027	363,803
Prepaid land lease payments			
– current assets	–	351	351
Current assets	124,591	351	124,942
Accrued charges and other payables			
– current liabilities	(177,218)	(17,548)	(194,766)
Current liabilities	(209,320)	(17,548)	(226,868)
Net current liabilities	(84,729)	(17,197)	(101,926)
Non-current liabilities	(60,159)	–	(60,159)
Net assets	202,888	(1,170)	201,718
Reserves			
Total equity attributable to owners of the Company	157,629	(1,170)	156,459
Total equity	202,888	(1,170)	201,718

(ii) Effects on the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2017

	As previously reported *HK$'000*	Effect of prior year adjustments *HK$'000*	As restated *HK$'000*
Amortisation on prepaid land lease payments	–	(364)	(364)
Loss before tax			
– continuing operations	(49,490)	–	(49,490)
– discontinued operation	(107,904)	(364)	(108,268)
Loss for the year	(159,809)	(364)	(160,173)
Attributable to owners of the Company	(143,240)	(364)	(143,604)
Loss per share *(HK cents) (restated)*			
– Basic	(12.44)	–	(12.47)
– Diluted	(12.44)	–	(12.47)
Total comprehensive income for the year	(150,236)	(466)	(150,702)
Total comprehensive income			
Attributable to owners of the Company	(136,441)	(466)	(136,907)

6. REVENUE

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

	2018	2017
	HK$'000	*HK$'000*
Sales of coal	**194,109**	111,842
Representing:		
Continuing operations	**194,109**	111,842
Discontinued operation *(note 11)*	**–**	–
	194,109	111,842

With the adoption of HKFRS 15 from 1 January 2018, the disaggregation of the Group's revenue from contracts with customers are as follows:

	2018	2017
	HK$'000	*HK$'000*
Total revenue recognised from contracts with customers	**194,109**	111,842

The Group recognised sales of coal of approximately HK$194,109,000 during the year ended 31 December 2018 under the Coal Segment. Sales of coal is recognised at a point in time and its external customers were located in the PRC entirely.

The following table provides information about trade receivables and contract liabilities from contracts with customers:

	31 December 2018	1 January 2018
	HK$'000	*HK$'000*
Receivables	**1,983**	2,219
Contract liabilities	**18,922**	23,856

The contract liabilities mainly relate to the advance consideration received from customers. HK$21,940,000 of the contract liabilities as of 1 January 2018 has been recognised as revenue.

7. OTHER INCOME

	2018	2017
	HK$'000	*HK$'000*
Gain on disposals of property, plant and equipment	**–**	653
Interest income	**409**	53
Net foreign exchange gains	**–**	58
Waiver of other payable	**197**	–
Waiver of other loan interest payable	**–**	3,011
Reversal of provision for coal resources tax *(note (a))*	**–**	2,128
Sundry income	**59**	147
	665	6,050
		(Represented)
Representing:		
Continuing operations	**538**	2,658
Discontinued operation *(note 11)*	**127**	3,392
	665	6,050

Notes:

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

8. 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 sales of coal (the "**Coal Segment**"); and
Coal upgrading – Provision of low-rank coal upgrading services (discontinued operation).

Segment performance is evaluated based on operating profit/(loss) and is measured consistently with operating profit/(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.

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:

	Coal *HK$'000*	Coal upgrading (Discontinued operation) *HK$'000*	Total *HK$'000*
Year ended 31 December 2018			
Revenue from external customers	**194,109**	**–**	**194,109**
Segment profit	**32,758**	**7,758**	**40,516**
Interest revenue	**355**	**4**	**359**
Interest expense	**–**	**(497)**	**(497)**
Income tax credit	**2,929**	**–**	**2,929**
Depreciation and amortisation	**(18,935)**	**(728)**	**(19,663)**
Loss on disposal of property, plant and equipment	**(532)**	**–**	**(532)**
Impairment loss on property, plant and equipment	**–**	**(8,486)**	**(8,486)**
Impairment loss on trade receivables	**(622)**	**–**	**(622)**
Additions to segment non-current assets	**(6,534)**	**–**	**(6,534)**
At 31 December 2018			
Segment assets	**261,329**	**–**	**261,329**
Segment liabilities	**(167,439)**	**–**	**(167,439)**

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

	Coal	Coal upgrading (Discontinued operation)	Total
	HK$'000	*HK$'000*	*HK$'000*
		(Restated)	(Restated)
Year ended 31 December 2017			
Revenue from external customers	111,842	–	111,842
Segment loss	(34,074)	(110,666)	(144,740)
Interest revenue	42	–	42
Interest expense	–	(284)	(284)
Income tax expense	(5,140)	–	(5,140)
Depreciation and amortisation	(21,273)	(1,582)	(22,855)
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	67,340	351,199
Segment liabilities	(214,199)	(201,316)	(415,515)

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

	2018	2017
	HK$'000	*HK$'000*
		(Restated and represented)
Revenue		
Total revenue of reportable segments	**194,109**	111,842
Elimination of discontinued operation *(note 11)*	**–**	–
Consolidated revenue from continuing operations	**194,109**	111,842
Profit or loss		
Total profit/(loss) of reportable segments	**40,516**	(144,740)
Unallocated corporate income	**13,548**	3,082
Unallocated corporate expenses	**(59,400)**	(18,515)
Discontinued operation *(note 11)*	**(7,758)**	108,268
Consolidated loss for the year from continuing operations	**(13,094)**	(51,905)
Assets		
Total assets of reportable segments	**261,329**	351,199
Corporate assets	**136,656**	104,316
Deferred tax assets	**13,784**	12,174
Elimination of intersegment assets	**(43,271)**	(47,280)
Consolidated total assets	**368,498**	420,409
Liabilities		
Total liabilities of reportable segments	**167,439**	415,515
Corporate liabilities	**60,170**	27,987
Deferred tax liabilities	**15,348**	30,690
Elimination of intersegment liabilities	**(77,798)**	(211,734)
Consolidated total liabilities	**165,159**	262,458

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**	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
				(Restated)
Hong Kong	**–**	–	**128**	294
The PRC except Hong Kong	**194,109**	111,842	**162,696**	252,669
Consolidated total	**194,109**	111,842	**162,824**	252,963

Revenue from major customers:

	2018	2017
	HK$'000	*HK$'000*
Coal segment		
Customer a	**32,340**	29,042
Customer b	**–**	12,325
Customer c	**–**	11,446
Customer d	**26,087**	–

9. FINANCE COSTS

	2018	2017
	HK$'000	*HK$'000*
Interest on other loans – wholly repayable within five years	**490**	285
Interest on loans from a director	**134**	316
Imputed interest expenses	**590**	568
Total borrowing costs	**1,214**	1,169
		(Represented)
Representing:		
Continuing operations	**717**	715
Discontinued operation *(note 11)*	**497**	454
	1,214	1,169

10. INCOME TAX (CREDIT)/EXPENSE

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

	2018	2017
	HK$'000	*HK$'000*
Current tax	**–**	–
Deferred tax	**(17,267)**	2,415
	(17,267)	2,415
Representing:		
Continuing operations	**(17,267)**	2,415
Discontinued operation *(note 11)*	**–**	–
	(17,267)	2,415

(a) No provision for Hong Kong Profits Tax has been made for the year ended 31 December 2018 as the Group did not generate any assessable profits arising in Hong Kong during the year (2017: 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% (2017: 25%). No provision for PRC Enterprise Income Tax was made for the financial year ended 31 December 2018 as the PRC subsidiaries did not have any assessable profits during the year.

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

	2018	2017
	HK$'000	*HK$'000*
		(Restated and represented)
Profit/(loss) before tax		
Continuing operations	**(30,361)**	(49,490)
Discontinued operation *(note 11)*	**7,758**	(108,268)
	(22,603)	(157,758)
Tax at the PRC Enterprise Income Tax rate of 25% (2017: 25%)	**(5,651)**	(39,439)
Tax effect of expenses that are not deductible	**1,800**	4,229
Tax effect of income that are not taxable	**(5,272)**	(1,297)
Tax effect of temporary differences not recognised	**(3,151)**	24,485
Tax effect of tax losses not recognised	**3,630**	16,876
Tax effect of utilisation of tax losses not previously recognised	**655**	(3,682)
Reversal of deferred tax on undistributed earnings of a PRC subsidiary	**(278)**	(288)
Release of taxable timing differences previously recognised	**(14,061)**	–
Effect of different tax rates	**5,061**	1,531
Income tax expense	**(17,267)**	2,415

11. DISCONTINUED OPERATION

Pursuant to the sale and purchase agreements dated 30 November 2018 entered into between (i) Wealthy Tone Worldwide Limited and Shanghai Wealthy Ocean International Trading Co., Ltd. as vendors, both are indirect wholly-owned subsidiaries of the Company; and Shenzhen Yuhai Investment Co. Ltd. (深圳市鈺海投資有限公司), a deemed connected person of the Company (the "**Purchaser**"); and (ii) Wealth Business Investment Limited, an indirect wholly-owned subsidiary of the Company and the Purchaser, the Group divested 100% equity interests in (i) Xilinhaote City Guochuan Energy Technology Development Co. Ltd. ("**Xilinhaote Guochuan**") and (ii) Beijing Guochuan New Energy Development Co., Ltd. ("**Beijing Guochuan**") and its subsidiary, Changchun Guochuan Energy and Technology Development Co. Ltd. ("**BG Group**") at a consideration of RMB8 million (approximately HK$9,110,000) and RMB1 (approximately HK$1) respectively (the **"Disposal"**). Xilinhaote Guochuan is principally engaged in the Coal Upgrading Business while BG Group is inactive. The Disposal was completed in December 2018 and the Group discontinued its Coal Upgrading Business since then.

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

	2018	2017
	HK$'000	*HK$'000*
Loss for the year	**(12,837)**	(108,268)
Gain on disposal of subsidiaries	**20,595**	–
Profit/(loss)for the year from discontinued operation	**7,758**	(108,268)
Profit/(loss) for the year from discontinued operation attributable to:		
Owners of the Company	**8,085**	(107,019)
Non-controlling interest	**(327)**	(1,249)
	7,758	(108,268)

The results of the discontinued operation for period from 1 January 2018 to 31 December 2018, which have been included in consolidated profit and loss for the year ended 31 December 2018 are as follows:

	2018	2017
	HK$'000	*HK$'000*
Revenue *(note 6)*	**–**	–
Other income *(note 7)*	**127**	3,392
Administrative expenses	**(3,609)**	(2,995)
Amortisation of land use right	**(372)**	(364)
Impairment loss on property, plant and equipment	**(8,486)**	(107,847)
Loss from operations	**(12,340)**	(107,814)
Finance costs *(note 9)*	**(497)**	(454)
Loss before tax	**(12,837)**	(108,268)
Income tax expense *(note 10)*	**–**	–
Loss for the year	**(12,837)**	(108,268)

Cash flows from discontinued operation:

Net cash used in operating activities	**(4,022)**	(2,327)
Net cash generated from/(used in) investing activities	**2,993**	(10,593)
Net cash generated from financing activities	**1,325**	8,669
Net cash inflow/(outflow)	**296**	(4,251)

12. LOSS FOR THE YEAR

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

	Continuing operations		Discontinued operation		Total	
	2018	2017	**2018**	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
		(Represented)		(Restated and represented)		(Restated)
Auditor's remuneration	**1,510**	1,080	**–**	–	**1,510**	1,080
Amortisation of prepaid lease payment	**–**	–	**372**	364	**372**	364
Amortisation of mining right (included in cost of sales)	**1,782**	1,851	**–**	–	**1,782**	1,851
Cost of inventories sold	**120,576**	96,119	**–**	–	**120,576**	96,119
Depreciation of property, plant and equipment	**17,357**	19,727	**356**	1,188	**17,713**	20,915
Loss/(gain) on disposals of property, plant and equipment	**532**	–	**–**	(653)	**532**	(653)
Impairment loss on property, plant and equipment	**–**	10,570	**8,486**	107,847	**8,486**	118,417
Impairment loss on intangible asset	**–**	2,477	**–**	–	**–**	2,477
Impairment loss on trade receivables	**622**	–	**–**	–	**622**	–
Operating lease charges – Land and buildings	**2,586**	2,426	**592**	578	**3,178**	3,004

Cost of inventories sold includes staff costs, amortisation of mining right and depreciation of approximately HK$46,517,000 (2017 HK$55,042,000) which are included in the amounts disclosed separately.

13. DIVIDENDS

The directors do not recommend the payment of any final dividend for the year ended 31 December 2018 (2017: Nil).

14. LOSS PER SHARE

(a) From continuing and discontinued operations

Basic loss per share

The calculation of basic losses 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$18,933,000 (2017: HK$143,604,000 (restated)) and the weighted average number of ordinary shares of 1,503,477,166 (2017: 1,151,798,178) in issue during the year.

Diluted loss per share

The computation of diluted loss per share for the years ended 31 December 2018 and 2017 does not assume the exercise of share options granted by the Company as the exercise price of those options was higher than the average market price for shares.

(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 of approximately HK$27,018,000 (2017: HK$36,585,000 (represented)) and the weighted average number of ordinary shares using the denominators detailed above for basic loss per share from continuing and discontinued operation.

Diluted loss per share

The computation of diluted loss per share for the years ended 31 December 2018 and 2017 does not assume the exercise of share options granted by the Company as the exercise price of those options was higher than the average market price for shares.

(c) From discontinued operation

Basic earnings per share from the discontinued operation is HK0.54 cent per share (2017: loss per share HK9.29 cents), based on the profit for the year from discontinued operation attributable to the owners of the Company of approximately HK$8,085,000 (2017: loss of HK$107,019,000 (restated and represented)) and the weighted average number of ordinary shares using the denominators detailed above for basic loss per share from continuing and discontinued operation.

Diluted loss per share

The computation of diluted loss per share for the years ended 31 December 2018 and 2017 does not assume the exercise of share options granted by the Company as the exercise price of those options was higher than the average market price for shares.

15. TRADE AND BILLS RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Trade receivables	**4,386**	4,619
Impairment loss on trade receivables	**(3,656)**	(2,593)
	730	2,026
Bills receivable	**1,253**	824
	1,983	2,850

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:

	2018	2017
	HK$'000	*HK$'000*
0 to 90 days	**5**	571
91 to 180 days	**6**	–
181 to 365 days	**719**	1,291
Over 365 days	**–**	164
	730	2,026

16. DUE FROM/(TO) NON-CONTROLLING SHAREHOLDER

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

	2018	2017
	HK$'000	*HK$'000*
Current assets		
Other receivable *(note)*	**5,717**	–
Current liabilities		
Other payable *(note)*	**–**	7,393

Note:

The other receivable is unsecured, 3.6% interest per annum and repayable at 19 June 2019. The amount has been fully settled in February 2019.

The other payable is unsecured, interest-free and repayable at normal business term.

The carrying amounts of the amounts due from/(to) non-controlling shareholder are denominated in RMB.

The directors estimate the carrying amount of the amounts due to non-controlling shareholder approximate its fair value as at 31 December 2018 and 2017.

17. OTHER LOANS

Other loans are repayable as follows:

	2018	2017
	HK$'000	*HK$'000*
Within one year	**13,653**	–
In the second year	**–**	10,994
	13,653	10,994
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(13,653)**	–
Amount due for settlement after 12 months	**–**	10,994

The carrying amounts of the Group's other loans are denominated in RMB.

The average interest rate at 31 December 2018 was 6.0% (2017: 4.5%) per annum.

Other loans of approximately HK$6,000,000 (2017: HK$4,718,000) are arranged at fixed interest rates and expose the Group to fair value interest rate risk.

The directors estimate the carrying amounts of the other loans approximate their fair value as at 31 December 2018 and 2017.

Other loans included the loans from a former director which are unsecured, interest bearing at 0% to 5% per annum and repayable on 31 December 2019 of approximately HK$13,653,000.

18. DUE TO A DIRECTOR

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

	Note	**2018**	2017
		HK$'000	*HK$'000*
Non-current liabilities			
Loans	*(a)*	**–**	20,883

Notes:

(a) The loans from a Director included interest payables as at 31 December 2017 of approximately HK$1,338,000, which were unsecured, interest-bearing and repayable on 31 December 2019. The remaining balances are loans from a director and details are set out as below:

Fully repayable:	Interest rate	Security	**2018**	2017
			HK$'000	*HK$'000*
31 December 2019	Nil	Nil	**–**	13,545
31 December 2019	5% p.a.	Nil	**–**	6,000
			–	19,545

As at 31 December 2017, loans from a director repayable after one year were included in non-current liabilities and were recognised based on the effective interest method using discount rate of 3.14%. The principal amounts of these loans from a director were approximately HK$14,410,000.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The auditor expressed a qualified opinion in the independent auditor's report in the consolidated financial statements of the Group for the year ended 31 December 2018. The basis for qualified opinion is extracted as follows:

Basis for Qualified Opinion

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

As disclosed in notes 19(d) and 21 to the consolidated financial statements, an impairment loss on the property, plant and equipment, intangible assets and related tax credit of approximately HK$10,570,000, HK$2,477,000 and HK$2,356,000 were recognised for the year ended 31 December 2017 in respect of the coal cash generating unit ("**Coal CGU**").

In our audit of the Group's consolidated financial statements for the year ended 31 December 2017, we were unable to perform audit procedures to satisfy ourselves that the impairment losses recognised on property, plant and equipment, intangible assets and related tax credit as included in the income tax expenses reflected in the consolidated statement of profit or loss for the year ended 31 December 2016 were properly accounted for which may affect the carrying amounts of the property, plant and equipment, intangible assets and deferred tax assets as at 31 December 2016. Together with other audit scope limitation, we disclaimed our audit opinion on the 2017 consolidated financial statements. Any adjustments to these carrying amounts as at 31 December 2016 would have consequential impacts on the amounts of impairment losses on property, plant and equipment, intangible assets and related income tax as recognised on the consolidated statement of profit or loss for the year ended 31 December 2017. As a result, we were unable to determine whether the amount of impairment losses on property, plant and equipment, intangible assets and related tax credit recognised in 2017 are free from material misstatements. Our audit opinion on the consolidated financial statements for the year ended 31 December 2018 was modified because of the possible effect of this matter on the comparability of the related current year figures and the corresponding figures in the consolidated statement of profit or loss.

(b) *Impairment of property, plant and equipment, prepaid land lease payments and deposits under non-current assets for the coal upgrading cash generating unit*

As disclosed in note 19(c) to the consolidated financial statements, the Group had property, plant and equipment, including plant and machinery and construction in progress of approximately HK$1,904,000 and HK$43,320,000 and deposits under non-current assets of approximately HK$918,000, for the coal upgrading plant at Xilinhaote City, Inner Mongolia, PRC as at 31 December 2017. These assets belonged to the Coal Upgrading CGU for impairment assessment purpose. An impairment loss on property, plant and equipment of the Coal Upgrading CGU of approximately HK$107,847,000 was recognised in the consolidated statement of profit or loss for the financial year ended 31 December 2017. As further explained in the note 19(c), the Coal Upgrading CGU was held by two subsidiaries of the Company and those subsidiaries were disposed of during the year ended 31 December 2018. An impairment loss of HK$8,486,000 on the Coal Upgrading CGU and a gain on disposal of subsidiaries of HK$20,595,000 were recognised in the consolidated profit or loss for the year.

During the course of our audit in respect of the year ended 31 December 2017, we sought to perform audit procedures to satisfy ourselves that the recoverable amounts of the plant and machinery, construction in progress and deposits under non-current assets of approximately HK$1,904,000, HK$43,320,000 and HK$918,000, respectively of the Coal Upgrading CGU had been properly determined 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 for the year ended 31 December 2017 were properly stated. However, the scope of our audit was limited as disclosed in the auditor's report for the year ended 31 December 2017. Together with other audit scope limitation, we disclaimed our audit opinion on the consolidated financial statements for the year ended 31 December 2017.

The scope limitation mentioned above remained unresolved in our audit of the consolidated financial statements for the year ended 31 December 2018. Any adjustments to the recoverable amounts of the assets included in the Coal Upgrading CGU as at 31 December 2017 (and the impairment losses thereon) would have consequential impacts on the carrying amounts of these assets as at 1 January 2018. As a result, we are unable to determine whether the amount of impairment losses recognised for the current year and the gain on disposal of subsidiaries for the year are free from material misstatements.

MANAGEMENT DISCUSSION AND ANALYSIS

Business and financial review

The Group recorded total revenue from continuing operations of approximately HK$194,109,000 for the year ended 31 December 2018, representing an increase of approximately HK$82,267,000 or approximately 73.6% as compared to the revenue from continuing operations of approximately HK$111,842,000 for the year ended 31 December 2017. The loss attributable to the owners of the Company (including continuing and discontinued operations) for the year ended 31 December 2018 amounted to approximately HK$18,933,000 as compared to approximately HK$143,604,000 for the year ended 31 December 2017. The Group reported its annual results for year ended 31 December 2018 in two segments, namely: (i) the production and sale of coal (the "**Coal Mining Business**") from continuing operations; and (ii) the provision of low rank coal upgrading services (the "**Coal Upgrading Business**") from discontinued operation.

The Coal Mining Business from continuing operations

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 (the "**Inner Mongolia Mine 958**") in Inner Mongolia region with an allowed annual production capacity of 1.2 million tonnes. Despite the management of Inner Mongolia Jinyuanli had applied to the Land and Resources Bureau of Huolinguole City for increasing the allowed annual production capacity of the Inner Mongolia Mine 958 to 1.8 million tonnes in 2015 (the "**Application**"), the Application was yet to be approved due to the tightening PRC coal industry policies. Under this circumstances, the Application was considered declined, and the Inner Mongolia Mine 958 will have to then submit a new application in accordance with the latest PRC coal industry policies as and when appropriate.

In order to comply with the relevant PRC coal industry policies, the management of Inner Mongolia Jinyuanli maintained the coal production output to approximately 1.2 million tonnes during the year ended 31 December 2018. During the year ended 31 December 2018, approximately 1.2 million tonnes of coals were produced (year ended 31 December 2017: 1.18 million tonnes) and approximately 1.5 million tonnes of coals and 0.28 million tonnes of coal gangue were sold (year ended 31 December 2017: 0.93 million tonnes). The segment profit of the Coal Mining Business from continuing operations for the year ended 31 December 2018 was approximately HK$32,758,000 as compared to segment loss of approximately HK$34,074,000 for the year ended 31 December 2017. The turnaround from segment loss was mainly due to: (i) the increase in quantity of coal sold; and (ii) no impairment loss on property, plant and equipment and intangible asset have been made during the year.

Besides, contingent liabilities in the amount of RMB2 million (approximately HK$2.3 million) was reported in the Group's consolidated financial statements for the years ended 31 December 2018 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 insofar.

The Coal Upgrading Business from discontinued operation

The Group commenced the construction of the coal upgrading plant in Xilinhaote City, Inner Mongolia, the PRC (the "**Coal Upgrading Plant**") in year 2012 held by Xilinhaote City Guochuan Energy Technology Development Co Ltd ("**Xilinhaote City Guochuan"**), an indirect wholly-owned subsidiary of the Company, for the development of the Coal Upgrading Business. The Company entered into a license agreement on 1 December 2015 (the "**Licence Agreement**") with Mr. Xu Bin, the former Chairman and Executive Director of the Company ("**Mr. Xu**") and Gouden Kolen Company Limited, a company incorporated in the British Virgin Islands with limited liability which was wholly-owned by Mr. Xu, in relation to the licensing of the proprietary technologies (the "**Proprietary Technologies**"), representing the five PRC registered patents relating to the low-rank coal upgrading methodologies and manufacturing of steam digesters forming one of the prerequisite requirements of the coal upgrading production.

The commercial production of the Coal Upgrading Plant had been further postponed in 2018 as the technical consultant of the Proprietary Technologies engaged by Mr. Xu was designing a spiral device in order to resolve the technical issue (the "**Technical Issue**") in relation to the obstruction of the valves of the autoclaves during the process of high-pressured steaming when the Coal Upgrading Plant was preparing to commence commercial production in October 2017. Unfortunately, Mr. Xu, (the "**late Mr. Xu**"), being the owner of the Proprietary Technologies and the key Director of the Company responsible for the development and operations of the Coal Upgrading Business, passed away in June 2018 unexpectedly.

The passing away of Mr. Xu casted significant uncertainties on the extension of the licensing of the Proprietary Technologies to the Coal Upgrading Plant expired in December 2018 and the unresolved Technical Issue as the technical consultant withheld its technical services offered to the late Mr. Xu and on-site technical services to the Coal Upgrading Plant. As such, the Company decided to temporarily suspend the Coal Upgrading Business in July 2018. The segment profit for the year from the Coal Upgrading Business of approximately HK$7,758,000 was arrived at by deducting the loss of the Coal Upgrading Business of approximately HK$12,837,000 for the year ended 31 December 2018 from the gain on the disposal of Coal Upgrading Business. The loss for the year mainly represents the impairment loss on the property, plant and equipment made during the first half of year 2018 of approximately HK$8,486,000.

On 30 November 2018, (i) Wealthy Tone Worldwide Limited and Shanghai Wealthy International Trading Co Ltd, each being an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement (the "**XCG SPA**") with the purchaser to sell the entire equity interest in Xilinhaote City Guochuan at a consideration of RMB8 million (approximately HK$9 million); and (ii) Wealth Business Investment Limited, an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement (the "**BG SPA**") with the purchaser to sell the entire equity interest in Beijing Guochuan New Energy Development Co Ltd at a consideration of RMB1 (approximately HK$1) (collectively the "**Disposal**") conditional on the completion of the XCG SPA. All the conditions precedent under the XCG SPA and the BG SPA had been fulfilled and the Disposal was completed on 31 December 2018. The completion of the Disposal enabled the Group to reallocate the financial resources for its existing business. The gain on the Disposal in the amount of HK$20,595,000 was attributable to (i) net proceeds received from the Disposal; and (ii) the combined net liabilities position of the Disposal group and the realisation of the translation exchange reserve.

Impairment assessment on property, plant and equipment and intangible assets of the Coal Mining Business

The management of the Company has performed an impairment assessment review on all the carrying amounts of the property, plant and equipment and intangible assets under non-current assets of the Coal Mining Business cash generating unit (the "**CGU**" and "**Coal Mining CGU**" respectively). The recoverable amounts of the Coal Mining CGU were estimated based on their value in use, 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 professional valuer has been engaged by the Company to review the reasonableness and fairness of the assumptions applied in the cash flow projections.

No impairment have been made on the Coal Mining CGU for the year ended 31 December 2018. The key assumptions and parameters in the cash flow projections of the Coal Mining CGU as at 31 December 2017, 30 June 2018 and 31 December 2018 are set out below.

Key assumptions	31 December 2017	30 June 2018	**31 December 2018**
Projected annual coal production output for the period until the expiry date of the business license *(note 1)*	1,003,600 tonnes	1,003,600 tonnes	**1,003,600 tonnes**
Average unit coal selling price per tonne (including value-added tax) *(note 2)*	2018:RMB135 2019:RMB140 2020 onwards: increase with inflation rate	2018:RMB137 2019:RMB141 2020 onwards: increase with inflation rate	**2019:RMB136** **2020:RMB140** **2021 onwards: increase with inflation rate**
Inflation rate	2.5%	2.5%	**2.5%**

Notes:

(1) Due to the recent coal industry policies of the compression of production capacity in the PRC, the projected annual coal production output was adjusted from 1,200,000 tonnes to 1,003,600 tonnes.

(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 2018 of Inner Mongolia Jinyuanli; (ii) the prevailing market price of coal in the Inner Mongolia Region; and (iii) the historical average unit selling price of coal over past few years of Inner Mongolia Jinyuanli.

Unlike the price 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 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.

Selling and distribution expenses

The selling and distribution expenses of the Group from continuing operations for the year ended 31 December 2018 was 100% attributed to the Coal Mining Business of approximately HK$6,375,000, representing an increase approximately HK$767,000 as compared to the corresponding period in year 2017 of approximately HK$5,608,000. The increase in selling and distribution expenses was generally in line with the increase in the quantity of coals sold during the year ended 31 December 2018.

Administrative expenses

The administrative expenses of the Group from continuing operations for the year ended 31 December 2018 amounted to approximately HK$53,876,000, representing a increase of approximately HK$5,374,000 from approximately HK$48,502,000 in the year ended 31 December 2017. The increase in administrative expenses was mainly attributable to the increase in staff costs during the year.

Finance costs

The finance costs of the Group for the year ended 31 December 2018 in the amount of HK$717,000 represented the interest expenses of the loans from a former executive director.

Other operating expense

Other operating expense mainly represented the equity-settled share-based payments of approximately HK$42,309,000 for the share options granted during the year.

Loss for the year

Net loss attributable to the owners of the Company for the year ended 31 December 2018 decreased to approximately HK$18,933,000 from last year of approximately HK$143,604,000. The net loss attributable to the owners of the Company from continuing operations of approximately HK$27,018,000 was mainly due to (i) segment profit of the Coal Mining Business; and (ii) administrative expenses of the Group and the incurred equity-settled share-based payments during the year.

Actions taken and proposed plan to address the modified auditor's opinion for the year ended 31 December 2017 and the qualified auditors's opinion for the year ended 31 December 2018

Modified Opinion in 2017	**Actions Taken in 2018**	**Status for the year ended 31 December 2018 and proposed plan, if required**
Disclaimer of opinion on the impairment of property, plant and equipment and deposit under non-current assets for the Coal Upgrading CGU	Disposal of the Coal Upgrading CGU, completion took place in December 2018.	Qualified opinion for the year ended 31 December 2018 on the consequential effect of the opening/closing balances (at completion of the Disposal) of Coal Upgrading CGU as a result of the uncertainty in the amounts of the impairment losses recognised in prior years and current year as well as the disposal gain recognised in current year. Such uncertainty may have significant effect on the profit or loss and the movement of cashflow relating to Coal Upgrading CGU during the year ended 31 December 2018. As the qualified opinion does not have impact on the consolidated statement of financial position of the Group as at 31 December 2018, the Company considers the qualified opinion will be addressed in the financial year ending 31 December 2019 accordingly.

Modified Opinion in 2017	Actions Taken in 2018	Status for the year ended 31 December 2018 and proposed plan, if required
Disclaimer of opinion on the impairment of property, plant and equipment and intangible assets for the Coal CGU	Inner Mongolia Jinyuanli adjusted its coal production output to comply with PRC coal industry policies.	Qualified opinion for the year ended 31 December 2018 on the consequential effect of the opening balances and comparability of the relevant current year figures. The Company considers the qualified opinion can be fully addressed in the financial year ending 31 December 2019.
Disagreement on the measurement of land use rights occupied by Coal Upgrading CGU	The Company has adopted the auditors' opinion on the accounting treatment in its interim results for the six months ended 30 June 2108 and the Land Use Right was sold along with the Disposal.	Resolved in 2018.
Material uncertainty on going concern	Improvement in the financial position of the Group and the Group reported net current assets and net cash inflow from continuing operations of approximately HK$47,053,000 and HK$64,529,000 respectively during the year ended 31 December 2018.	Resolved in 2018.

Other loans under current liabilities

Other loans under current liabilities included the loans from the late Mr. Xu and interest payable of approximately HK$13,653,000.

On 2 January 2014, Mr. Xu, as lender, agreed to grant to the Company an unsecured loan of HK$4 million at an interest rate of 5% per annum. This loan had been applied as general working capital of the Company. Approximately HK$1 million of this loan was 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, 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 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 had been assumed by Shanghai Wealthy, as part of the consideration of intra group transfer of 37.5% equity interests in Xilinhaote Guochuan held by Beijing Guochuan to Shanghai Wealthy, being part of the Group's restructuring. Xilinhaote Guochuan remained as an indirect wholly-owned subsidiary of the Company after such intra group transfer. The remaining of the Original Loan Amount of RMB12 million (approximately HK$13.7 million) in the book of Shanghai Wealthy is unsecured, interest-free and due on or before 31 December 2019 (the "**Current Loan**"). The Current Loan had been partially repaid in year 2018 in the amount of RMB6,350,000 (approximately HK$7,231,000) and the balance of the Current Loan was reduced to RMB5,650,000 (approximately HK$6,434,000) as at 31 December 2018. Subsequent to 31 December 2018, the Company further repaid the Current Loan in the amount of RMB1,980,000 (approximately HK$2,255,000).

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

Fundraising activity

In July 2017, the Company raised gross and net proceeds from a placing of new Shares (the "**Placing**") in the amounts of approximately HK$110.0 million and HK$106.8 million respectively, the proceeds were intended to be applied for: (i) repayment of the overdue construction payables of the Coal Mining Business and Coal Upgrading Business; (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 31 December 2018, the net proceeds from the Placing were utilised by approximately of HK$79.1 million comprised of (i) repayment of overdue construction payables of the Coal Mining Business of approximately HK$39.0 million; (ii) development of Coal Upgrading Business of approximately HK$7.6 million; (iii) repayment of the loan due to a non-controlling shareholder of approximately HK$8.0 million; and (iv) the general working capital of the Company of approximately HK$24.5 million. Following the completion of the Disposal, the Group will not apply further proceeds on the Coal Upgrading Business. The management of the Company will effectively manage the use of its funding with an aim to maintain a healthy financial position of the Group.

Liquidity and financial resources

As at 31 December 2018,

(a) the aggregate amount of the Group's: (i) restricted bank deposits; and (ii) bank and cash balances was approximately HK$162,956,000 (as at 31 December 2017: approximately HK$116,023,000);

(b) the Group's total borrowings comprised of loans from a former director and other loans, totaling to approximately HK$13,653,000 (as at 31 December 2017: approximately HK$39,270,000);

(c) the Group's total gearing ratio was approximately 6.7% (as at 31 December 2017: 24.9% (restated)). 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 1.32 (as at 31 December 2017: approximately 0.80 (restated). The current ratio was calculated as total current assets divided by total current liabilities.

The Board will continue to closely monitor the financial position of the Group to maintain its financial capacity for future operations and business opportunities.

Pledge of assets

As at 31 December 2018, the Group had no pledge of assets (as at 31 December 2017: 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 Company noted the recent fluctuation in the exchange rate between Renminbi and Hong Kong dollar, and is of the opinion that it does not have material adverse impact to the Group's financial position at present. 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.

Acquisition and disposal of material subsidiaries and associates

Except for the disposal of the Coal Upgrading Business, the Group did not acquire or dispose any other material subsidiaries or associates during the year ended 31 December 2018.

Significant investment

The Group did not purchase, sell or hold any significant investments during the year ended 31 December 2018.

Contingent liabilities

As at 31 December 2018, contingent liabilities in the amount of RMB2 million (approximately HK$2.3 million) was booked since year 2016 which represents the maximum amount of penalty may arise as a result of over-production of the Coal Mining Business in 2016.

Capital commitment

As at 31 December 2018, the Group have had no capital commitment while the capital commitment in the amount of approximately HK$24,809,000 as at 31 December 2017 (restated) was attributable to the construction agreements contracted for the Coal Upgrading Plant which did not realise.

Employees

The Group employed 449 full-time employees as at 31 December 2018 (as at 31 December 2017: 572) 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 Director's emoluments) for the year ended 31 December 2018 from continuing operations were HK$87,613,000 (For the year ended 31 December 2017: HK$69,370,000).

PROSPECTS

The Chinese Government's coal industry reforms on the supply side in the past few years have eliminated the production capacities of coal enterprises and have continual effects in stabilising the coal prices in the PRC. The coal prices in the PRC have remained steady in last two years after recovery from the slump in 2016.

Going forward, the Group expects that the Chinese government is likely to stay committed to the supply side reform in the coal industry over the next few years. In view of a serious industrial accident of a coal mine in Shaanxi Province of the PRC recently, it is expected that the Chinese government would put on more stringent measures and controls on the safety of production of coal mines.

As at the date of this announcement, Inner Mongolia Jinyuanli has not been granted the approval to increase its annual production capacity. In view of the fast changing industry policies, the management of the Inner Mongolia Jinyuanli will pay attention to the latest industry policies to review if there will be any occasion for the increase in production capacity. The Group's coal production output is expected to maintain at a level complying with relevant industry rules and regulations at the time being. 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.

Following the Disposal, the Coal Mining Business remained the only business segment of the Group. The Board considers that the existing business portfolio of the Group is highly focused and exposes to the risk of PRC's coal industry policy changes.

With the improvement of the Group's financial position upon the completion of the Disposal, the Company will continue to explore business opportunities for widening the Group's business scope and extending its resources into sectors offering higher growth momentum, such as technology-related and telecommunication sectors. In addition, it is also the current intention of the Company to identify suitable business partners for better reach of business and investment opportunities.

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 2018 except for the following deviations:

Under the code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Following the death of Mr. Xu, the former Chairman and executive Director of the Company and resignation of Mr. Zhang Fusheng, the former executive Director of the Company, the Board does not have any Chairman and chief executive officer. The duties and responsibilities of the Company's business are handled by the existing executive Directors and senior management of the Company so as to achieve the overall commercial objectives of the Company. The Company's looking for suitable person to fill the vacancy of the chairman and chief executive officer.

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. Huang Shao Ru, an INED and the chairman of the Nomination Committee and Remuneration Committee and Mr. Kwok Chi Shing, an INED and the Chairman of Audit Committee were not able to attend the annual general meeting held by the Company on 15 June 2018 (the "**2017 AGM**") due to their other personal commitments. Mr. Chang Xuejun, an INED and a member of the Nomination Committee, Remuneration Committee and Audit Committee, attended at the 2017 AGM by telephone conference call to ensure an effective communication with the shareholders thereat.

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 enquires of all the Directors and all the Directors have confirmed that they had complied with the required standards set out in the Model Code during the 2018.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

ANNUAL GENERAL MEETING

The 2018 annual general meeting of the Company (the "**2018 AGM**") will be held on Monday, 17 June 2019, details of which will be set out in the notice of the 2018 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, 10 June 2019 to Friday, 14 June 2019, both days inclusive for the purpose of determining the shareholders who are entitled to attend and vote at the 2018 AGM.

In order to be eligible to attend and vote at the 2018 AGM, all transfers of the shares of the Company accompanied by the relevant share certificates and transfer forms must be lodged to 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 Thursday, 6 June 2019.

REVIEW OF THE ANNUAL RESULTS BY AUDIT COMMITTEE

An audit committee of the Company (the "**Audit Committee**") has been established for the purpose 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, have reviewed the Group's consolidated financial statements for the year ended 31 December 2018 and are 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 2018 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 2018. 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 dividend in respect for the year ended 31 December 2018.

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) respectively. The annual report of the Company for the year ended 31 December 2018 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
Ng Ying Kit
Executive Director

Hong Kong, 29 March 2019

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Ng Ying Kit, Ms. Huo Lijie and Mr. Ren Hang; and three independent non-executive Directors, namely Mr. Kwok Chi Shing, Mr. Huang Shao Ru and Mr. Chang Xuejun.