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GreenLeader

GREEN LEADER HOLDINGS GROUP LIMITED
綠領控股集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 61)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

The board (the "**Board**") of directors (the "**Directors**") of Green Leader Holdings Group Limited (the "**Company**", together with its subsidiaries as the "**Group**") hereby announces the audited results of the Group for the year ended 31 December 2018 together with the comparative figures for the corresponding year in 2017 as follows:

HIGHLIGHTS

Financial Highlights

	For the year ended 31 December		
	2018	2017	Change
	HK$'000	*HK$'000*	*HK$'000*
Revenue	**1,004,636**	514,909	489,727
Gross profit	**136,761**	140,897	(4,136)
(Loss)/profit for the year	**(2,483,103)**	512,564	(2,995,667)
(Loss)/profit attributable to owners of the Company	**(1,182,062)**	94,108	(1,276,170)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2018

	Notes	**2018** **HK$'000**	2017 *HK$'000*
Revenue	*4*	**1,004,636**	514,909
Cost of sales and services rendered		**(867,875)**	(374,012)
Gross profit		**136,761**	140,897
Other operating income	*5*	**7,128**	50,624
Selling and distribution expenses		**(4,173)**	(5,485)
Administrative and other operating expenses		**(348,174)**	(348,926)
Change in fair value of derivative component of convertible loan notes		**235,973**	(52,429)
Reversal of impairment loss in respect of mining rights, net		**–**	1,111,806
Reversal of impairment loss in respect of property, plant and equipment, net		**–**	180,034
Impairment loss on mining rights, net		**(2,571,010)**	–
Impairment loss on property, plant and equipment, net		**(278,692)**	–
Finance costs	*6*	**(331,158)**	(323,441)
(Loss)/profit before taxation	*7*	**(3,153,345)**	753,080
Income tax credit/(expense)	*8*	**670,242**	(240,516)
(Loss)/profit for the year		**(2,483,103)**	512,564
Attributable to:			
(Loss)/profit attributable to owners of the Company		**(1,182,062)**	94,108
(Loss)/profit attributable to non-controlling interests		**(1,301,041)**	418,456
		(2,483,103)	512,564
(Loss)/earnings per share *(HK cents)*			
Basic	*10*	**(16.17)**	1.29
Diluted	*10*	**(16.17)**	1.13

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	2018	2017
	HK$'000	*HK$'000*
(Loss)/profit for the year	**(2,483,103)**	512,564
Other comprehensive (expense)/income for the year		
Items that may be subsequently reclassified to profit or loss:		
Exchange difference on translation of foreign operations:		
– Exchange difference arising during the year	**(175,229)**	208,110
– Reclassification adjustments relating to foreign operations disposed of in the year	**–**	(7,863)
Other comprehensive (expense)/income for the year	**(175,229)**	200,247
Total comprehensive (expense)/income for the year	**(2,658,332)**	712,811
Total comprehensive (expense)/income attributable to:		
Owners of the Company	**(1,240,192)**	165,144
Non-controlling interests	**(1,418,140)**	547,667
	(2,658,332)	712,811

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment		**1,788,156**	1,829,128
Mining rights		**6,018,475**	9,492,873
Intangible assets		**12,234**	14,569
Goodwill		**–**	–
Deposits paid for acquisition of land use right		**35,946**	38,522
Deposits paid for acquisition of property, plant and equipment		**46,321**	38,289
		7,901,132	11,413,381
Current assets			
Inventories		**2,081**	4,277
Trade receivables	*11*	**173,512**	7,685
Prepayments, deposits, bills receivable and other receivables		**148,693**	206,265
Amount due from related companies		**7,579**	9
Amount due from a director		**4**	–
Derivative component of convertible loan notes		**7,356**	–
Bank balances and cash		**19,538**	118,218
		358,763	336,454
Current liabilities			
Trade payables	*12*	**2,039**	6,411
Other payables		**601,566**	889,659
Amounts due to related companies		**–**	212,508
Amounts due to a director		**14,508**	–
Amount due to non-controlling interests holders		**706,633**	4,615,030
Other borrowings		**14,101**	–
Obligation under finance leases		**36,213**	8,307
Liabilities component of convertible loan notes		**–**	408,292
Derivative component of convertible loan notes		**2,330**	223,857
Income tax liabilities		**28,294**	1,946
		1,405,684	6,366,010
Net current liabilities		**(1,046,921)**	(6,029,556)
Total assets less current liabilities		**6,854,211**	5,383,825

	Notes	**2018** **HK$'000**	2017 *HK$'000*
Capital and reserves			
Share capital		**73,110**	729,675
Reserves		**(1,901,661)**	(1,410,673)
Equity attributable to owners of the Company		**(1,828,551)**	(680,998)
Non-controlling interests		**2,065,414**	3,483,554
Total equity		**236,863**	2,802,556
Non-current liabilities			
Amount due to non-controlling interests holders		**4,023,875**	–
Provision for restoration, rehabilitation and environmental costs		**74,279**	74,927
Liabilities component of convertible loan notes		**641,679**	294,231
Amount due to related companies		**148,742**	–
Other payables		**423,590**	–
Obligation under finance leases		**382**	45,252
Deferred tax liability		**1,304,801**	2,166,859
		6,617,348	2,581,269
		6,854,211	5,383,825

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability. The shares of the Company are listed on the main board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The registered office of the Company is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and the principal place of business of the Company in Hong Kong is Units 2001-2, 20/F., Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong.

The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is also the functional currency of the Company. The Directors consider HK$ is the appropriate presentation currency for the users of the Group's financial statements. The functional currency of the Company's major subsidiaries in the People's Republic of China (the "**PRC**") and the Kingdom of Cambodia ("**Cambodia**") are in Renminbi ("**RMB**") and in United State dollar ("**US$**"), respectively.

The principal activities of the Company are investment holding and provision of finance and treasury services to the Group. During the year, the Group was principally engaged in (i) the development of cassava cultivation and deep processing business for the related ecological cycle industry chain; (ii) coal exploration and development, and sales of coking coal and the provision of coal trading and logistics services; and (iii) the sales of information technology products, system integration, technology service, software development and solution.

As at 31 December 2018, the Group had net current liabilities of approximately HK$1,046,921,000 and incurred net loss of approximately HK$2,483,103,000 during the year, indicating the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business. The Directors are of the opinion that the Group will have sufficient working capital to meet its financial obligations as and when they fall due for the next twelve months from 31 December 2018 after taking into consideration of the following:

i) As at 31 December 2018, included in the current liabilities of the Group was derivative component of convertible loan notes of approximately HK$2,330,000 which represented the fair value of options entitling the holders to convert the convertible loan notes into ordinary shares of the Company before the maturity dates of the convertible loan notes and the early redemption option. Such derivative component of convertible loan notes shall not in itself result in any cash outflow for the Group;

ii) Subsequent to 31 December 2018, approximately HK$706,633,000 of amounts due to non-controlling interest holders had confirmed that they shall not demand immediate settlement due by the Group before 31 December 2020;

iii) On 14 December 2018, the Company entered into a placing agreement with a placing agent for placing a maximum of 1,462,200,000 ordinary shares (the "**Placing Shares**") of the Company at a placing price of HK$0.04 per shares. On 9 January 2019, 1,462,200,000 Placing Shares were placed by certain independent third parties at a subscription price of HK$0.04 per share. The Company raised approximately HK$57,720,000 (net of directly attributable expenses of approximately HK$760,000), of which approximately HK$40,000,000 will be used for repayment of indebtedness of the Group and the remaining balance thereof will be utilised towards business development of the Group in Cambodia and general working capital;

iv) On 15 March 2019, China OEPC Limited, which is beneficially owned by Best Growth Enterprises Limited and Mr. Zhang Sanhuo (the Chairman and Executive Director of the Company) is the ultimate beneficially owner, provided an unconditional stand-by facilities of HK$350,000,000 to the Company; and

v) Internal funds shall be generated from the Group's operations.

Accordingly, the Directors are of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis. If adequate finance is not available, the Group may be unable to meet its obligations as and when they fall due in the foreseeable future. Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

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

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") for the first time in the current year.

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with customers and the related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 *Financial Instruments* with HKFRS 4 *Insurance Contracts*
Amendments to Hong Kong Accounting Standard ("**HKAS**") 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of Investment Properties

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in the consolidated financial statements.

HKFRS 15 "*Revenue from Contracts with Customers*"

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 "*Revenue*", HKAS 11 "*Construction Contracts*" and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening accumulated losses (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to the contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 "*Revenue*" and HKAS 11 "*Construction Contracts*" and the related interpretations.

The Group recognises revenue from the following major sources which arise from contracts with customers:

- Sale of mining products

- Sale of cassava starch

- Sale of computer products

- Provision of system integration service and software solutions

The Group has performed an assessment on the impact on the adoption of HKFRS 15 and concluded that no material financial impact exists, and therefore no adjustment to the opening balance of accumulated losses as at 1 January 2018 is required.

Accounting policies resulting from application of HKFRS 15 are disclosed in the Company's 2018 annual report.

Summary of effects arising from initial application of HKFRS 15

Under HKFRS 15, a contract liability is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognised the relevant revenue. The Group recognised its contract liabilities under other payable as receipt in advance in the consolidated statement of financial position.

HKFRS 9 "*Financial Instruments*"

In the current year, the Group has applied HKFRS 9 "*Financial Instruments*" and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities; and 2) expected credit losses ("**ECL**") for financial assets.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening accumulated losses and other components of equity, without restating comparative information.

Accordingly, certain comparative information which may not be comparable as comparative information was prepared under HKAS 39 "*Financial Instruments: Recognition and Measurement*".

Accounting policies resulting from application of HKFRS 9 are disclosed in the Company's 2018 annual report.

Summary of effects arising from initial application of HKFRS 9

The Directors of the Company reviewed and assessed the Group's financial assets as at 1 January 2018 based on the fact and circumstances that existed at that date. The application of HKFRS 9 in the current year has no material impact on the classification and measurement of financial assets.

Impairment under ECL model

Except for those which had been determined as credit impaired under HKAS 39, trade receivables have been assessed individually with outstanding significant balances and collectively using a provision matrix for the remaining balances, which is grouped based on shared credit risk characteristics and the historical observed default rates adjusted for forward-looking estimates that is available without undue costs or effort.

Except for those which had been determined as credit impaired under HKAS 39, ECL for other financial assets at amortised cost, including other receivables and cash and cash equivalents, are assessed on 12-month ECL basis as there had been no significant increase in credit risk since initial recognition.

The Group concluded that the initial application of HKFRS 9 has no material impact on the consolidated statement of financial position of the Group with regard to classification and measurement of financial instruments and has no significant impact on the impairment assessment of its financial assets.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[2]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[5]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint a Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle[1]

[1] *Effective for annual periods beginning on or after 1 January 2019*
[2] *Effective for annual periods beginning on or after 1 January 2021*
[3] *Effective for annual periods beginning on or after a date to be determined*
[4] *Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020*
[5] *Effective for annual periods beginning on or after 1 January 2020*

3. SEGMENT INFORMATION

The Group's operating segments, based on information reported to the Board (being the chief operating decision maker ("**CODM**")) for the purpose of resources allocation and performance assessment are as follows:

Cassava starch operation	–	Provision of cultivation and processing of cassava starch for sale
Mining operation	–	Geological survey, exploration and development of coal deposits, and selling of coking coal
Coal operation	–	Provision of coal trading and logistics services
Systems integration services and software solutions	–	Sales of information technology products, systems integration, technology service, software development and solution

For management purposes, the Group is organised into business units based on their products and services. The management of the Group monitors the operating results of its business units separately for the purposes of making decisions on resource allocation and performance assessment. Segment performance is evaluated based on the operating profit or loss which in certain respects, as explained in the table below, is measured differently from the operating profit or loss in the consolidated statement of profit or loss.

For the purposes of monitoring segment performance and allocating resources between segments, the CODM also reviews other segment information.

Segments revenues and results

The following is an analysis of the Group's revenues and results by reportable and operating segments.

	Systems integration services and software solutions		Mining operation		Coal operation		Cassava starch operation		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
For the year ended 31 December										
REVENUE										
Sales to external customers	**23,131**	63,063	**980,902**	381,766	**–**	–	**603**	70,080	**1,004,636**	514,909
RESULTS										
Segment (loss)/profit	**(600)**	5,452	**(2,986,918)**	1,137,642	**–**	(156)	**(30,492)**	(14,137)	**(3,018,010)**	1,128,801
Change in fair value of derivative component of convertible loan notes									**235,973**	(52,429)
Unallocated income									**699**	42,514
Unallocated expenses									**(40,849)**	(42,365)
Finance costs									**(331,158)**	(323,441)
(Loss)/profit before taxation									**(3,153,345)**	753,080

The accounting policies of the reportable and operating segments are the same as the Group's accounting policies. Segment (loss)/profit represents the (loss)/profit from each segment without allocation of central administrative expenses, including directors' and chief executive's emoluments, change in fair value of derivative component of convertible loan notes, certain other income and finance costs. This is the measure reported to CODM for the purposes of resource allocation and performance assessment.

4. REVENUE FROM GOODS AND SERVICES

Disaggregation of revenue

Segments	Systems integration services and software solutions		Mining operation		Coal operation		Cassava starch operation		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	HK'000	*HK'000*	*HK'000*	*HK'000*	*HK'000*	*HK'000*	*HK'000*	*HK'000*	*HK'000*	*HK'000*
Types of goods and services										
Sales of goods										
– Coal	–	–	980,902	381,766	–	–	–	–	980,902	381,766
– Computer products	16,675	63,063	–	–	–	–	–	–	16,675	63,063
– Cassava starch	–	–	–	–	–	–	603	70,080	603	70,080
Provision of system integration and software solution services	6,456	–	–	–	–	–	–	–	6,456	–
	23,131	63,063	980,902	381,766	–	–	603	70,080	1,004,636	514,909
Timing of revenue recognition										
A point in time	16,675	63,063	980,902	381,766	–	–	603	70,080	998,180	514,909
Over time	6,456	–	–	–	–	–	–	–	6,456	–
	23,131	63,063	980,902	381,766	–	–	603	70,080	1,004,636	514,909

Notes:

i) The Group has initially applied HKFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated and was prepared in accordance with HKAS 18 (see Note 2).

5. OTHER OPERATING INCOME

	2018	2017
	HK$'000	*HK$'000*
Gain on disposal of property, plant and equipment	290	–
Gain on disposal of subsidiaries	550	41,874
Interest income	99	640
Rental income	34	–
Sundry income	4,110	7
Waiver of other payables	2,045	8,103
	7,128	50,624

6. FINANCE COSTS

	2018	2017
	HK$'000	*HK$'000*
Interest expenses on borrowings wholly repayable within five years:		
– effective interest expenses on convertible loan notes	**70,190**	55,260
– other borrowings	**11,812**	1,472
– finance lease	**18,602**	10,642
– amount due to non-controlling interest holders	**359,163**	367,703
Total borrowing costs	**459,767**	435,077
Less: amounts capitalised in construction in progress	**(131,885)**	(114,573)
Imputed interest for provision for restoration, rehabilitation and environmental costs	**3,276**	2,937
	331,158	323,441

7. (LOSS)／PROFIT BEFORE TAXATION

	2018	2017
	HK$'000	*HK$'000*
(Loss)/profit before taxation has been arrived at after charging:		
Auditor's remuneration	**2,000**	1,280
Amortisation of mining rights included in cost of sales	**407,944**	186,208
Amortisation of intangible assets	**1,659**	343
Depreciation of property, plant and equipment	**128,237**	45,343
Impairment loss recognised in respect of trade receivables	**–**	16,739

8. INCOME TAX (CREDIT)／EXPENSE

	2018 ***HK$'000***	2017 *HK$'000*
Current tax (credit)/expense:		
The PRC Enterprise Income Tax (the "**EIT**")	**78,369**	9,267
Cambodia profits tax	**–**	(1,792)
Deferred tax (credit)/expense	**(748,611)**	233,041
Income tax (credit)/expense	**(670,242)**	240,516

(i) Pursuant to the rules and regulations of Bermuda, Independent State of Samoa ("**Samoa**") and the British Virgin Islands (the "**BVI**"), the Group is not subject to any income tax in Bermuda, Samoa and the BVI.

(ii) No provisions for Hong Kong Profits Tax have been made for subsidiaries established in Hong Kong as these subsidiaries did not have any assessable profits subject to Hong Kong Profits Tax for both years.

(iii) Profits of the subsidiaries established in the PRC are subject to the PRC EIT.

Under the Law of the PRC on EIT (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

(iv) Under the Law of the Cambodia, the tax rate of the Cambodia Subsidiaries is 20% for both years.

9. DIVIDENDS

No dividend was paid or proposed for both years ended 31 December 2018 and 2017, nor has any dividend been proposed since the end of the reporting period.

10. (LOSS)/EARNINGS PER SHARE

The calculation of the basic and diluted (loss)/earnings per share attributable to the owners of the Company for the year is based on the following data:

	2018	2017
	HK$'000	*HK$'000*
(Loss)/earnings		
(Loss)/profit for the year attributable to the owners of the Company for the purpose of basic (loss)/earnings per share	**(1,182,062)**	94,108
Effect of dilutive potential ordinary shares:		
Interest on convertible loan notes	**–**	37,294
Change in fair value of derivative component of convertible loan notes	**–**	(42,095)
(Loss)/earnings for the purpose of diluted earnings per share	**(1,182,062)**	89,307
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**7,310,365,348**	7,296,746,300
Effect of dilutive potential ordinary shares:		
Convertible loan notes	**–**	598,715,720
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**7,310,365,348**	7,895,462,020

For the year ended 31 December 2018, no adjustment has been made to the basic loss per share presented as the impact of the share options had anti-dilutive effect on the basic loss per share amount presented.

For the year ended 31 December 2017, the computation of diluted earnings per share does not assume the exercise of the Company's share options as the exercise prices of the share options are higher than the average market price of the shares.

The calculation of diluted loss per share for the year ended 31 December 2018 does not assume the conversion of all convertible loan notes since these conversions would result in an anti-dilutive effect on loss per share.

The calculation of diluted earnings per share for the year ended 31 December 2017 does not assume the conversion of the convertible loan notes issued in 2017 since its conversion would result in an anti-dilutive effect on earnings per share.

11. TRADE RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Trade receivables	**192,028**	26,201
Less: Allowance for impairment of trade receivables	**(18,516)**	(18,516)
	173,512	7,685

The Group normally grants to its customers credit periods ranging from 30 days to 60 days (2017: from 30 days to 180 days) which are subject to periodic review by management.

The ageing analysis of the trade receivables, net of impairment losses recognised, based on the invoice dates at the end of the reporting period was as follows:

	2018	2017
	HK$'000	*HK$'000*
Within 30 days	**136,685**	–
31 days to 60 days	**36,706**	–
61 days to 90 days	**–**	–
91 days to 180 days	**–**	6,533
181 days to 365 days	**–**	1,025
Over 365 days	**121**	127
	173,512	7,685

12. TRADE PAYABLES

The ageing analysis of the trade payables based on the invoice dates at the end of the reporting period was as follows:

	2018	2017
	HK$'000	*HK$'000*
Within 30 days	**242**	–
31 days to 60 days	**–**	–
61 days to 90 days	**–**	–
91 days to 180 days	**16**	–
181 days to 365 days	**–**	1,778
Over 365 days	**1,781**	4,633
	2,039	6,411

The average credit period on purchases of goods is 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

13. COMMITMENTS

At the end of the reporting period, the Group had the following commitments:

(a) Commitments under operating leases

The Group as lessee

The Group's leases certain of its office premises and staff quarters under operating lease arrangements. Leases for properties are negotiated for a term ranging from two years to three years and rentals are fixed.

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2018	2017
	HK$'000	*HK$'000*
Land and buildings:		
– within one year	**13,754**	6,650
– in the second to fifth years inclusive	**33,692**	2,435
– over five years	**18,825**	160
	66,271	9,245

(b) Other capital commitments

	2018	2017
	HK$'000	*HK$'000*
Contracted but not provided for in respect of:		
– acquisition of property, plant and equipment	**755,162**	331,903

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

Material Uncertainty Related to Going Concern

We draw attention to note 1 to the consolidated financial statements which indicates that the Group incurred a net loss of approximately HK$2,483,103,000 during the year and as of that date, the Group's current liabilities exceeded its current assets by approximately HK$1,046,921,000, indicating the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Review of Results

Revenue

For the year ended 31 December 2018, the Group recorded a revenue of approximately HK$1,004,636,000 (2017: approximately HK$514,909,000), representing a significant growth of approximately HK$489,727,000 or 95%. This was mainly due to the significant increase in the sales amount of mining products from the mining operation of approximately HK$381,766,000 to approximately HK$980,902,000, mainly contributed by Fuchang Mine, one of the Group's mines, which commenced commerical operation from November 2017. Jinxin Mine and Liaoyuan Mine had been in joint trail operation process since August 2018 and September 2018 respectively which generated an aggregate amount of approximately HK$338,971,000 to the Group. Whilst, the revenue generated from the cassava starch operation sharply decreased from approximately HK$70,080,000 for the year ended 31 December 2017 to approximately HK$603,000 for the year end 31 December 2018 after the completion of pilot cassava trading project in 2017.

Gross profit

For the year ended 31 December 2018, the Group recorded a gross profit of approximately HK$136,761,000 with a gross profit ratio of 14%, while a gross profit of approximately HK$140,897,000 was recorded for the corresponding year of 2017 with a gross profit ratio of 27%, which was mainly attributable to the reduction of coking coal price in Fuchang Mine.

Gain on disposal of subsidiaries

Gain on disposal of subsidiaries for the year ended 31 December 2018 was approximately HK$550,000 (2017: approximately HK$41,874,000), which represent the gain on the disposal of entire issued capital of indirect wholly-owned subsidiaries of the Company in both years.

Administrative and other operating expenses

Administrative and other operating expenses for the year ended 31 December 2018 was approximately HK$348,174,000 (2017: approximately HK$348,926,000), the slightly decrease is mainly due to the net effect of increase in depreciation, increase in staff costs and decrease in legal and professional fees. Out of the total administrative and other operating expenses, total staff costs (included director's emoluments) amounted to approximately HK$93,909,000 (2017: approximately HK$74,547,000) which included the share-based payment-expense of approximately HK$6,849,000 (2017: approximately HK$8,780,000), and depreciation amounted to approximately HK$60,166,000 (2017: approximately HK$45,343,000).

Impairment loss in respect of mining rights, and property, plant and equipment ("PPE")

For the year ended 31 December 2018, impairment loss in respect of mining rights, and PPE was approximately HK$2,571,010,000 (2017: net reversal of impairment loss approximately HK$1,111,806,000) and approximately HK$278,692,000 (2017: net reversal of impairment loss approximately HK$180,034,000) respectively. This decrease in estimated value in use amount of the Group's coal mines located in Shanxi Province, the PRC ("**Shanxi**") was the result of the change of production schedule of all of the coal mines and reduction of coal price adopted for an independent valuation report as at 31 December 2018. For more details regarding the valuation of coal mines, please refer to the section headed "Valuation of coal mines" stated later.

Finance costs

Finance costs mainly consisted of interest expenses on borrowings from non-controlling interest holders, convertible loan notes and finance lease. Interest expenses on borrowings relating to construction in progress for coal mines are capitalised to the extent that they are directly attributable and used to finance the project. Finance costs were calculated from total borrowing costs less interest expenses capitalised.

For the year ended 31 December 2018, finance costs amounted to approximately HK$331,158,000 (2017: approximately HK$323,441,000), increasing by approximately HK$7,717,000 resulting from the increase in total borrowing costs and partially offset by the increase in interest expenses capitalised. Interest expenses capitalised over the years increased from approximately HK$114,573,000 to approximately HK$131,885,000 as speed up the construction in progress of other mines, which more incurred interest expenses are capitalised.

(Loss)/profit for the year

Loss for the year ended 31 December 2018 was approximately HK$2,483,103,000 (2017: profit of approximately HK$512,564,000). This was mainly attributable to the combined effects of the factors as stated above.

(Loss)/profit attributable to owners of the Company

For the year ended 31 December 2018, loss attributable to owners of the Company was approximately HK$1,182,062,000 (2017: profit of approximately HK$94,108,000), mainly due to a gain generated from change in fair value of derivative component of convertible loan notes of approximately HK$235,973,000 was recorded for year 2018 while a loss of approximately HK$52,429,000 was generated from year 2017. Also, there is a impairment loss in respect of mining rights and PPE of approximately HK$2,849,702,000 for year 2018 while a reversal of impairment loss of approximately HK$1,291,840,000 was recorded for year 2017.

Valuation of coal mines

The decrease in fair value of coal mines as at 31 December 2018 was mainly due to the change of production schedule and reduction of coal price. Greater China Appraisal Limited ("**Greater China**"), an independent qualified professional valuer, estimated the fair value of the coal mining business based on income approach using a discount rate of 13.45% (31 December 2017: 15.78%) and expected coal price of RMB517 per tonne (31 December 2017: RMB780 per tonne) based on information obtained from Shanxi.

The operation of the Group's mines with exception of Fuchang Mine were further delayed due to the notice request of rectification measures issued by the related authorities in 2018. Please refer to "Business Review" section for details.

Greater China has consistently applied the income approach for the valuation of coal mines as at 31 December 2018, 31 December 2017 and 31 December 2016 (the "**Reporting Periods**") respectively. The key assumptions and parameters in the valuation of coal mines as at the Reporting Periods are set out as below:

	Reporting Periods		
	31 December 2018	31 December 2017	31 December 2016
Methodology	**Income Approach**	Income Approach	Income Approach
Key Assumptions			
1. Production Schedule – Safe Production Date			
Bolong Mine	**Third quarter of 2019**	Second quarter of 2018	Fourth quarter of 2017
Fuchang Mine	**Operating**	Operating	Second quarter of 2017
Jinxin Mine	**Third quarter of 2019**	Second quarter of 2018	Fourth quarter of 2017
Liaoyuan Mine	**Third quarter of 2019**	Second quarter of 2018	Fourth quarter of 2017
Xinfeng Mine#	**Third quarter of 2020**	First quarter of 2019	First quarter of 2018
2. Coal Price (per tonne)	**RMB517**	RMB780	RMB700
3. Discount Rate (post-tax)	**13.45%**	15.78%	14.98%
4. Mine Operating Costs, Capital Expenditures and Production Schedule (annual production)	**Based on technical report issued by John T. Boyd ("JT Boyd") in 2017**	Based on technical report issued by JT Boyd in 2017	Based on technical report issued by JT Boyd in 2017
5. Allowable annual working days	**276 days**	276 days	276 days

Note: As shown in the above table, the primary change in valuation assumption would be the rise in prevailing coal price (which is dominant factor for the rise in valuation) and delay in mines' commercial operation schedule. There was no change in valuation methodology in those valuations. For discount rate, calculation of weighted average cost of capital is based on market participant's data which are varied daily due to new information and changing market expectation every day.

Subject to the mine reorganisation proposal for Bolong Mine and Xinfeng Mine, the consolidation shall be subject to the approval by the Shanxi government. Due to the uncertainty for obtaining the approval, the expected production schedule for Safe Production Date for Xinfeng Mine might subject to further changes.

DIVIDEND

Dividend Policy

The Board has approved and adopted a dividend policy with effect from 29 March 2019 (the "**Dividend Policy**"). The payment of dividend is subject to the compliance with related laws and regulations, including the laws of Bermuda, the Company's Bye-laws, the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), and the financial reporting standards that the Group has adopted. The Board will continually review the Dividend Policy from time to time and reserves the right to amend or modify the Dividend Policy as and when the Board may deem necessary. There can be no assurance that dividends will be paid in any particular amount for any given period.

The Company intends to create long term value for the shareholders of the Company (the "**Shareholders**") through maintaining a balance between dividend distribution, preserving adequate liquidity and reserve to meet its working capital requirements and capturing future growth opportunities. When considering the declaration and payment of dividends, the Board shall take into account the following factors of the Group:

– the Group's overall results of operation, financial condition, expected working capital requirements and capital expenditure requirements, liquidity position and future expansions plans;

– the amount of retained profits and distributable reserves of the Company;

– general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Group; and

– any other factors that the Board deems relevant.

Depending on the conditions and factors as set out above, dividends may be proposed and/or declared by the Board for a financial year or period as:

1. interim dividend;

2. final dividend;

3. special dividend; and

4. any distribution of net profits that the Board may deem appropriate.

Any final dividend for a financial year will be subject to the Shareholders' approval. The Company may declare and pay dividends by way of cash or scrip or by other means that the Board considers appropriate. Any dividend unclaimed shall be forfeited and shall revert to the Company in accordance with the Company's Bye-laws.

The Company does not have any pre-determined dividend distribution ratio and the Company's dividend distribution record in the past, if any, may not be used as a reference or basis to determine the level of dividends that may be declared or paid by the Company in the future. The Dividend Policy shall in no way constitute a legally binding commitment by the Group in respect of its future dividend and/or in no way obligate the Group to declare a dividend at any time or from time to time.

Final Dividend

Directors do not recommend the payment of a final dividend for the year ended 31 December 2018 (2017: nil).

BUSINESS REVIEW

Overview

The Group has been focusing on accelerating sustainable industries in coal and agro-related businesses in the financial year 2018. The Group is principally engaged in (i) the development of cassava cultivation and deep processing business for the related ecological cycle industry chain; (ii) coal exploration and development, and sales of coking coal and the provision of coal trading and logistics services; and (iii) the sales of information technology products, systems integration, technology service, software development and solution.

Coal Mining Business

Despite the continuing posing challenges for constructions delay uncertainty, the financial performance in the year 2018 of the coal mining business has been promising for the Group overall. The Group has five coking coal mines located in Gujiao, Taiyuan City, Shanxi, one of which had fully commenced in operation since November 2017 and four other mines were undergoing constructions.

Fuchang Mine was the first coal mine in operation, which entered the joint trial operation back in October 2016. Fuchang Mine passed the inspection for completion, and obtained 《安全生產許可證》 (the Permit for Safe Production*) in January 2017 and April 2017 respectively. In December 2017, the Coal Industry Bureau of Shanxi recognized the Fuchang Mine as a 「二級安全生產標準化煤礦」 (Second Class Safe Production Standardisation Coal Mine*) with a valid period of 3 years from the recognition date. As at the end of 2018, Fuchang Mine became one of the three coal mines of Taiyuan City to participate in the appraisal for 「安全高效礦井」 (Safe and Highly Efficient Mines*) organized by China National Coal Association and passed the appraisal. With the expected production capacity of 600,000 tonnes per year, it is now mining the 8th Coal Seam.

Of the four coal mines under construction, Jinxin Mine entered the joint trial operation in August 2018, and planned to undergo special acceptance in April 2019 of the joint trial operation to apply for inspection for completion with an aim of obtaining the Permit for Safe Production* in July 2019. The expected production capacity is 450,000 tonnes per year. Liaoyuan Mine also entered the joint trial operation in September 2018 with an aim of obtaining the Permit for Safe Production* in July 2019. The expected production capacity is 600,000 tonnes per year. Bolong Mine and Xinfeng Mine are expected to obtain the Permit for Safe Production* in September 2019 and July 2020 respectively. The estimated schedule of critical production stages of coal mines under construction are set forth in the table stated later.

To facilitate the structural reform by the state on the supply side of coal, coal enterprises are required to support the implementation of policies on dissolving excessive capacity. Moreover, as the state tightens requirements on and ramps up inspection efforts in the design, safety, and environmental protection aspects of coal mines under construction, relevant policies and regulations issued in recent years on safety and environmental protection applicable to the coal industry become increasingly stringent and refined. Relevant key policies and regulations recently issued are as follows:

Issue Date	Policy/Regulation name
1 February 2018	《關於進一步完善煤炭產能置換政策加快價質產能釋放促進落後產能有序退出的通知》(Notice on Further Improving the Production Capacity Replacement Policy to Accelerate Release of Advanced Production Capacity and Facilitate Orderly Exit of Out-dated Production Capacity*)
23 February 2018	《關於開展全(山西)省煤礦安全生產大檢查的通知》(Notice on Carrying out Major Inspection on Safe Production of Coal Mines Throughout Shanxi*)
2 April 2018	《關於開展全(山西)省煤礦井下防爆設備和安全儀器專項檢查的通知》(Notice on Carrying out Special Inspection on Antiknock Devices and Safety Apparatus under the Coal Mines Throughout Shanxi*)
4 June 2018	《關於開展全(太原)市建設礦井施工項目專項檢查的通知》(Notice on Carrying out Special Inspection on Construction Projects of Coal Mines Under Construction Throughout Taiyuan City*)
26 July 2018	《關於加快我(太原)和煤炭安全監控系統升級改善工作的通知》(Notice on Accelerating the Upgrade and Renovation of Safety Monitoring System for Coal Mines in Taiyuan City*)
30 August 2018	《關於全(太原)市煤礦建設工程質量執法檢查情況的通報》(Briefing on Law Enforcement Inspection on the Quality of Coal Mines Construction Projects in Taiyuan City*)
6 September 2018	《太原市煤炭工業局2018年–2020年全市煤礦安全生產標準化對標提示規劃》(Plan on 2018-2020 Coal Mine Safety Production Standardization Benchmarking Tips in Taiyuan City by Taiyuan Coal Industry Bureau*)
6 December 2018	《太原市煤炭工業局關於全市煤礦冬季安全生產大檢查工作方案的通知》(Notice of Taiyuan Coal Industry Bureau on the Work Plan for the Winter Safety Production Inspection of Coal Mines in Taiyuan*)

As affected by the policies, the Group's coal mines under construction inevitably experienced construction delay or suspension, therefore reducing the effectiveness of construction period during the year, leading to further extension of the respective construction period. As such, the critical production stages of the coal mines under construction faced certain uncertainties. Based on the best estimation of the Group's management, the critical production stages of each of the mines are set out as follows:

Critical production stage	**Fuchang Mine** **Actual date**	**Jinxin Mine** **Expected date**	**Liaoyuen Mine** **Expected Date**	**Bolong Mine** **Expected date**	**Xinfeng Mine#** **Expected date**
聯合試運轉 Joint trial operation*	October 2016	August 2018 (Actual)	September 2018 (Actual)	June 2019	February 2020
竣工驗收 Inspection for completion*	January 2017	April 2019	April 2019	August 2019	April 2020
安全生產許可證 Permit for Safe Production*	April 2017	July 2019	July 2019	September 2019	July 2020
化解煤炭過剩產能任務 Tasks of dissolving excessive coal production capacity*	July 2017	August 2019	August 2019	October 2019	September 2020
生產要素信息公告 Publication of information on production factors*	September 2017	September 2019	September 2019	November 2019	October 2020
確認為安全生產標準化煤碳 Recognized as Safe Production Standardisation Coal Mine*	December 2017	October 2019	October 2019	December 2019	December 2020

Subject to the mine reorganisation proposal for Bolong Mine and Xinfeng Mine, the consolidation shall be subject to the approval by the Shanxi government. Due to the uncertainty for obtaining the approval, the expected production schedule for Safe Production Date for Xinfeng Mine might subject to further changes.

Development of cassava-based agricultural and deep processing business

The Group deployed significant resources to working diligently into developing its agro-business platform as well as announcing several key initiatives to lay a solid foundation for the development of cassava-based agricultural and deep process business. During the first half of 2018, the Group entered into a non-legally binding memorandum of understandings ("**MOU**") with the Ministry of Agriculture, Forestry and Fisheries of the Kingdom of Cambodia ("**MAFF**") and the United Nations Development Programme ("**UNDP**") respectively, which has brought the Group with confidence to orchestrate the strategic plans.

The Group had a groundbreaking and commencement of construction ceremony of the Group's first cassava starch processing plant (the "**Processing Plant**") in Cambodia in April 2018. The Processing Plant is located at Snoul District, Kratie Province in Cambodia, which is approximately 230 kilometres from Phnom Penh City, occupying a site area of approximately 20 hectares. It is rescheduled to be completed and commence trial production in the third quarter of 2019. Upon completion of construction and commencement of production of the Processing Plant, the Group will have an annual production capacity of up to 120,000 tonnes of cassava starch and 30,000 tonnes of modified starch respectively.

The Group believes that collaboration and partnership with the government authority bodies, public institutions, and other strategic partners with shared goals, can create a broader range of opportunities to complement and intensify the effectiveness of development effort. Through the MOU signed with MAFF in January 2018, the parties could cooperate and collaborate in various initiatives to promote, enhance and improve the efficiency on planting and processing of cassava in Cambodia including but not limited to the project of the Group to invest and develop cassava product chains in Cambodia by constructing ten cassava starch processing plants in various provinces throughout Cambodia which could ultimately produce approximately 1.5 million tonnes of cassava starch and modified starch per annum in five years. The Group received full support from MAFF to facilitate the development of its agro-business platform.

In the meantime, the MOU signed with UNDP in April 2018 provided a framework cooperation platform to facilitate and to strengthen collaboration between parties on a nonexclusive basis, to develop sustainable cassava industry through inclusive economic growth while generating specific and measurable transformational development impacts in both smallholders' community and industrial level. The Group had made noteable progress in achieving an area of common interest with the UNDP through the cooperation and collaboration in the contract farming schemes.

To deepen the collaboration with accessible market opportunities, the Group and UNDP subsequently entered into a cooperative agreement in August 2018, with the assistance from MAFF and witnessed by the Ministry of Commerce of Cambodia ("**MoC**"). In this cooperative agreement, the Group and UNDP, on a cost-sharing basis, would implement the Accelerating Inclusive Cassava Market Development project (the "**Project**") in Cambodia. The Project aimed to (i) increase the export of cassava starch to global markets while its values added are created and retained in Cambodia; and (ii) provide a secure market for Cambodian farmers, for those depending on cassava as their source of income. The execution of the agreement have demonstrated a joint commitment between UNDP and the Group with support from the MoC towards the sustainable development of the cassava sector as prioritized in the National Cassava Sector Development Strategy which can extend agriculture services and assistance to local farmers to improve the standard of living.

Adhering to raise awareness of the contract farming schemes, the Group successfully organized local forums together with the UNDP and several government agencies in Kratie province, Cambodia. The General Directorate of Agriculture, MAFF, which is the government agency responsible for engaging with partners in monitoring, evaluation extension services, providing technical support, and establishing relations with private sectors like the Group and cassava farmer organizations. This approach is the first of its kind that the government intended to not only intervention but also led the established cassava national policy to support the cassava industry as a whole. The forums are equipped to help farmers understanding the benefits of entering a contract farming scheme with the Group, whose processing plant is expected to absorb approximately 550,000 tonnes of cassava per year. The linkage has done through a win-win contract farming model aiming to scale up benefits for both parties and as a mean to mitigate production and market risks. The contract farming model applied in the context is not only a formal buy-sale contract but also a partnership scheme in which farmers and the Group can work together to address relevant common issues while benefiting both parties. Besides offering a favorable price than in the local market, the Group can provide agricultural services on credit such as land preparation, planting, insecticide, pesticide, herbicide, fertilizer, and harvesting. Farmers can opt for services they need to pay once selling their cassava to the Group.

Since the second half of 2018, the Group and UNDP had made developmental progress on identifying existing farmer organizations ("**FO**") in Kratie province, Cambodia. In light of establishing cassava FOs or agricultural cooperatives could be time-consuming as it required farmer mobilization by ground personnel that the Group coupled with UNDP's resources to organize, all FOs were set up in compliance with procedures under the legal framework as defined by the Law on Agricultural Cooperatives (2013). In addition, engaging farmers and FOs or agricultural cooperatives through contract farming schemes also required facilitation of the Agro-Industry Department under MAFF (or the Agro-industry Unit under Provincial Department of Agriculture, Forestry and Fisheries (Cambodia)) as defined in the Sub-Decree on Contract farming (2011). This would enhance steadily supply of raw material with establishing the FOs or agricultural cooperatives in a long run. The Group aimed to identify approximately 90 FOs in Kratie province, Cambodia, with an estimated amount of up to 600,000 tonnes of cassava as raw material, which can secure sufficient supply for the Processing Plant in 2019.

According to a policy jointly established by 15 government departments of the PRC, including the National Development and Reform Commission, the National Energy Administration and the Ministry of Finance, the ethanol gasoline will be implemented to use all over the country by 2020. The Group entered into a framework agreement with AVIC Energy (Cambodia) Co., Ltd, for a possible acquisition of majority shares for a cassava ethanol plant located at Kampong Speu Province, Cambodia in end of August 2018. The management believes that the Group can further develop cassava into ethanol and create a complete product chain (such as starch/modified starch, ethanol, etc.) in Cambodia which is in line with the government of Cambodia's development agenda as well as supporting the PRC's upcoming clean energy policy and at the same time improves the livelihood of local farmers and communities in Cambodia. The Group was still in progress for completing the due diligence exercises as at 31 December 2018.

The Group was in progress of acquiring the transfer and/or assignment of the valid and enforceable contractual rights to process and to be conferred with the Certificate of the Economic Land Concession (the "**ELC**") over the land located at Pursat Province, Cambodia and the plantation rights, being exclusively to use, possess and occupy the ELC to carry out plantation and other agro-industrial activities as at 31 December 2018. Furthermore, the Group was in progress for further acquiring the freehold land located at Pursat Province, Cambodia.

As at 31 December 2018, the Group had completed the cultivation of 2,500 hectares of cassava, which were planned to be harvested and processed into cassava starch by the Processing Plant. As the Processing Plant targeted to commence trial production in the third quarter of 2019, no material revenue was generated from the cassava starch operation for the year ended 31 December 2018.

Capital Reorganisation

Reference was made to the circular dated 8 October 2018 and the announcement dated 31 October 2018 in relation to, among others, the Capital Reorganisation. Unless the context requires otherwise, capitalised terms used herein shall bear the same meanings as defined.

The Capital Reorganisation has become effective on 1 November 2018. Since 1 November 2018, the authorised share capital of the Company is HK$2,000,000,000 divided into 200,000,000,000 shares of HK$0.01 each.

Fund Raising Activity – Placing of new Shares under General Mandate (the "Placing")

As disclosed in the Company's announcements dated 14 December 2018 and 9 January 2019, all the conditions set out in the placing agreement have been fulfilled and the completion of the Placing took place on 9 January 2019, where an aggregate of 1,462,200,000 Placing Shares have been successfully placed and issued to not less than six placees, at the placing price of HK$0.04 per Placing Share pursuant to the terms and conditions of the placing agreement.

The gross and net proceeds (after deducting placing commission and other relevant costs and expenses) from the Placing amounted to approximately HK$58.48 million and approximately HK$57.72 million respectively. The net issue price of the Placing Share is approximately HK$0.039 per Placing Share. The Company applied the net proceeds up to HK$40 million for repayment of indebtedness of the Group and the remaining balance thereof will be utilised towards business development of the Group in Cambodia and general working capital.

SUBSEQUENT EVENTS

Grant of Share Options

As disclosed in the Company's announcement dated 17 January 2019, 730,000,000 share options have been granted to the Grantees with exercise price of HK$0.0544 per Option Share.

Adjustments to Conversion Price and Number of Conversion Shares of Convertible Bonds

Reference was made to the Company's announcement dated 7 March 2019 in relation to the adjustments to conversion price and number of conversion shares of convertible bonds. Unless the context requires otherwise, capitalised terms used herein shall bear the same meanings as defined.

As at the date of this announcement, there are US$45,000,000 Convertible Bonds. Pursuant to the terms and conditions of the Convertible Bonds, the Conversion Price of the Convertible Bonds will be adjusted as a result of the Placing and the Grant of Share Options. As a result of the Adjustments, the adjusted Conversion Price is HK$0.26 and the number of Shares which may fall to be issued upon exercise in full of the conversion rights attaching to the Convertible Bonds shall be 1,350,000,000 Shares.

ENVIRONMENTAL, SOCIAL AND CORPORATE RESPONSIBILITY

As a responsible corporation, the Group is committed to maintaining a higher environmental and social standards to ensure sustainable development of its business. The Group has complied with all relevant laws and regulations in relation to its business including health and safety, workplace conditions, employment and the environment. The Group understands a better future depends on everyone's participation and contribution. It has encouraged employees, customers, suppliers and other stakeholders to participate in environmental and social activities which benefit the community as a whole. The Group maintains strong relationships with its employees, has enhanced cooperation with its suppliers and has provided high quality products and services to its customers so as to ensure sustainable development.

The Environmental, Social and Governance Report conducted by a professional third party for year 2018 will be published separately in compliance with the requirements of the Listing Rules.

PROSPECTS

2018 was an active year for the Group, putting its emphasis on developing Fuchang Mine and striving to achieve full commencement of construction work in its mining operation. Notwithstanding the setbacks of construction delay slowing down the anticipated turnaround for the coal mining business sector in 2018, the Group remains optimistic in meeting the required schedules for the remaining four mines in Shanxi to commence in full operation. Hence, the Group is confident that the local market can effortlessly absorb with the increased capacity of mining product in view of a considerably steady coking coal consumption in China with healthy demand and relatively low growth in supply. All the mines will continue to be the main source of income for the Group towards 2019 and will expect to generate sturdy cash inflow to improve the overall financial position of the Group.

In 2018, the Group has reached pioneer milestones in terms of engaging strategic partnerships, and implementing the development of its agro-business platform. The Group expects such momentum to continue in the year of 2019. In July 2018, the Cambodian government officially launched its new strategies for the cassava industry aimed at making Cambodia a reliable exporter of cassava-based products (the "**National Cassava Policy**"). The objective of the National Cassava Policy is to support active processing factories and attract investment to product value-added cassava-based products to supply diverse markets and will also enhance trade competitiveness by turning market access to market presence, improving trade facilitation and reducing trade-related cost, which will, in turn, to boost up the price of cassava and living standards of local farmers. The Group foresees the newly launched National Cassava Policy shall transform on the current cassava sector and will help to forge positive impacts to our agro-related business. The management also remains cautiously optimistic about the execution of our agro-business development, which can serve as one of the models to deliver the important objectives of the national strategies, which is reducing poverty and improving the well-being of people through the industrial and agricultural productive capacity of the PRC and Cambodia.

To ensure that the Project is effectively implemented toward achieving its strategic objectives, a Project board committee has been established by UNDP with the ultimate function to provide overall monitoring and guidance/advice to the Project team. The Company, as one of the critical player in Cambodia cassava value chain development, has been accepted to be one of the members of the Project board, for providing strategic advices during its implementation stage in early 2019.

Looking ahead, the Group is scheduled our Processing Plant to be completed and commence trial production in the third quarter of 2019. In the condition with the accomplishment of the Processing Plant, the Group endeavors to seek suitable sites for constructing processing plants with an annual production capacity of 150,000 tonnes for cassava starch in various provinces in Cambodia. To secure the Group's sufficient cassava as raw material supply, the Group will continue to stride ahead with UNDP and relevant business partners to enforce the contract farming schemes, such that the schemes can broaden channels for strengthening the capacity building and move up the cassava supply chain reliability through profitable market linkage.

LIQUIDITY AND FINANCIAL RESOURCES

Total Equity

As at 31 December 2018, the Group recorded total assets of approximately HK$8,259,895,000 (2017: approximately HK$11,749,835,000), which were financed by total liabilities of approximately HK$8,023,032,000 (2017: approximately HK$8,947,279,000) and total equity of approximately HK$236,863,000 (2017: approximately HK$2,802,556,000).

Gearing

As at 31 December 2018, the Group's gearing ratio as computed as the Group's other borrowings, promissory notes, liabilities component of convertible loan notes and obligation under finance lease over total equity was approximately 292% (2017: 27%).

Liquidity

The Group had total cash and bank balances of approximately HK$19,538,000 as at 31 December 2018 (2017: approximately HK$118,218,000). The Group did not have any bank borrowings for both years.

CHARGE ON ASSETS

Share charges of entire issued share capital of several subsidiaries of the Company, charges over the shares and the convertible loan notes of the Company owned by China OEPC Limited, charge on accounts receivables to be owed to the Company and land charges over certain lands in Cambodia acquired or to be acquired by the Group have been created for securing the Convertible Bonds. For details, please refer to the announcement of the Company dated 27 June 2017.

TREASURY POLICIES

The Group generally financed its operations with internally generated resources and funds from equity and/or debt financing activities. All financing methods will be considered so long as such methods are beneficial to the Company. Bank deposits are in HK$, RMB, US$ and Cambodian dollars ("**KHR**").

CONTINGENT LIABILITY AND CAPITAL COMMITMENTS

The Group had no material contingent liability as at 31 December 2018 and as at 31 December 2017.

The Group had capital commitments for the acquisition of property, plant and equipment which were contracted but not provided for as at 31 December 2018 of approximately HK$755,162,000 (2017: approximately HK$331,903,000).

FOREIGN EXCHANGE EXPOSURE

For the year ended 31 December 2018, the Group earned revenue in RMB and US$ and incurred costs in HK$, RMB, US$ and KHR. Although the Group currently does not have any foreign currency hedging policy, it does not foresee any significant currency exposure in the near future. However, any permanent or significant change in RMB against HK$, may have possible impact on the Group's results and financial positions.

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2018, the Group employed approximately 655 full time employees in Hong Kong, Cambodia and the PRC. The Group remunerates its employees based on individual and business performance. Other employee benefits include mandatory provident fund, insurance and medical coverage, training programs and share option.

PURCHASE, SALE AND REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2018.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained sufficient public float of not less than 25% of the Company's total issued share capital as required under the Listing Rules throughout the year ended 31 December 2018 and as at the date of this announcement.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The Company established an audit committee (the "**Audit Committee**") on 12 June 1999 with clear written terms of reference. And the terms of reference of Audit Committee had been revised on 10 December 2018 and became effective from 1 January 2019.

For the year ended 31 December 2018 and as at the date of this announcement, the Audit Committee comprised three members, all of whom were independent non-executive Directors. The composition of the Audit Committee as at the date of this announcement is Ms. Leung Yin Fai (chairman of the Audit Committee), Mr. Leung Po Wing, Bowen Joseph *GBS, JP* and Mr. Zhou Chunsheng. Ms. Leung Yin Fai, the chairman of the Audit Committee is a member of the HKICPA, CPA Australia and the Association of Chartered Certified Accountants. None of the members is a partner or former partner of Crowe (HK) CPA Limited, the Group's external auditor (the "**Auditor**").

The Audit Committee meets at least twice a year to review (i) the annual and interim results and the accompanying auditor's reports, (ii) the accounting policies and practices adopted by the Company, and (iii) the financial, risk management and internal control systems of the Company.

The Audit Committee had reviewed the Group's audited consolidated financial statements for the year ended 31 December 2018 and had submitted its views to the Board.

SCOPE OF WORK OF THE AUDITOR

The figures in respect of the Group's consolidated statement of financial position as at 31 December 2018, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2018 as set out in this announcement have been agreed by the Auditor, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2018. The work performed by the Auditor 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 HKICPA and consequently no assurance has been expressed by the Auditor on this announcement.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Throughout the year ended 31 December 2018, the Company has complied with the code provisions of the Corporate Governance Code and Corporate Governance Report (the "**Code**") as set out in Appendix 14 of the Listing Rules. The Board will continue to review and monitor the Company's corporate governance practices to ensure compliance with the Code.

The Directors acknowledge their responsibility for the preparation of the financial statements of the Company and that the financial statements are prepared in accordance with statutory requirements and applicable accounting standards. It is also the responsibility of the Directors to ensure the timely publication of the financial statements of the Company. During the year, the management has provided sufficient explanation and information to the Board to enable it to make an informed assessment of the financial and other information put before it for approval including the monthly updates on the Company's performance, position and prospects.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Model Code for Securities Transactions by Directors of Listed Issuer (the "**Model Code**") set out in Appendix 10 of the Listing Rules has been adopted as the code for regulating Directors' securities transaction for the Company. In response to specific enquiries made, all the Directors confirmed that they had complied with the Model Code in their securities transactions throughout the year 2018.

PUBLICATION OF THE RESULTS AND ANNUAL REPORT

This announcement can be accessed on both the Stock Exchange's and the Company's website via http://www.hkex.com.hk and http://www.greenleader.hk. The 2018 Annual Report of the Company, which contains the detailed results and other information of the Company pursuant to Appendix 16 of the Listing Rules, will be despatched to the Shareholders and published on the Stock Exchange's website and the Company's website within the prescribed period.

By the order of the Board of
Green Leader Holdings Group Limited
Mr. Zhang Sanhuo
Chairman

Hong Kong, 29 March 2019

As at the date of this announcement, Mr. Zhang Sanhuo and Mr. Tse Michael Nam are the executive Directors, Mr. Zou Chengjian is the non-executive Director and Ms. Leung Yin Fai, Mr. Leung Po Wing, Bowen Joseph GBS, JP and Mr. Zhou Chunsheng are the independent non-executive Directors.

* *For identification purposes only*