融信資源
R R H L

Rosan Resources Holdings Limited
融信資源控股有限公司

（於百慕達註冊成立之有限公司）

（股份代號：578）

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

FINANCIAL SUMMARY

- Revenue for the year ended 31 December 2018 amounted to approximately HK$961.4 million (2017: approximately HK$529.9 million);
- Gross profit for the year ended 31 December 2018 amounted to approximately HK$59.5 million (2017: gross loss of approximately HK$100.5 million);
- Net loss for the year ended 31 December 2018 amounted to approximately HK$152.6 million (2017: approximately HK$196.6 million);
- No final dividend was proposed by the Board for the year ended 31 December 2018 (2017: Nil).

The board of directors (the "**Board**") of Rosan Resources Holdings Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2018 (the "**Year**" or "**Year 2018**"), together with comparative figures for the year ended 31 December 2017 ("**Last Year**" or "**Year 2017**"), as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Revenue	4	**961,440**	529,884
Cost of sales		**(901,900)**	(630,373)
Gross profit/(loss)	4	**59,540**	(100,489)
Other income and gains	4	**55,743**	41,152
Selling and distribution expenses		**(37,605)**	(4,486)
Administrative expenses		**(90,143)**	(53,591)
Other expenses		**(4,276)**	(6,894)
Finance costs	6	**(101,514)**	(42,336)
Share of results of associates		**(12,826)**	(1,814)
Share of results of a joint venture		**51**	31
Net impairment loss on financial assets and contract assets		**(9,626)**	(455)
Impairment loss on property, plant and equipment	10	**(5,693)**	(15,902)
Impairment loss on mining rights	10	**(8,544)**	(11,830)
Loss before income tax	7	**(154,893)**	(196,614)
Income tax credit	8	**2,261**	–
Loss for the year		**(152,632)**	(196,614)
Loss for the year attributable to:			
Owners of the Company		**(142,747)**	(178,858)
Non–controlling interests		**(9,885)**	(17,756)
		(152,632)	(196,614)
Loss per share attributable to the owners of the Company during the year			
– Basic and diluted (HK cents)	9	**(13.747)**	(25.097)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	2018	2017
	HK$'000	*HK$'000*
Loss for the year	**(152,632)**	(196,614)
Other comprehensive income/(loss) for the year		
Items that may be subsequently reclassified to profit or loss:		
Exchange differences on translation of financial statements of foreign operations:		
– subsidiaries	**14,109**	(6,803)
– a joint venture	**(326)**	439
– associates	**(5,156)**	7,258
	8,627	894
Share of other comprehensive income/(loss) of an associate	**16,090**	(1,283)
Net other comprehensive income/(loss) that may be reclassified subsequently to profit or loss	**24,717**	(389)
Item that will not be reclassified to profit or loss:		
Change in the fair value of equity investments at fair value through other comprehensive income	**8**	–
Other comprehensive income/(loss) for the year, net of tax	**24,725**	(389)
Total comprehensive loss for the year	**(127,907)**	(197,003)
Total comprehensive loss attributable to:		
Owners of the Company	**(116,642)**	(180,710)
Non–controlling interests	**(11,265)**	(16,293)
	(127,907)	(197,003)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
ASSETS AND LIABILITIES			
Non–current assets			
Property, plant and equipment		**396,187**	239,133
Prepaid land lease payments		**66,197**	–
Goodwill		**–**	–
Mining rights		**293,917**	326,535
Other intangible assets		**623**	–
Interests in associates		**100,046**	101,938
Interest in a joint venture		**5,973**	6,248
Available–for–sale financial assets		**–**	710
Financial assets at fair value through other comprehensive income		**682**	–
		863,625	674,564
Current assets			
Inventories		**24,849**	14,056
Accounts and bills receivables and contract assets	*11*	**454,569**	221,340
Prepaid land lease payments		**1,506**	–
Prepayments, deposits and other receivables		**24,480**	379,289
Tax recoverable		**9,433**	9,412
Pledged and restricted bank deposits		**656,651**	616,880
Cash and cash equivalents		**35,789**	170,878
		1,207,277	1,411,855
Current liabilities			
Accounts and bills payables	*12*	**658,132**	817,863
Amount due to an associate		**14,640**	–
Amounts due to shareholders		**9,135**	41,097
Other payables and accruals	*13*	**551,447**	458,078
Provision for reclamation obligations		**100,164**	99,480
Bank and other loans	*14*	**762,200**	613,519
		2,095,718	2,030,037

	Notes	**2018** *HK$'000*	2017 *HK$'000*
Net current liabilities		**(888,441)**	(618,182)
Total assets less current liabilities		**(24,816)**	56,382
Non–current liabilities			
Amount due to an associate		**–**	99,589
Loans from shareholders		**54,491**	–
Bank and other loans	*14*	**78,364**	33,381
Deposit received	*13*	**2,165**	–
Deferred income		**3,142**	–
Deferred tax liabilities		**489**	–
		138,651	132,970
Net liabilities		**(163,467)**	(76,588)
EQUITY			
Share capital		**104,017**	71,267
Deficit in reserves		**(209,671)**	(79,933)
Deficiency attributable to the owners of the Company		**(105,654)**	(8,666)
Non–controlling interests		**(57,813)**	(67,922)
Capital deficiency		**(163,467)**	(76,588)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

1. GENERAL INFORMATION

Rosan Resources Holdings Limited (the "**Company**") is a limited liability company incorporated in Bermuda. The address of its registered office is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The Company's shares are listed on the main board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The principal activities of the Company and its subsidiaries (the "**Group**") include (i) production and sale of coal and trading of purchased coal; and (ii) production and sale of building materials in the People's Republic of China (the "**PRC**").

The production and sale of building materials operation is related to the subsidiaries which were acquired during the year ended 31 December 2018, details are set out in note 15.

The consolidated financial statements for the year ended 31 December 2018 were approved for issue by the board of directors of the Company on 30 March 2019.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new and revised HKFRSs effective from 1 January 2018

In the current year, the Group has applied a number of new HKFRSs and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") that are mandatorily effective for an accounting period that begins on or after 1 January 2018. Of these, the following developments are relevant to the Group's consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HK(IFRIC) Interpretation 22	Foreign Currency Transactions and Advance Consideration

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The directors of the Company concluded that the adoption of HKFRS 15 has not had any changes or material impact on the amounts recognised in the consolidated financial statements. HKFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The Group has been impacted by HKFRS 9 in relation to classification of financial assets and measurement of credit losses. Details of the changes in accounting policies are discussed in note 2(b) for HKFRS 9.

Except for the HKFRS 9 and HKFRS 15, the application of these new and amendments to HKFRSs in the current year has had no material effect on the Group's financial performance and positions for the current and prior years and/or disclosures set out in these consolidated financial statements.

Under the transition methods chosen, the Group has recognised cumulative effect of the initial application of HKFRS 9 as an adjustment to the opening balance of equity at 1 January 2018. Comparative information is not restated. Line items that were not affected by the changes have not been included in the following table. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The following table gives a summary of the opening balance adjustments recognised for the line items in the consolidated statement of financial position that have been impacted by HKFRS 9:

	At 31 December 2017	**Impact of initial application of HKFRS 9 (note 2(b))**	**At 1 January 2018**
	HK$'000	*HK$'000*	*HK$'000*
Available-for-sale financial assets	710	(710)	–
Investment in equity instruments designated at fair value through other comprehensive income	–	710	710
Total non-current assets	**674,564**	**–**	**674,564**
Accounts and bills receivables	221,340	(11,582)	209,758
Deposits and other receivables	375,594	(29,288)	346,306
Total current assets	**1,411,855**	**(40,870)**	**1,370,985**
Net current liabilities	**(618,182)**	**(40,870)**	**(659,052)**
Total assets less current liabilities	**56,382**	**(40,870)**	**15,512**
Net liabilities	**(76,588)**	**(40,870)**	**(117,458)**
Deficit in reserves	(79,933)	(36,784)	(116,717)
Deficiency attributable to the owners of the Company	**(8,666)**	**(36,784)**	**(45,450)**
Non-controlling interests	**(67,922)**	**(4,086)**	**(72,008)**
Capital deficiency	**(76,588)**	**(40,870)**	**(117,458)**

Further details of these changes are set out in sub-section (b) of this note.

(b) HKFRS 9 *Financial Instruments*

HKFRS 9 replaces Hong Kong Accounting Standard ("**HKAS**") 39 *Financial Instruments: Recognition and Measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. In accordance with the specific transitional provisions set out in HKFRS 9, the Group has applied the classification and measurement requirements (including requirements relating to impairment under expected credit losses ("**ECL**") model) to items that existed as of the date of initial application (i.e. 1 January 2018) on a retrospective basis based on the facts and circumstances that existed as at 1 January 2018. However, the Group has decided not to restate the comparative figures. Accordingly, the comparative information continues to be presented based on the requirements of HKAS 39 and hence may not be comparable with the current year information. The cumulative effect of initial application of HKFRS 9 has been recognised as adjustments to the opening equity.

The following table summarises the impact of transition to HKFRS 9 on deficit in reserves and non-controlling interests at 1 January 2018.

	HK$000
Deficit in reserves	
Net increase in deficit in reserves at 1 January 2018 –	
Recognition of additional expected credit losses on financial assets measured at amortised cost *(note (ii))*	36,784
Non-controlling interests	
Decrease in non-controlling interests at 1 January 2018 –	
Recognition of additional expected credit losses on financial assets measured at amortised cost *(note (ii))*	4,086

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

(i) Classification of financial assets and financial liabilities

HKFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("**FVTOCI**") and at fair value through profit or loss ("**FVTPL**"). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVTPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics. The Group did not designate or de-designate any financial assets and financial liabilities at FVTPL at 1 January 2018.

Change of accounting policy in regarding to classification of financial assets and financial liabilities resulting from application of HKFRS 9 are disclosed as below:

Financial instruments from 1 January 2018

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for accounts and bills receivables and contract assets arising from contracts with customers (that do not have separately identified financing components) which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income which are derived from the Group's ordinary course of business are presented as other income.

Financial assets

Classification and measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in OCI on initial recognition/as at date of initial application of HKFRS 9 if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 Business Combinations applies.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term;

- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not a financial guarantee contract of designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Financial assets are recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

Accounting policy of impairment of financial assets measured at amortised cost is stated in note (ii).

(ii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the fair value reserve under other reserves; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained profits.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the other income and gains in profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset; or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an equity investments designated at FVTOCI, the cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained profits.

Financial liabilities

The Group's financial liabilities include bank and other loans, accounts and bills payables, other payables and accruals and amount due to an associate.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised in accordance with the Group's accounting policy for borrowing costs.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in consolidated income statement.

(i) Borrowings

Borrowings, which include bank and other loans, are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in consolidated income statement over the period of the borrowings using effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(ii) Accounts and bills payables/other payables and accruals/amount due to an associate

These are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

Financial instruments prior to 1 January 2018

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Classification and measurement of financial assets

The Group's financial assets are classified, at initial recognition, into loans and receivables and available-for-sale financial assets. The subsequent measurement of financial assets depends on their classification as follows:–

(i) Loans and receivables

Loans and receivables are non–derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are subsequently measured at amortised cost using effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

(ii) Available–for–sale financial assets

Available–for–sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at the end of the reporting period.

Derecognition of financial assets

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

Financial liabilities

The accounting policy of classification and measurement of financial liabilities has no change under the application of HKAS 39 and HKFRS 9. Please refer to above accounting policy in regarding to financial liabilities.

The following table shows the original measurement categories for each class of the Group's financial assets under HKAS 39, and how they are impacted by HKFRS 9. The table below shows a reconciliation from the carrying amounts of those financial assets determined in accordance with HKAS 39 to those determined in accordance with HKFRS 9.

	HKAS 39 carrying amounts at 31 December 2017	**Reclassification**	**Remeasurement**	**HKFRS 9 carrying amounts at 1 January 2018**
	HK$000	*HK$000*	*HK$000*	*HK$000*
Financial assets carried at amortised cost				
Accounts and bills receivables *(note (ii))*	221,340	–	(11,582)	209,758
Deposit and other receivables *(note (ii))*	375,594	–	(29,288)	346,306
	596,934	–	(40,870)	556,064
Financial assets measured at FVTOCI (non-recycling)				
Unlisted equity securities *(note (A))*	–	710	–	710
Financial assets classified as available-for-sale under HKAS 39				
Unlisted equity securities *(note (A))*	710	(710)	–	–

Note:

(A) Under HKAS 39, equity securities not held for trading were classified as available-for-sale financial assets. These equity securities are classified as at FVTPL under HKFRS 9, unless they are eligible for and designated at FVTOCI by the Group. At 1 January 2018, the Group designated its investment in unlisted equity instruments at FVTOCI (non-recycling), as the investment is held for strategic purposes.

In the opinion of the directors of the Company, the carrying amount of the unlisted equity securities, which measured at cost less impairment as at 31 December 2017, approximates to its fair value as of 1 January 2018.

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities at 1 January 2018 have not been impacted by the initial application of HKFRS 9.

(ii) Expected credit losses

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the ECL model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

The Group applies the new ECLs model to the financial assets measured at amortised cost (including pledged and restricted bank deposits, cash and cash equivalents, accounts and bills receivables, and deposit and other receivables) and contract assets.

Financial assets measured at fair value, including equity securities designated at FVTOCI (non-recycling) is not subject to the ECLs assessment.

Change of accounting policy in regarding to impairment of financial assets resulting from application of HKFRS 9 are disclosed as below:

Impairment of financial assets from 1 January 2018

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including accounts and bills receivables, contract assets and deposits and other receivables). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for accounts and bills receivables and contract assets without significant financing component. The ECL on these assets are assessed individually for debtors with significant balances and collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, 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 increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

– an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

– significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

– existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

– an actual or expected significant deterioration in the operating results of the debtor; or

– an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

– significant financial difficulty of the issuer or the borrower;

– a breach of contract, such as a default or past due event;

– the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

– it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

– the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of accounts and bills receivables, when the amounts are over one year past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped based on:

– Nature of financial instruments (i.e. the Group's accounts and bills receivables together with contract assets and deposits and other receivables are each assessed as a separate group.);

– Past-due status;

– Nature, size and industry of debtors; and

– External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of accounts and bills receivables, contract assets and deposits and other receivables where the corresponding adjustment is recognised through a loss allowance account.

Impairment of financial assets prior to 1 January 2018

At each reporting date, financial assets other than at fair value through profit or loss are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

– Significant financial difficulty of the debtor;

– A breach of contract, such as a default or delinquency in interest or principal payments;

– It becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– Significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the Group.

If any such evidence exists, the impairment loss is measured and recognised as follows:

(i) Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial assets original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of loss is recognised in consolidated income statement of the period in which the impairment occurs.

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in consolidated income statement of the period in which the reversal occurs.

(ii) Available–for–sale financial assets

For available–for–sale equity investment that is carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversed.

The following table is a reconciliation that shows how the closing loss allowance as at 31 December 2017 determined in accordance with HKAS 39 can be reconciled to the opening loss allowance as at 1 January 2018 determined in accordance with HKFRS 9:

	HK$000
Loss allowance recognised as at 31 December 2017 under HKAS 39	86,166
Additional loss allowance as a result of the application of the ECL model under HKFRS 9	
– Accounts and bills receivables	11,582
– Deposits and other receivables	29,288
Loss allowance recognised as at 1 January 2018 under HKFRS 9	127,036

As a result of this change in accounting policy, the Group has recognised additional loss allowance amounting to approximately HK$40,870,000, which increased deficit in reserves by approximately HK$36,784,000 and decreased non-controlling interests by approximately HK$4,086,000 at 1 January 2018.

(iii) Related deferred tax

In the opinion of the directors of the Company, as the future income stream of the Group is uncertain, it is unlikely the deductible temporary difference can be able to utilise in the short period of time. Therefore, the related deferred tax asset as at 1 January 2018 is not recognised.

(c) New and revised HKFRSs that have been issued but are not yet effective

The Group has not applied the following new and revised HKFRSs, which have been issued but are not yet effective, in the consolidated financial statements:

HKFRS 10 and HKAS 28 Amendments	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
HKFRS 3 (Revised) Amendments	Definition of a Business[2]
HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
HKAS 1 (Revised) and HKAS 8 Amendments	Definition of Material[2]
HKAS 19 Amendments	Plan Amendment, Curtailment or Settlement[1]
HKAS 28 Amendments	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle[1]
HK(IFRIC) Interpretation 23	Uncertainty over Income Tax Treatments[1]
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting[2]

[1] Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted

[2] Effective for annual periods beginning on or after 1 January 2020, with earlier application permitted

[3] Effective for annual periods beginning on or after 1 January 2021, with earlier application permitted

[4] The amendments were original intended to be effective for annual periods beginning on or after 1 January 2016. The effective date has now been deferred. Early application of the amendments continues to be permitted.

The Group has already commenced an assessment of the related impact of adopting the above new and revised HKFRSs. So far, based on the preliminary assessment, it has concluded that the above new and revised HKFRSs which will be adopted at the respective effective dates is unlikely to have a significant impact on the consolidated financial statements of the Group except for the following:

HKFRS 16 *Leases*

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 *Leases* and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, HKFRS 16 requires sale and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing and operating cash flows respectively by the Group.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

Other than certain requirements which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

Also, as at 31 December 2018, the Group has non-cancellable operating lease commitments of approximately HK$1,199,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of approximately HK$285,000 and refundable rental deposit received with carrying amount of approximately HK$2,165,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposit received would be considered as advance lease payments.

3. GOING CONCERN BASIS

The Group incurred a consolidated net loss of approximately HK$152,632,000 during the year ended 31 December 2018 and, as of that date, the Group has net current liabilities of approximately HK$888,441,000 and a capital deficiency of approximately HK$163,467,000 among which the outstanding borrowings of approximately HK$1,393,928,000 (including bank loans of approximately HK$563,257,000 (note 14), other loans of approximately HK$198,943,000 (note 14), bills payable of approximately HK$607,783,000 (note 12), amount due to an associate of approximately HK$14,640,000, amounts due to shareholders of approximately HK$9,135,000, interest-free loans provided by certain related parties of approximately HK$170,000 (note 13)) are due for repayment within one year from the reporting date or repayable on demand. These conditions indicate the existence of material uncertainties 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 its business.

In order to improve the Group's financial positions, liquidity and cash flows, the directors of the Company have adopted or in the process of adopting the following measures:

(a) The Group has been taking stringent cost controls in different areas, such as applying cost control measures in the cost of sales and administrative expenses;

(b) The Group has been liaising with certain banks in relation to the renewal of its bank loans amounting to approximately Renmibi ("**RMB**") 434,740,000 (equivalent to approximately HK$494,947,000) as at 31 December 2018, which would be due for repayment within twelve months from the reporting date. Subsequent to the end of the reporting period and up to the date when the consolidated financial statements are authorised for issuance, the Group has renewed certain bank borrowings with an aggregate principal amount of RMB134,820,000 (equivalent to approximately HK$153,491,000) with a due date before 31 December 2019, and RMB70,000,000 (equivalent to approximately HK$79,694,000) which will be due for repayment during the period from January 2020 to March 2020, respectively. In the opinion of the directors of the Company, taken into account the long term relationships and also their understanding from the liaison with the banks, the bank borrowings with an aggregate principal amount of RMB364,740,000 (equivalent to approximately HK$415,253,000) that will be due for repayment within 12 months from the reporting date can be renewed upon their respective maturities;

(c) The Group has entered into three loan agreements with three shareholders of the Company on 14 February 2018, in which two of them are substantial shareholders of the Company who directly/indirectly own 23.27% and 12.26% of the Company's shares respectively as of the date of approval of these consolidated financial statements. Pursuant to the loan agreements, the three shareholders agreed to provide unsecured and interest–free revolving loans with an aggregate amount of RMB600,000,000 (equivalent to approximately HK$683,100,000) for a term of three years. As at 31 December 2018, aggregate amount of RMB55,000,000 (equivalent to approximately HK$62,617,000) has been advanced to the Group;

(d) The Group, from time to time, reviews its investment projects and may adjust the investment strategies in order to enhance the cash flow position of the Group whenever it is necessary.

Taking into account the above measures and after assessing the Group's current and future cash flow positions, the directors of the Company are satisfied that the Group will be able to meet their financial obligations when they fall due. Accordingly, the directors of the Company are of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Should the Group be unable to continue in business as a going concern, adjustments would have to be made to write down the carrying amounts of assets to their estimated recoverable amounts, to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively, and to provide for any further liabilities which may arise. The effects of these adjustments have not been reflected in the consolidated financial statements.

4. REVENUE, OTHER INCOME AND GAINS

Revenue represents the income arising from the Group's principal activities which include (i) the production and sale of coal; (ii) trading of purchased coal; and (iii) the production of and sale of building materials.

Revenue and other income and gains recognised during the year are as follows:

	2018	2017
	HK$'000	*HK$'000*
Revenue from contract with customers within the scope of HKFRS 15, types of goods:		
Production and sale of coal	**324,515**	117,987
Trading of purchased coal	**438,917**	411,897
Production and sale of building materials	**198,008**	–
	961,440	529,884
Gross (loss)/profit derived from:		
Production and sale of coal	**(4,712)**	(100,291)
Trading of purchased coal	**(330)**	(198)
Production and sale of building materials	**64,582**	–
	59,540	(100,489)

	2018	2017
	HK$'000	*HK$'000*
Other income and gains		
Bank interest income	**2,296**	3,987
Discount at inception of deposit received	**2,458**	–
Government subsidies *(note)*	**16,372**	–
Gain on bargain purchase arising from acquisition of subsidiaries	**2,629**	–
Gain on disposal of a subsidiary	**62**	–
Rental income	**1,210**	–
Reversal of provision for central pension scheme	**24,533**	36,915
Others	**6,183**	250
	55,743	41,152

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its sales of coal and building materials contracts that regarding the performance obligation that has an original expected duration of one year or less, the Group does not make disclosure in accordance with paragraph 120 of HKFRS 15, that is the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) as of the end of the reporting period and an explanation of when the Group expects to recongised as revenue.

Note: The Group received unconditional subsidies from local government during the year as recognition of the Group's sale of building materials which considered as the environmental-friendly products in the PRC.

5. SEGMENT INFORMATION

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors of the Company (the "**Executive Directors**") for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the Executive Directors are determined following the Group's major product and service lines.

An operating segment is a component of the Group that is engaged in business activities from which the Group may earn revenue and incur expenses, and is identified on the basis of the internal management reporting information that is provided to and regularly reviewed by the Executive Directors in order to allocate resources and assess performance of the segment. During the year ended 31 December 2017, the Executive Directors determined that the Group had only one operating and reportable segment under HKFRS 8, which was coal related business ("**Coal Business**"). On 3 January 2018, the Group completed the acquisition of subsidiaries which are principally engaged in production and sale of building materials. After the acquisition, the Executive Directors have determined that the Group's operating and reportable segments under HKFRS 8 are as follows:

- Coal Business – Production and sale of coal and trading of purchased coal

- Building Materials Business – Production and sale of building materials

The measure used for reporting segment profit/(loss) is adjusted profit/(loss) before income tax expense. Items not specifically attributable to individual segments, such as share of results of associates and a joint venture, finance costs, unallocated head office and corporate expenses are further adjusted.

Segment assets include all tangible assets, prepaid land lease payments, mining rights, other intangible assets and current assets with the exception of other corporate assets. Segment liabilities include accounts and bills payables, other payables and accruals attributable to activities of the individual segments, provision for reclamation obligations and deposit received.

Revenue and expenses are allocated to the operating and reportable segments with reference to sales generated by those segments and the expenses incurred by those segments.

(a) Segment revenue and results

The following is an analysis of the Group's disaggregation of revenue from contracts with customers by the timing of revenue recognition and results from operating and reportable segments:

	Coal Business	**Building Materials Business**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
For the year ended 31 December 2018			
Disaggregated by timing of revenue recognition			
Point in time	**763,432**	**198,008**	**961,440**
Revenue from external customers	**763,432**	**198,008**	**961,440**
Segment (loss)/profit	**(40,364)**	**14,886**	**(25,478)**
Reversal of provision for central pension scheme	**23,189**	**1,344**	**24,533**
Depreciation and amortisation	**(44,649)**	**(23,885)**	**(68,534)**
Net reversal of/(impairment loss) on financial assets and contract assets	**2,412**	**(12,038)**	**(9,626)**
Impairment loss on property, plant and equipment	**(5,693)**	**–**	**(5,693)**
Impairment loss on mining rights	**(8,544)**	**–**	**(8,544)**

	Coal Business HK$'000	Building Materials Business HK$'000	Total HK$'000
For the year ended 31 December 2017			
Revenue from external customers	529,884	–	529,884
Segment loss	(134,632)	–	(134,632)
Reversal of provision for central pension scheme	36,915	–	36,915
Depreciation and amortisation	(26,078)	–	(26,078)
Net impairment loss on financial assets	(455)	–	(455)
Impairment loss on property, plant and equipment	(15,902)	–	(15,902)
Impairment loss on mining rights	(11,830)	–	(11,830)

	2018 ***HK$'000***	2017 *HK$'000*
Reconciliation of segment profit or loss:		
Reportable segment loss from the Group's external customers	**(25,478)**	(134,632)
Share of results of associates	**(12,826)**	(1,814)
Share of results of a joint venture	**51**	31
Finance costs	**(101,514)**	(42,336)
Unallocated head office and corporate expenses	**(15,126)**	(17,863)
Loss before income tax	**(154,893)**	(196,614)

(b) Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating and reportable segments:

	Coal Business	Building Materials Business	Total
	HK$'000	*HK$'000*	*HK$'000*
At 31 December 2018			
Segment assets	**1,354,909**	**549,715**	**1,904,624**
Additions to non-current segment assets during the year	**10,865**	**300,622**	**311,487**
Segment liabilities	**(1,215,714)**	**(94,028)**	**(1,309,742)**
At 31 December 2017			
Segment assets	1,796,110	–	1,796,110
Additions to non-current segment assets during the year	4,921	–	4,921
Segment liabilities	(1,362,440)	–	(1,362,440)

	2018	2017
	HK$'000	*HK$'000*
Reconciliation of segment assets:		
Reportable segment assets	**1,904,624**	1,796,110
Interests in associates	**100,046**	101,938
Interest in a joint venture	**5,973**	6,248
Available-for-sale financial assets	**–**	710
Financial assets at fair value through other comprehensive income	**682**	–
Tax recoverable	**9,433**	9,412
Restricted bank deposits	**1,621**	–
Cash and cash equivalents	**35,789**	170,878
Unallocated corporate assets	**12,734**	1,123
Consolidated total assets	**2,070,902**	2,086,419

	2018	2017
	HK$'000	*HK$'000*
Reconciliation of segment liabilities:		
Reportable segment liabilities	**1,309,742**	1,362,440
Amount due to an associate	**14,640**	99,589
Amounts due to and loans from shareholders	**63,626**	41,097
Bank and other loans	**840,564**	646,900
Deferred tax liabilities	**489**	–
Unallocated corporate liabilities	**5,308**	12,981
Consolidated total liabilities	**2,234,369**	2,163,007

(c) Geographical information

The Group's revenue from external customers is all derived from the PRC and most of its non-current assets are located in the PRC. The Company is an investment holding company incorporated in Bermuda where the Group does not have any activities. The Group has the majority of its operations and workforce in the PRC, and therefore, the PRC is considered as the Group's country of domicile for the purpose of disclosures as required by HKFRS 8 *Operating Segments*.

The geographical location of customers is based on the location at which the services were provided or the goods were delivered. The geographical location of the non-current assets is based on the location of assets.

(d) Information about major customers

Revenue from customers contributing over 10% of the total revenue of the Group.

	2018	2017
	HK$'000	*HK$'000*
Customer A[1]	**357,446**	75,228
Customer B[1]	**249,974**	412,543
Customer C[1]	**99,375**	N/A[2]

1 Revenue from Coal Business

2 Revenue from this customer contributing less than 10% of the total revenue during the year ended 31 December 2017

6. FINANCE COSTS

	2018	2017
	HK$'000	*HK$'000*
An analysis of finance costs is as follows:		
Unwinding of imputed interest on loans from shareholders	**8,750**	–
Unwinding of imputed interest on deposit received	**72**	–
Interests on bank and other loans	**60,527**	39,976
Bank charges on discounted bills receivable	**32,165**	2,360
	101,514	42,336

7. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging:

	2018	2017
	HK$'000	*HK$'000*
Amortisation of mining rights**	**7,805**	3,205
Amortisation of other intangible assets**	**80**	–
Amortisation of prepaid land lease payments**	**1,569**	–
Auditor's remuneration**		
– Audit services	**1,030**	875
– Non-audit services	**360**	915
Cost of inventories recognised as expenses#	**895,813**	628,028
Write-down of inventories included in cost of inventories	**56**	407
Depreciation*	**59,332**	22,988
Employee benefits expense (including directors' remuneration)	**206,528**	98,318
Loss on disposals of property, plant and equipment, net	**95**	2,466
Minimum lease payments under operating leases on land, buildings and office equipment**	**1,593**	1,363
Provision for reclamation obligations	**6,087**	2,345
Research expenses	**1,963**	–

* Depreciation of approximately HK$50,626,000 (2017: approximately HK$20,688,000) has been included in cost of sales and approximately HK$8,607,000 (2017: approximately HK$2,300,000) has been included in administrative expenses and approximately HK$99,000 (2017: Nil) has been included in selling and distribution expenses in the consolidated income statement.

** Included in administrative expenses in the consolidated income statement.

Cost of inventories included approximately HK$221,513,000 (2017: approximately HK$97,527,000) relating to employee benefits expense and depreciation which amounts are also included in the respective total amounts disclosed separately above for each of these types of expenses.

8. INCOME TAX CREDIT

Pursuant to the rules and regulations of Bermuda and the British Virgin Islands (the "**BVI**"), the Group is not subject to any income tax in Bermuda and the BVI (2017: Nil).

No Hong Kong Profits Tax has been provided for the year in the consolidated financial statements as the Group has tax losses brought forward from previous years (2017: Nil).

Corporate income tax arising from operations in the PRC was calculated at the statutory income tax rate of 25% (2017: 25%) of the estimated assessable profits as determined in accordance with the relevant income tax rules and regulations in the PRC. No corporate income tax arising from operations in the PRC has been provided for the year ended 31 December 2017 as the Group did not generate any estimated assessable profits during the year ended 31 December 2017.

	2018	2017
	HK$'000	*HK$'000*
Current tax – PRC corporate income tax		
– Current year	**375**	–
Deferred tax		
– Current year	**(2,636)**	–
	(2,261)	–

9. LOSS PER SHARE ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

The calculation of basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	2018	2017
	HK$'000	*HK$'000*
Loss for the year attributable to the owners of the Company for the purpose of basic and diluted loss per share	**(142,747)**	(178,858)

	2018	2017
	Number of shares	Number of shares
	'000	*'000*
Weighted average number of ordinary shares in issue for the purpose of basic and diluted loss per share	**1,038,379**	712,674

There were no dilutive potential ordinary shares during the years ended 31 December 2018 and 2017 and therefore, the amount of diluted loss per share is same as the amount of basic loss per share.

10. IMPAIRMENT TESTING ON PROPERTY, PLANT AND EQUIPMENT AND MINING RIGHTS

Based on the assessment for the recoverable amount of the cash-generating unit ("**CGU**") of production and sale of coal, as at 31 December 2018, the recoverable amount of the CGU is less than the carrying amount. As a result, the Group made further impairment losses of approximately HK$8,544,000 (2017: approximately HK$11,830,000) and approximately HK$5,693,000 (2017: approximately HK$15,902,000) on the mining rights and related property, plant and equipment respectively associated with this CGU. The impairment loss was allocated according to the carrying amounts of the mining rights and related property, plant and equipment.

11. ACCOUNTS AND BILLS RECEIVABLES AND CONTRACT ASSETS

	31 December 2018 *HK$'000*	**1 January 2018** *HK$'000*	31 December 2017 *HK$'000*
Accounts receivable	**254,529**	**257,700**	257,700
Bills receivable	**259,433**	**–**	–
	513,962	**257,700**	257,700
Less: Allowance for credit losses	**(61,313)**	**(47,942)**	(36,360)
Accounts and bills receivables, net of loss allowance *(note (a))*	**452,649**	**209,758**	221,340
Contract assets	**2,371**	**–**	–
Less: Allowance for credit losses	**(451)**	**–**	–
Contract assets, net of loss allowance *(note (b))*	**1,920**	**–**	–
Total	**454,569**	**209,758**	221,340

Upon the initial application of HKFRS 9, an opening adjustment as at 1 January 2018 was made to recognise additional ECLs on accounts receivable (note 2(b)).

(a) Accounts and bills receivables

During the prior and the current years, the Group discounted part of its trade debtors with full recourse to a financial institution. In the event of default by the debtors, the Group is obliged to pay the financial institution the amount in default. Interest is charged at a range from 3.3% to 4.57% (2017: 3.2% to 4.4%) per annum on the proceeds received from the financial institution until the day the debtors pay. The Group is therefore exposed to the risks of credit losses and late payment in respect of the discounted debts.

The discounting transactions do not meet the requirements in HKFRS 9 for derecognition of financial assets as the Group retains substantially all of the risks and rewards of ownership of the discounted trade debts. At 31 December 2018, trade debtors of approximately HK$205,500,000 (2017: approximately HK$195,740,000) continue to be recognised in the Group's consolidated financial statements even though they have been legally transferred to the financial institution. The proceeds of the discounting transactions are included in borrowings as asset-backed financing until the trade debts are collected or the Group settles any losses suffered by the financial institution. At 31 December 2018, the asset-backed financial liability amounted to approximately HK$153,400,000 (2017: approximately HK$167,925,000).

Because the trade debts have been transferred to the financial institution legally, the Group did not have the authority to determine the disposition of the trade debts.

The Group's sales are billed to customers according to the terms of the relevant agreements. Normally, credit periods for Coal Business ranging from 30 to 180 days (2017: 30 to 180 days) are allowed to certain customers. While relatively longer credit period will be granted to customers of Building Materials Business depending on the completion of the contract.

The ageing analysis of the accounts receivable of the Group, net of loss allowance, based on the invoice dates as at 31 December 2017 is as follows:

	2017 *HK$'000*
0 – 90 days	88,074
91 – 180 days	109,332
181 – 365 days	–
Over 365 days	23,934
	221,340

The loss allowance for accounts and bills receivables as at 31 December 2018 and 1 January 2018 (on adoption of HKFRS 9) was determined as follows:

	Expected loss rate	**Gross carrying amount** ***HK$'000***	**Loss allowance** ***HK$'000***	**Net carrying amount** ***HK$'000***
Ageing based on the invoice date				
As at 31 December 2018				
0 – 90 days	**2%**	**213,353**	**(4,127)**	**209,226**
91 – 180 days	**2%**	**224,489**	**(5,388)**	**219,101**
181 – 365 days	**8%**	**26,304**	**(1,982)**	**24,322**
Over 365 days	**100%**	**49,816**	**(49,816)**	**–**
		513,962	**(61,313)**	**452,649**

	Expected loss rate	Gross carrying amount *HK$'000*	Loss allowance *HK$'000*	Net carrying amount *HK$'000*
Ageing based on the invoice date				
As at 1 January 2018				
0 – 90 days	4%	88,074	(3,735)	84,339
91 – 180 days	5%	109,332	(5,161)	104,171
181 – 365 days	–	–	–	–
Over 365 days	65%	60,294	(39,046)	21,248
		257,700	(47,942)	209,758

The ageing analysis of the accounts and bills receivables and contract assets of the Group, net of loss allowance, based on the due dates is as follows:

	31 December 2018 ***HK$'000***	1 January 2018 *HK$'000*	31 December 2017 *HK$'000*
Neither past due nor impaired	**295,396**	186,428	195,221
Past due for less than 3 months	**85,354**	2,081	2,184
Past due for more than 3 months but less than 6 months	**47,297**	–	–
Past due for more than 6 months but less than 1 year	**26,522**	17,246	19,353
Past due for more than 1 year	**–**	4,003	4,582
	454,569	209,758	221,340

Accounts receivable that were neither past due nor impaired related to customers for whom there was no recent history of default.

Accounts receivable that were past due but not impaired related to customers that had been the Group's customers for more than 1 year and had a good track record of credit with the Group with no history of default in the past. Based on past credit history, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable. The Group did not hold any collateral in respect of accounts receivable past due but not impaired.

(b) Contract assets

Typical payment terms which impact on the amount of contract assets recognised are as follows:

– ***Building materials contracts***

Certain of the Group's building materials contracts include payment schedules which require stage payments over the construction period once milestones are reached. For major building material contracts, the Group general receives certain deposits payable up front, which is negotiated on a case by case basis with customers, and this has resulted in a contract liability at early stages of the projects. However, for major building material contracts the Group also typically agrees to a retention period for 1% to 16% of the contract value. This amount is included in contract assets until the end of the retention period as the Group's entitlement to this final payment is conditional on the Group's work satisfactorily passing inspection.

Significant increase in contract assets is the result of the acquisition of Building Materials Business on 3 January 2018.

The loss allowance for contract assets as at 31 December 2018 was determined as follows:

	Expected loss rate	**Gross carrying amount** *HK$'000*	**Loss allowance** *HK$'000*	**Net carrying amount** *HK$'000*
Ageing based on the invoice date				
As at 31 December 2018				
0 – 90 days	**1%**	**203**	**(3)**	**200**
91 – 180 days	**2%**	**428**	**(9)**	**419**
181 – 365 days	**5%**	**1,375**	**(74)**	**1,301**
Over 365 days	**100%**	**365**	**(365)**	**–**
		2,371	**(451)**	**1,920**

12. ACCOUNTS AND BILLS PAYABLES

	2018 *HK$'000*	2017 *HK$'000*
Accounts payable	**50,349**	10,665
Bills payable	**607,783**	807,198
	658,132	817,863

The bills payable were mainly issued to Henan Jiatuo Coal Trading Company Limited# (河南嘉拓煤炭運銷有限公司), the major supplier under the "trading of purchased coal" operation, for the "trading of purchased coal" operation.

The Group was granted by its certain suppliers with credit periods normally ranging from 30 to 90 days (2017: 30 to 90 days). The ageing analysis of accounts payable of the Group presented based on the invoice dates was as follows:

	2018	2017
	HK$'000	*HK$'000*
0 – 90 days	**21,493**	1,995
91 – 180 days	**3,779**	1,162
181 – 365 days	**19,299**	145
Over 365 days	**5,778**	7,363
	50,349	10,665

As at 31 December 2018, bills payable of approximately HK$485,851,000 (2017: approximately HK$694,928,000) were secured by the pledged bank deposits of the Group amounting to approximately HK$461,487,000 (2017: approximately HK$616,880,000).

As at 31 December 2018, bills payable of approximately HK$152,387,000 (2017: approximately HK$164,802,000) were guaranteed by Henan Zhongfu Industrial Company Limited# (河南中孚實業股份有限公司) or its subsidiaries (collectively referred to as "**Zhongfu Group**"), the major customer under the Coal Business (the "**Major Customer**").

As at 31 December 2017, bills payable of approximately HK$72,044,000 were jointly guaranteed by Mr. Bao, the spouse of Mr. Bao and/or the Major Customer, which was fully settled during the year ended 31 December 2018.

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13. OTHER PAYABLES, ACCRUALS AND DEPOSIT RECEIVED

	2018	2017
	HK$'000	*HK$'000*
Current		
Accruals	**293,640**	198,757
Other payables *(note (a))*	**243,774**	216,068
Contract liabilities/receipts in advance *(note (b))*	**13,247**	43,253
Deferred income	**786**	–
	551,447	458,078
Non-current		
Deposit received *(note (c))*	**2,165**	–
	553,612	458,078

Notes:

(a) The balances of other payables as of 31 December 2018 included the followings:–

(i) The balance amounting to approximately HK$170,000 (2017: approximately HK$7,099,000) was advanced from a family member of Mr. Bao;

(ii) As at 31 December 2017, the balance amounting to approximately HK$22,814,000 was advanced from Gongyi Hotel Company Limited# (鞏義市賓館有限公司) ("Gongyi"). In the opinion of the directors of the Company, Gongyi is an independent third party. During the year ended 31 December 2018, the balance was fully settled;

(iii) The balance amounting to approximately HK$6,986,000 (2017: Nil) was advanced from an individual. In the opinion of the directors of the Company, the individual is an independent third party; and

(iv) The remaining balances of approximately HK$236,618,000 (2017: approximately HK$186,155,000) mainly comprises accrued coal mines related removal and relocation expenses, payables to suppliers for acquisition of property, plant and equipment and certain miscellaneous expenses payables.

These balances are unsecured, interest-free and repayable on demand or within one year.

(b) At 31 December 2018, receipts in advance from customers are contract liabilities and the Group is required to refund to the customers if the customers cancel the orders. However, the Group does not expect to refund any of the advance payments. The Group does not separately presented this item on the consolidated statement of financial position as, in the opinion of directors of the Company, the amount involved was not material.

Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

– **Coal business contracts**

When the Group receives a deposit before the customers obtain the coal from the predetermined location, this will give rise to contract liabilities, until the revenue recognised exceeds the amount of the deposit. The Group typically receives certain deposit on acceptance of coal sales orders, which is negotiated on a case by case basis with customers.

– **Building materials contracts**

For major building material contracts, the Group generally receives certain deposit from customers when they sign the building materials contracts, which is negotiated on a case by case basis with customers. These deposits are recognised as a contract liability until the revenue recognised exceeds the amount of the deposit.

Movements in contract liabilities

	HK$'000
At 1 January 2018	43,253
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(34,895)
Addition though acquisition of subsidiaries	7,131
Exchange realignment	(2,242)
At 31 December 2018	13,247

(c) One of the subsidiaries of the Company entered into a rental agreement with an independent third party to lease its certain property, plant and equipment for a lease term of 10 years. Pursuant to the rental agreement, the independent third party paid RMB4,000,000 (equivalent to approximately HK$4,554,000) to that subsidiary as a deposit. The deposit is refundable at the end of the lease term. The effective interest rate at 7.91% for imputed interest expense for this deposit is determined based on the cost-of-funds of that subsidiary per annum.

	HK$'000
At 1 January 2018	–
Deposit received	4,554
Discount at inception	(2,458)
Unwinding of imputed interest *(note 6)*	72
Exchange realignment	(3)
At 31 December 2018	2,165

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14. BANK AND OTHER LOANS

	2018	2017
	HK$'000	*HK$'000*
Current		
Bank loans *(Note (a))*	**563,257**	610,998
Other loans *(Note (b))*	**198,943**	2,521
	762,200	613,519
Non–current		
Bank loans *(Note (a))*	**51,232**	–
Other loans *(Note (b))*	**27,132**	33,381
	78,364	33,381
	840,564	646,900

Detail annual effective contractual interest rate and maturity is as belows:

	2018			2017		
	Annual effective contractual interest rate (%)	**Maturity**	***HK$'000***	Annual effective contractual interest rate (%)	Maturity	*HK$'000*
Current						
Secured	**3.30% – 4.57%**	**on demand**	**153,400**	3.20% – 4.35%	on demand	119,895
Secured	**5.87% – 8.00%**	**2019**	**295,715**	4.35% – 8.00%	2018	110,588
Unsecured	**4.85% – 10.43%**	**on demand**	**170,774**	4.79% – 10.68%	on demand	204,126
Unsecured	**1.20% – 12.80%**	**2019**	**142,311**	4.79% – 13.64%	2018	178,910
			762,200			613,519
Non-current						
Secured	**5.87% – 8.00%**	**2020-2021**	**78,364**	8.00%	2019-2020	33,381
			840,564			646,900

Notes:

(a) As at 31 December 2018, bank loans of approximately HK$153,400,000 (2017: approximately HK$167,925,000) were secured by certain accounts receivable and certain mining rights of the Group. A bank loan of approximately HK$56,925,000 (2017: approximately HK$60,037,000) was secured by a mining right of the Group.

As at 31 December 2018, bank loans of approximately HK$273,238,000 (2017: approximately HK$256,959,000) were guaranteed by the Major Customer.

As at 31 December 2018, no bank loans (2017: approximately HK$96,059,000) were jointly guaranteed by Mr. Bao directly/indirectly and the Major Customer.

As at 31 December 2018, bank loans of approximately HK$142,015,000 (2017: approximately HK$149,914,000) were jointly guaranteed by Mr. Bao, the spouse of Mr. Bao and the Major Customer.

As at 31 December 2018, bank loans of approximately HK$96,772,000 (2017: Nil) were secured by land use rights and jointly guaranteed by Mr. Zhang Xinzhi ("**Mr. Zhang**") and Henan Minan Real Estate Development Company Limited# (河南民安房地產開發有限公司), an entity incorporated in the PRC which is beneficially owned and controlled by Mr. Zhang.

(b) On 25 and 26 June 2018, the Group entered into agreements with a financing company, an independent third party, pursuant to which the Group has agreed to transfer the ownership of certain machinery and equipment under production of building materials (the "**Machinery and Equipment I**") to the financing company, at an aggregate consideration of approximately RMB169,660,000 (equivalent to approximately HK$193,140,000) and lease back the Machinery and Equipment I for a period of 1 year, subject to the terms and conditions of the agreements. The transaction was completed in June 2018. The financing company will return the ownership of the Machinery and Equipment I to the Group if all the rental fee has been settled fully. Despite the agreements involve a legal form of a lease, the Group accounted for the agreements as collateralised loan according with the actual substance of such agreements. These loans were secured by standby letter of credit issued by a bank for RMB170,000,000 (equivalent to approximately HK$193,543,000).

On 6 July 2017, the Group entered into an agreement with another financing company, an independent third party, pursuant to which the Group has agreed to transfer the ownership of certain mining machinery and equipment (the "**Machinery and Equipment II**") to the financing company, at a consideration of RMB30,000,000 (equivalent to approximately HK$34,155,000) and lease back the Machinery and Equipment II for a period of 3 years, subject to the terms and conditions of the agreement. The transaction was completed in July 2017. Upon discharging all the Group's obligations under the agreement, the financing company will return the ownership of the Machinery and Equipment II to the Group for a nominal amount of RMB1. Despite the agreement involves a legal form of a lease, the Group accounted for the agreement as collateralised loan according with the actual substance of such agreement.

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15. ACQUISITION OF SUBSIDIARIES

Pursuant to the sale and purchase agreement ("**SPA**") dated 13 October 2017 entered into between the Company and an independent third party to acquire all the equity interest in Goal Getter Ventures Limited, together with its subsidiaries (collectively the "**Goal Getter Group**") (the "**Acquisition**"). The nominal consideration for the Acquisition of HK$25,500,000 was settled in form of the allotment and issue of an aggregate of 127,500,000 new ordinary shares of the Company.

The Goal Getter Group is principally engaged in production and sale of building materials, of which all of its operations are carried out by Henan Xingan New Construction Materials Company Limited[#] (河南興安新型建築材料有限公司) ("**Xingan**"), a subsidiary which 51% is held by the Goal Getter Group.

The directors of the Company considered that the Acquisition allows the Group to explore a new income steam, diversify the Group's business segments to engage in the production and sale of building materials and improve the Group's revenue and results.

The Acquisition was completed on 3 January 2018. The fair value of consideration of approximately HK$19,253,000 for 127,500,000 new ordinary shares of the Company at the issue date was determined by reference to the closing market price of the shares of the Company at HK$0.151 per share at the issue date which was also the date of completion of the Acquisition on 3 January 2018.

	As at 3 January 2018 *HK$'000*
Assets acquired and liabilities assumed at the date of the Acquisition are as follows:	
Property, plant and equipment	207,400
Prepaid land lease payments	71,530
Inventories	9,682
Accounts and bills receivables and contract assets, net *(note (a))*	49,448
Prepayments, deposits and other receivables *(note (b))*	10,041
Cash and cash equivalents	19,586
Accounts and bills payables	(62,709)
Other payables and accruals	(104,034)
Amount due to a related party	(103,070)
Bank and other loans	(47,060)
Deferred income	(5,164)
Deferred tax liabilities	(3,119)
Total identifiable net assets at fair value	42,531
Non-controlling interests *(note (c))*	(20,649)
Bargain purchase arising from the Acquisition *(note (d))*	(2,629)
	19,253
Fair value of consideration shares	19,253
Acquisition-related costs (included in administrative expenses for the year ended 31 December 2018)	3,112

Notes:

(a) The gross contractual undiscounted balances amounted to approximately HK$56,133,000. The fair values of these accounts and bills receivables and contract assets at the acquisition date were estimated to be approximately HK$49,448,000, based on an assessment of the expected credit risks of the balances. The fair values include allowance of expected credit loss of approximately HK$6,685,000, which is estimated based on the estimated credit risk of the debtors, over the expected life of the debtors and are adjusted with forward-looking information that is available without undue cost or effort.

(b) The gross contractual undiscounted balances of deposits and other receivables amounted to HK$4,581,000. The fair values of these deposits and other receivables at the acquisition date were estimated to be HK$4,581,000, based on an assessment of the expected credit risks of the balances, which is estimated based on the estimated credit risk of the debtors, over the expected life of the debtors and are adjusted forward-looking information that is available without undue cost or effort.

(c) The non-controlling interests which represent 49% equity interest in Xingan recognised at the acquisition date were measured at the non-controlling interests' proportionate share of the identifiable net assets of Xingan at the acquisition date.

(d) The nominal consideration and the nominal issue price for the Acquisition of HK$0.2 per consideration share were determined after an arm's length negotiation made between the Group and independent third party at the time when the agreement was entered into. The major contributing factor to the gain on bargain purchase arising from the Acquisition was the effect arising from the nominal issue price determined at premium compare to the market price at the agreement date and acquisition date.

The acquired business contributed revenue of approximately HK$198,008,000 and net profit of approximately HK$7,829,000 for the period from 3 January 2018 to 31 December 2018. If the acquisition had occurred on 1 January 2018, there are no material difference in the consolidated revenue and consolidated loss for the year ended 31 December 2018.

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16. DIVIDEND

The Board does not recommend the payment of any final dividend in respect of the year ended 31 December 2018 (2017: Nil).

17. CAPITAL COMMITMENT

As at 31 December 2018, the Group had the following capital commitments:

	2018	2017
	HK$'000	*HK$'000*
Capital expenditure contracted but not provided for:		
Acquisition of subsidiaries	**–**	25,500
Acquisition of property, plant and equipment	**4,091**	768
	4,091	26,268

In addition, registered capital of Zhengzhou Tairun Aluminum Mold Technology Company Limited[#] (鄭州泰潤鋁模科技有限公司) ("**Tairun**"), one of the subsidiaries of the Company, is RMB20,000,000, of which RMB10,000,000 has been paid-up as at 31 December 2018, and the Group therefore was committed at 31 December 2018 to further invest in Tairun, a subsidiary which the Group has 60% equity interest, amounting to RMB6,000,000 (equivalent to approximately HK$6,831,000) (2017: Nil).

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18. COMPARATIVE AMOUNTS

Amounts due to shareholders, which were previously included in other payables and accruals in the consolidated statement of financial position, were represented as single line item in the consolidated statement of financial position as at 31 December 2017, in order to conform with the current year's presentation and disclosures.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

Looking to the coal market of the PRC during the Year, we considered that the overall performance was favorable to the coal mining companies, although the industry is still facing different kinds of challenges. The following areas were the facts which coal mining companies have encountered during the Year:

(1) Keeping stable growth in coal production by depressing the coal production volume

During the Year, the coal production in the PRC has been kept at a stable growth level. In general, the coal industry has achieved a balance of supply and demand during the Year. However, the coal industry is still facing the risk of over production.

Since the publish of a notice issued by the State Council of the People's Republic of China in year 2016 in relation to the reduction of production volume of coal, the revolution on coal demand and supply has been commenced. The total coal volume in the PRC has been reduced by approximately 800 million tons and approximately 540 million tons for year 2016 and year 2017 respectively. With the government and market's effort on depressing the coal production volume in the past few years, coal industry has gradually achieved the target from the "short term reduction in total production volume" to the "long term structural volume reduction".

Under the continuous pressure from the government policies and stringent directions in volume reduction, environmental protection and coal mine safety, etc., the coal supply in PRC local market has been successfully depressed. On the other hand, rapid growth of imported coal which could compensate the reduced local coal supply volume, consequently, the coal industry could have a healthy growth and a balance of demand and supply of coal.

(2) Demand from downstream industries has been improved

From the perspective of demand and supply of coal, although industries which consume coal in the PRC have multiple characteristic, they mainly come from the industry of electricity, iron and steel, building materials, chemicals, etc. Amongst the different downstream industries, coal consumption by power plants has been increased significantly during the Year, which was principally because of the demand in downstream consumption market condition has been kept to improve. However, due to the environment protection policies are being carried out stringently, many policies such as closing down the slow and old production plants, which have direct influence on the downstream industries and would cause certain extent of depression of the demand of coal in the PRC.

(3) Stable and favorable coal price which has given positive growth to the market

Under the tightening supervision on coal industry by the government on materialization of medium to long term coal contracts, more and more of coal sales and purchase contracts have been successfully completed and materialized. Increasing in number of completion on coal contracts has played an important role on stabilization of the coal price during the Year, although the coal price was still kept at comparatively higher level with small extent of fluctuation.

Under the recent favorable coal price market condition, many of the coal enterprises have materialized positive growth and strengthened their profitability ability.

(4) Continue enforcement of different coal industry policies to maintain a healthy coal market

To facilitate the sustainability of the coal industry and to ascertain the coal market can have a healthy, regulated and stable development, the PRC government has carried out and enforced different policies. Amongst the different policies, the first priority is to reduce coal production volume. The coal market has gradually developed from "short term volume reduction" to "long term structural reduction". Policies also have been strictly carried out to close down the coal mines which have insufficient capacity, to encourage different coal enterprises to have merger and acquisition. At the same time, environmental protection policies and safety production policies have been further enhanced.

(5) Financial performance of the coal industry

Although the total debt level amongst the coal industry has been generally decreased, it was still maintained at a high level. Since the year 2018, the industry's overall profitability ability has been improved while fixed assets investment has been lessened and the debt level in industry has been gradually reduced. Up to end of June of 2018, the total debt of the coal industry was approximately RMB3,604.2 billion, which has been reduced from the end of year 2017 by approximately RMB153.5 billion. In respect of the asset to liability ratio up to the end of June 2018, the overall ratio of the coal industry was approximately 66.3%, which has already been improved in comparing with the year 2017 and year 2016, even it was still maintained at a high level.

By looking at the coal industry's financial cost, although the overall debt level has been reduced, the cost of capital was increased during the Year and the financial cost to the coal market has also been increased. As the size of debt was still kept at high level, the finance cost to the industry would has significant impact to coal enterprises.

BUSINESS REVIEW

Subsequent to the recession of coal industry in the past few years, coal industry has rebounded gradually since the Year 2017 and the favorite market condition has persisted and become more obvious in the Year 2018. The Group has improved the overall performance by regarding to the revenue achieved from the Coal Business during the Year.

With the completion of acquisition of building materials business in early 2018, the Group has successfully diversified its business. Currently, the Group is not only relying on the revenue contribution from the Coal Business, but also obtaining revenue from the Building Materials Business. The management of the Group expected that the future development potential of Building Materials Business will be higher than the Coal Business.

Government safety and environmental protection policies have imposed much pressure on the enterprises in the coal industry. The coal enterprises need to invest with additional amount on their infrastructure, management, systems control, etc., for compilation of rules and regulations. Nevertheless, there is no stringent government regulation which is required for building materials industry because the industry has insignificant pollution to the environment during the production. Therefore, less additional cost would be incurred for non-operational related areas.

During the Year, the Group has recorded total revenue of approximately HK$961.4 million (Year 2017: approximately HK$529.9 million). Amongst the revenue achieved by the Group, approximately HK$763.4 million (Year 2017: approximately HK$529.9 million) was obtained from the Coal Business and approximately HK$198.0 million (Year 2017: Nil) was derived from the Building Materials Business.

The increase in revenue of Coal Business was mainly due to (1) fully resumption of coal mines of the Group in the Year compared to Last Year. During the Last Year, one of the three coal mines of the Group was suspended for about eleven months and one coal mine was suspended for whole year; and (2) the market coal price has reached to new high during the Year when comparing to the past three years.

In order to strive with facing different new challenges, the Group has not only kept to focus on improvement on its existing Coal Business, but has also explored into the new business in the building materials market so as to strengthen the operation and the revenue of the Group. The Group has always been persisting in its position and taking more cautious responsive measures according to situations on a timely basis.

Fully resumption of coal mines and favourable market condition

During the Year, all of the three coal mines of the Group have been fully resumed in operation compared to the pro-longed suspension in Last Year. Production and sales volume of coal has been gradually recovered during the Year. During the Year, the coal production volume was increased by approximately 472,000 tons or 172.2% comparing to the Last Year. Moreover, the favorable market coal price (average coal price of produced coal and purchased coal of the Group for Year 2018: RMB383.4/ton; Last year: RMB353.4/ton) during the Year was another important factor which caused the improvement of the Group's revenue during the Year. However, the Group has decided to close coal mine Xiaohe No.3 in March 2018 and not to renew the mining license of Xiaohe Coal Mine No.2 (which was closed in January 2016) due to their production scale were too small which have no material impact on the Group's business.

New income stream from the building materials business

Subsequent to the successful acquisition of Building Materials Business, the Group has recorded revenue of approximately HK$198.0 million from this business sector. Due to its production nature, the building materials business does not has the issues of environment pollution, hence, it will not be easily affected by the government policies.

However, it will also be affected by the general economic condition and the property market of the PRC. The building materials are mainly used for development of hotel and houses in the PRC. If the property market in the PRC goes downturn, less demand for the building materials and the result may then be influenced.

The Group possesses a wide range of technology in the production of building materials and with the target to become as a pioneer in the industry. The Group has its own research and development team to produce high quality building materials, which differentiate the Group's products from the other competitors in the industry.

Fund raising activity

In early January 2018, a fund raising activity was completed to raise funds with gross proceeds to HK$40 million. Due to the position of the net current liabilities of the Group, the purpose of the event was to use as working capital of the Group and to improve its financial position.

Financial support from the major shareholders

In early 2018, the Group entered into loan agreements with the three major shareholders of the Company, i.e. Mr. Bao Hongkai, Mr. Li Xiangfei and Mr. Zhang Xinzhi. Pursuant to the loan agreement, the three shareholders agreed to provide un-secured and interest-free loans with a maximum aggregated amount of RMB600 million for a term of three years to the Group.

Financial Review

Revenue

The Group's total revenue for the Year amounted to approximately HK$961.4 million, representing an increase of approximately 81.4% from approximately HK$529.9 million compared to the Last Year. The increase in revenue was primarily due to fully resumption of coal mines and revenue contributed by the newly acquired business. During the Year, the total sales volume of coal has reached to approximately 1,679,000 tons which was higher than the sales volume of the Last Year (approximately 1,300,000 tons) by approximately 29.1%, in which, approximately 932,000 tons or approximately 55.5% (the Last Year: approximately 1,026,000 tons or approximately 78.9%) and approximately 747,000 tons or approximately 44.5% (the Last Year: approximately 274,000 tons or approximately 21.1%) were contributed by coal trading business and sales from coal mining business respectively.

After obtaining the approval from the relevant government authority, the three coal mines of the Group (i.e. Xiaohe Coal Mine No. 1, Xiangyang Coal Mine and Xingyun Coal Mine) have resumed their operations to produce coals. As a result, the revenue contributed from sales of produced coals increased significantly from Last Year. Besides resumption of coal mines, the group's revenue increased also due to the acquisition of Goal Getter Ventures Limited ("**Goal Getter**"), which contributed revenue amounting to HK$198.0 million since acquisition.

Cost of sales and gross profit

The cost of sales and gross profit for the Year were approximately HK$901.9 million (the Last Year: approximately HK$630.4 million) and approximately HK$59.5 million (the Last Year: gross loss of approximately HK$100.5 million) respectively.

The gross profit margin was improved from gross loss margin approximately 19.0% for the Last Year to gross profit margin approximately 6.2% for the Year. During the Year, the average cost per ton of the coal produced by the Group's coal mines was smaller than that in the Last Year due to the resumption of coal mines and the coal mines were operated at their optimal capacity. The increase in total cost of sales was mainly driven by increase in sales due to the resumption of the coal mines of the Group and newly acquired Building Material Business. Gross profit of the Group for the year was mainly contributed by the newly acquired Building Material Business, which contributed gross profit amounting to approximately HK$64.6 million. The Building Material Business was operated by a subsidiary, Henan Xingan New Construction Materials Company Limited*（河南興安新型建築材料有限公司）("**Henan Xingan**") which was acquired through the acquisition of Goal Getter Ventures Limited during the year. Henan Xingan is located right next to a state-owned power generating plant which produce scrap materials during its operation and such scrap materials are the main raw materials for the production of building materials by Henan Xingan, therefore, Henan Xingan can obtain such raw materials in a cost effective way. As a result, the favorable location of Henan Xingan allows them to save costs and generate a favorable gross profit.

Net loss attributable to the owners of the company

The net loss attributable to the owners of the Company for the Year was approximately HK$142.7 million, representing a decrease of approximately 20.0% as compared with the Last Year of approximately HK$178.9 million. The reasons for the decrease in net loss attributable to the owners of the Company were mainly due to the resumption of operations of coal mine and profits contributed by the newly acquired Building Materials Business.

Though the coal market in the PRC has been recovered since late 2016 and the Group's coal mines have resumed operation during the Year after the suspension in 2017, the performance of the coal mines of the Group was still affected by the higher requirement standards on coal mines safety and environmental protection requirement which may lead to unpredicted market trends and high operating cost.

Selling and distribution expenses

Significant increase of approximately HK$33.1 million in selling and distribution expenses from approximately HK$4.5 million of the Last Year to approximately HK$37.6 million for the Year, was due to (i) the outbound transportation cost incurred by the newly acquired Building Material Business amounting to approximately HK$26.6 million, and (ii) the increase in the coal trading and mining business during the year.

Administrative expenses

During the Year, the total administrative expenses amounted to approximately HK$90.1 million (the Last Year: approximately HK$53.6 million) which mainly comprised of: (i) employee benefits expense of approximately HK$33.6 million (the Last Year: approximately HK$21.5 million); (ii) amortisation of mining right and other intangible assets amounted to approximately HK$7.8 million (the Last Year: approximately HK$3.2 million); and (iii) depreciation of property, plant and equipment amounted to approximately HK$8.6 million (the Last Year: approximately HK$2.3 million).

Finance Costs

The finance costs increased by approximately 140.0% from approximately HK$42.3 million for the Last Year to approximately HK$101.5 million for the Year. The increase in the finance costs was mainly due to the increase in the average amount of bank and other loans during the Year as well as the increase in average interest rate.

Accounts and Bills Receivables and Contract Assets

As at 31 December 2018 (the "**Current Year End**"), the accounts and bills receivables and contract assets amounted to approximately HK$454.6 million, representing an increase of approximately 105.4% as compared to the accounts and bills receivables as at 31 December 2017 (the "**Last Year End**") of approximately HK$221.3 million. The increase was mainly due to the increase in the revenue from Coal Business and the newly acquired Building Materials Business.

Amongst the total amount of accounts receivable less allowance for credit losses (excluding the bills receivable and contract assets) as at the Current Year End, the largest customer of the Group was the largest debtor who has contributed approximately HK$52.8 million (equivalent to approximately RMB46.4 million) or approximately 27.3% of the total accounts receivable amount.

Accounts and bills payables

Bills payable as at the Current Year End amounted to approximately HK$607.8 million (the Last Year End: approximately HK$807.2 million) which contributed approximately 92.4% (the Last Year End: approximately 98.7%) of the total amount of accounts and bills payables as at the Current Year End, i.e. approximately HK$658.1 million (the Last Year End: approximately HK$817.9 million). Decrease in bills payable because the Group had financed the operation by the loans from shareholders which are interest free, and not require to pledge the Group's assets. The bills payable as at the Current Year End has decreased by approximately HK$199.4 million or approximately 24.7%.

Other payables, accruals and deposit received

The total amount of other payables and accruals have been increased by approximately 20.8% from approximately HK$458.1 million as at the Last Year End to approximately HK$553.6 million as at the Current Year End. As at the Current Year End, the other payables were mainly comprised of provision for PRC retirement benefit scheme contributions amounted to approximately HK$194.7 million (the Last Year End: approximately HK$169.7 million), accrued coal mines related removal and relocation expenses amounted to approximately HK$63.3 million (the Last Year End: approximately HK$58.3 million), contract liabilities receipts in advance amounted to approximately HK$13.2 million (the Last Year End: approximately HK$43.3 million), accrued workers' wages and benefits amounted to approximately HK$51.5 million (the Last Year End: approximately HK$29.1 million).

PROSPECT

Year 2017 and 2018 be regarded as recovery years for coal industry in the PRC since the commencement of government control policies on coal supply in the past few years. It is expected that the China's economic growth will adjust downward slowly in the coming years, the Group will continue to adjust its response to the market environment.

Keep focusing on the Group's existing Coal Business and the newly acquired Building Materials Business, the Group will conduct safe, effective and refined production, seek for opportunities among challenges, and try every means to achieve cost efficiency, revenue growth and lower the debt level.

The Group will put sufficient efforts on keeping up with the market to expand new development opportunities and to promote business diversification, to broaden source of revenue and to improve risk resistance of the Company.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at the Current Year End, the net liabilities of the Group was approximately HK$163.5 million (as at the Last Year End: approximately HK$76.6 million) and the total cash and bank balance (including pledged and restricted bank deposits) was approximately HK$692.4 million (as at the Last Year End: approximately HK$787.8 million). As at the Current Year End, the Group had net current liabilities of approximately HK$888.4 million (as at the Last Year End: approximately HK$618.20 million) and its current ratio decreased from 0.70 times as at the Last Year End to 0.58 times as at the Current Year End. The Group's working capital was mainly financed by internal cash flow generated from its operation and the banking facilities granted by financial institutions.

As at the Current Year End, the Group's accounts and bills receivables, net of any provision for impairment amounted to approximately HK$452.6 million (as at the Last Year End: approximately HK$221.3 million) and certain accounts receivable were pledged to secure bank loans of the Group.

As at the Current Year End, bank deposits amounted to approximately HK$655.0 million (as at the Last Year End: approximately HK$616.90 million) were pledged and not available for the operation or repayment of debts of the Group. Bank deposits of approximately HK$1.6 million (as at the Last Year End: Nil) were restricted for use in relation to administrative proceedings. Cash and cash equivalents which were not pledged amounted to approximately HK$35.8 million (as at the Last Year End: approximately HK$170.9 million).

As at the Current Year End, the Group has bank and other loans amounting to approximately HK$762.2 million (as at the Last Year End: approximately HK$613.5 million), which are due for repayment within one year from the reporting date or repayable on demand. These bank and other loans bear interest at interest rates ranging from 1.2% to 12.8% per annum (as at the Last Year End: from 3.2% to 13.6% per annum).

As at the Current Year End, approximately HK$485.9 million (as at the Last Year End: approximately HK$694.9 million) of the Group's bills payable were secured by the Group's pledged deposits, in which approximately HK$152.4 million (as at the Last Year End: approximately HK$164.8 million) were guaranteed by the Major Customer or its subsidiaries. As at the Last Year End, bills payable of approximately HK$72.0 million were also jointly guaranteed by a shareholder of the Company and the Major Customer.

The Group's gearing ratio (as a ratio calculated by (a) the sum of bank and other loans, amount due to an associate and amounts due to and loan from shareholders; divided by (b) the total assets of the Group) was 44.4% (as at the Last Year End: 37.7%).

CORPORATE SOCIAL RESPONSIBILITY

To enhance the business social responsibility and to improve its result, the Group has always been dedicated to fulfilling its social responsibility. In deciding the appropriate policies, the Group takes into consideration the impact on the environment, the community and its employees, The Group has objective to achieve the balance between economic benefit and the environmental protection, as well as sustainable development for the entire community.

The Group will inform its employees about the environmental protection information that they can utilise in their working environment. It is a wish that with a concept to be developed amongst the employees, the Group and the employees as a whole can contribute in environment protection.

In addition to the normal remuneration packages entitled to the employees, the Group has provided them with other benefits, such as medical subsidies and insurance, etc., for the purpose of giving them job security. This has cultivated stronger sense of belonging to the Group for its employees and created a working environment of high spirit.

CAPITAL COMMITMENTS

Save as disclosed in note 17 of this announcement, the Group did not have any other capital commitments as at 31 December 2018.

MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENT

Save as disclosed in note 15 of this announcement, the Group did not have any other material acquisitions, disposals and significant investment during the year.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report on the Group's consolidated financial statements for the year ended 31 December 2018.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Material uncertainty related to going concern

We draw attention to note 3.1 to the consolidated financial statements which indicates that the Group incurred a consolidated net loss of approximately HK$152,632,000 for the year ended 31 December 2018 and, as of that date, the Group has net current liabilities of approximately HK$888,441,000 and a capital deficiency of approximately HK$163,467,000, among which the outstanding borrowings of approximately HK$1,393,928,000 (including bank loans of approximately HK$563,257,000, other loans of approximately HK$198,943,000, bills payables of approximately HK$607,783,000, amount due to an associate of approximately HK$14,640,000, amounts due to shareholders of approximately HK$9,135,000 and interest-free loans provided by certain related parties of approximately HK$170,000) are due for repayment within one year from the reporting date or repayable on demand.

These conditions indicate the existence of material uncertainties 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.

SAFETY PRODUCTION AND ENVIRONMENT PROTECTION

The Group has always paid great attention to production safety and environmental protection while achieving growth in coal production. Thus, the Group makes great efforts in promoting safety management and strengthening measures for environmental protection, aiming at building itself into a safety-oriented and environmentally-friendly enterprise.

EXCHANGE RISK EXPOSURE

The sales and purchases of the Group are predominantly in RMB which is the functional currency of the related group entities. The Board therefore is of the opinion that the Group's sensitivity to the change in foreign currency is low and the Group does not hedge its foreign currency risk.

DIVIDEND

The Board does not recommend the payment of any final dividend in respect of the Year.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2018, the Group has a total of approximately 2,002 employees located in Hong Kong and the PRC. Salaries are reviewed annually with discretionary bonuses being paid depending on individual performance. The Group also provides other benefits including medical insurance and pension funds. A share option scheme was adopted by the Group on 27 May 2014 to enable the directors of the Company to grant share options to eligible participants including any employee of the Group as incentive to their valuable contribution to the Group.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders of the Company.

CORPORATE GOVERNANCE

During the Year, the Company has complied with the code provisions as set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), except for the deviation as set out below.

Code provision A.4.1 of the CG Code provides that non-executive directors should be appointed for a specific term, subject to re-election. The non-executive director and independent non-executive directors ("**INEDs**") of the Company do not have a specific term of appointment, but are subject to rotation in accordance with bye-law 111 of the Bye-laws of the Company. As the non-executive director and INEDs of the Company are subject to rotation in accordance with the Bye-laws of the Company, the Board considers that the non-executive director and INEDs of the Company so appointed with no specific term will not impair the quality of corporate governance of the Company as required by the principle of good governance laid down in A.4 of the CG Code.

Code provision A.6.7 of the CG Code requires that the independent non-executive directors and the non-executive directors should attend general meetings. However, the independent non-executive director of the Company, Dr. Chen Renbao, Mr. Jiang Xiaohui (resigned on 15 June 2018) and Mr. Ma Yueyong were unable to attend the 2018 annual general meeting of the Company held on 30 May 2018 due to other business engagement.

SCOPE OF WORK OF MOORE STEPHENS CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2018 as set out in the preliminary announcement of the Group have been agreed by the Group's auditor, Moore Stephens CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Moore Stephens CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Moore Stephens CPA Limited on this announcement.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the CG Code for the purposes of reviewing and providing supervision over the Group's financial reporting process, internal controls and risk management. The audit committee comprises three of the INEDs of the Company. The audit committee reviewed the consolidated financial statements of the Group for the year ended 31 December 2018 and were of the opinion that such statements comply with the applicable accounting standards, the Listing Rules and legal requirements and that adequate disclosure have been made.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the "**Model Code**") set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by directors. Having made specific enquiry, all directors of the Company have fully complied with the required standards set out in the Model Code throughout the Year.

CLOSURE OF REGISTER OF MEMBERS

The 2019 Annual General Meeting (the "**AGM**") of the Company is scheduled on 30 May 2019. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Monday, 27 May 2019 to Thursday, 30 May 2019,, both days inclusive. In order to be eligible to attend and vote at the AGM, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's share registrar in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Friday, 24 May 2019.

PUBLICATION OF INFORMATION ON THE STOCK EXCHANGE WEBSITE

This announcement has been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (http://www.irasia.com/listco/hk/rrhl). The 2018 annual report will be despatched to the shareholders and available on the same websites on or before 30 April 2019.

APPRECIATION

I would like to take this opportunity to express my most sincere thanks and gratitude to our shareholders, and various parties for their continuing support, and our directors and staff for their dedication and hard work.

By order of the Board
Rosan Resources Holdings Limited
Dong Cunling
Chairman

Hong Kong, 30 March 2019

As at the date of this announcement, the executive directors of the Company are Mr. Dong Cunling, Mr. Li Xiangfei, Mr. Sun Shusheng, Mr. Zhang Yi and Mr. Zhou Guangwen; the non-executive director of the Company is Mr. Li Chunyan; the INEDs of the Company are Dr. Chen Renbao, Mr. Ma Wai Tong and Mr. Ma Yueyong.