Grand Ocean Advanced Resources Company Limited
弘海高新資源有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 65)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

FINANCIAL HIGHLIGHTS

(1) Revenue from continuing operations for the year ended 31 December 2019 amounted to approximately HK$178,301,000, representing a decrease of approximately 8.1% as compared to the revenue of approximately HK$194,109,000 last year.

(2) Gross profit from continuing operations for the year ended 31 December 2019 amounted to approximately HK$78,657,000, representing an increase of approximately 7.0% as compared to the gross profit of approximately HK$73,533,000 last year. Overall gross profit margin from continuing operations was approximately 44.1% as compared to approximately 37.9% last year.

(3) Loss attributable to owners of the Company from continuing operations for the year ended 31 December 2019 amounted to approximately HK$10,629,000 while the loss attributable to owners of the Company from continuing operations amounted to approximately HK$27,018,000 last year.

(4) The Board does not recommend the payment of any final dividend for the year ended 31 December 2019.

ANNUAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Grand Ocean Advanced Resources Company Limited (the "**Company**", together with its subsidiaries, the "**Group**") presents the audited consolidated results of the Group for the year ended 31 December 2019 together with the comparative figures for the year ended 31 December 2018 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019

	Note	**2019** *HK$'000*	2018 *HK$'000*
Continuing operations			
Revenue	*5*	**178,301**	194,109
Cost of sales		**(99,644)**	(120,576)
Gross profit		**78,657**	73,533
Other income and gains	*6*	**916**	538
Selling and distribution expenses		**(5,128)**	(6,375)
Administrative expenses		**(62,985)**	(53,876)
Impairment loss on property, plant and equipment		**(11,265)**	–
Impairment loss on intangible asset		**(2,840)**	–
Impairment loss on trade and other receivables		**–**	(622)
Other operating expenses		**–**	(42,842)
Loss from operations		**(2,645)**	(29,644)
Finance costs	*8*	**(630)**	(717)
Loss before tax		**(3,275)**	(30,361)
Income tax credit	*9*	**86**	17,267
Loss for the year from continuing operations		**(3,189)**	(13,094)
Discontinued operation			
Profit for the year from discontinued operation	*10*	**–**	7,758
Loss for the year	*11*	**(3,189)**	(5,336)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)
For the year ended 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
Attributable to:			
Owners of the Company			
Loss from continuing operations		**(10,629)**	(27,018)
Profit from discontinued operation		**–**	8,085
Loss attributable to owners of the Company		**(10,629)**	(18,933)
Non-controlling interests			
Profit from continuing operations		**7,440**	13,924
Loss from discontinued operation		**–**	(327)
Profit attributable to non-controlling interests		**7,440**	13,597
Loss for the year		**(3,189)**	(5,336)
Loss per share		**HK cents**	HK cents
From continuing and discontinued operations	*13(a)*		
– basic		**(0.71)**	(1.26)
– diluted		**(0.71)**	(1.26)
From continuing operations	*13(b)*		
– basic		**(0.71)**	(1.80)
– diluted		**(0.71)**	(1.80)

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	2019	2018
	HK$'000	*HK$'000*
Loss for the year	**(3,189)**	(5,336)
Other comprehensive income after tax:		
Item that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**(2,309)**	(4,490)
Exchange differences reclassified to profit or loss on disposal of foreign operations	**–**	6,440
Other comprehensive income for the year, net of tax	**(2,309)**	1,950
Total comprehensive income for the year	**(5,498)**	(3,386)
Attributable to:		
Owners of the Company	**(11,745)**	(14,874)
Non-controlling interests	**6,247**	11,488
	(5,498)	(3,386)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment		**105,577**	131,143
Intangible asset		**26,528**	31,681
Right-of-use assets		**1,357**	–
Due from non-controlling shareholders	*15*	**15,748**	–
Deferred tax assets		**13,388**	13,784
Total non-current assets		**162,598**	176,608
Current assets			
Inventories		**5,022**	6,250
Trade and bills receivables	*14*	**13,470**	1,983
Deposits, prepayments and other receivables		**12,584**	14,984
Due from non-controlling shareholders	*15*	**–**	5,717
Restricted bank deposits		**4,758**	7,321
Bank and cash balances		**121,644**	155,635
Total current assets		**157,478**	191,890
Current liabilities			
Accrued charges and other payables		**58,922**	112,262
Contract liabilities		**3,794**	18,922
Lease liabilities		**1,124**	–
Other loans	*16*	**–**	13,653
Total current liabilities		**63,840**	144,837
Net current assets		**93,638**	47,053
Total assets less current liabilities		**256,236**	223,661

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2019

	Note	**2019** *HK$'000*	2018 *HK$'000*
Non-current liabilities			
Lease liabilities		**268**	–
Provision for environmental and restoration		**4,868**	4,974
Deferred tax liabilities		**14,842**	15,348
Total non-current liabilities		**19,978**	20,322
NET ASSETS		**236,258**	203,339
Capital and reserves			
Share capital		**15,035**	15,035
Reserves		**126,788**	138,533
Equity attributable to owners of the Company		**141,823**	153,568
Non-controlling interests		**94,435**	49,771
TOTAL EQUITY		**236,258**	203,339

Notes:

1. GENERAL INFORMATION

Grand Ocean Advanced Resources Company Limited (the "**Company**") was incorporated in the Cayman Islands on 7 April 2000 as an exempted company with limited liability under the Companies Law (2000 Revision) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its business office is Suite 3103, Sino Plaza, 255-257 Gloucester Road, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The Company is an investment holding company. The principal activities of its subsidiaries during the financial year ended 31 December 2019 was the production and sale of coal (the "**Coal Mining Business**"). In December 2018, the Group disposed of and discontinued its provision of low rank coal upgrading services (the "**Coal Upgrading Business**").

2. BASIS OF PREPARATION

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). HKFRSs comprise Hong Kong Financial Reporting Standards ("**HKFRS**"); Hong Kong Accounting Standards ("**HKAS**"); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and with the disclosure requirements of the Companies Ordinance (Cap. 622 of the Laws of Hong Kong).

(b) Basis of measurement

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

Based on the cash flow forecasts of the Company and its subsidiaries (the "**Group**"), the directors are of the opinion that the Group will be able to meet its financial obligations as they fall due for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing consolidated financial statements.

(c) Functional and presentation currency

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

(d) Use of judgments and estimates

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

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

(a) Application of new and revised HKFRSs

The HKICPA has issued a number of new and revised HKFRSs that are first effective for annual periods beginning on or after 1 January 2019. Of these, the following new or revised HKFRSs are relevant to the Company.

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23	Annual Improvements to HKFRSs 2015-2017 Cycle

HKFRS 16 – Leases

HKFRS 16 supersedes HKAS 17 "Leases" and related interpretations, and introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

The Group has applied HKFRS 16 using the cumulative effect approach and recognised the right-of-use assets at the amount equals to the lease liability, adjusted by the amount of any prepayments or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at 1 January 2019. The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The following tables summarised the impact of transition to HKFRS 16 on statement of financial position as of 31 December 2018 to that of 1 January 2019 as follows:

	HK$'000
Statement of financial position as at 1 January 2019	
Increase in right-of-use assets	3,288
Increase in lease liabilities	
Non-current portion	847
Current portion	2,441
Total lease liabilities	3,288

The following reconciliation explains how the operating lease commitments disclosed applying HKAS 17 at the end of 31 December 2018 could be reconciled to the lease liabilities at the date of initial application recognised in the statement of financial position as of 1 January 2019:

Reconciliation of operating lease commitment to lease liabilities

	HK$'000
Operating lease commitment as of 31 December 2018	3,412
Less: Future interest expenses	(124)
Total lease liabilities as of 1 January 2019	3,288

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the statement of financial position as at 1 January 2019 was 6%.

The new definition of a lease

Under HKFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset and (b) the right to direct the use of the identified asset.

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, unless the lessee apply the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

The Group has elected not to separate non-lease components and account for all each lease component and any associated non-lease components as a single lease component for all leases.

Accounting as a lessee

Under HKAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the statement of financial position of the lessee.

Under HKFRS 16, all leases (irrespective of whether they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but HKFRS 16 provides accounting policy choices for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets (the Group has leased photocopying machines) and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

The Group recognised a right-of-use asset and a lease liability at the commencement date of a lease.

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee; and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

For the Group, leasehold land and buildings which is held for own use would continue to be accounted for under HKAS 16. The adoption of HKFRS 16 therefore does not have any significant impact on these right-of-use assets. Other than the above right-of-use assets, the Group also has leased a number of properties under tenancy agreements which the Group exercises its judgement and determines that it is a separate class of asset apart from the leasehold land and buildings which is held for own use. As a result, the right-of-use asset arising from the properties under tenancy agreements are carried at depreciated cost.

Lease liability

The lease liability should be recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group shall use the Group's incremental borrowing rate.

The following payments for the right to use on the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, a lessee shall measure the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

Transition

As mentioned above, the Group has applied HKFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying HKFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application (1 January 2019). The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The Group has recognised the lease liabilities at the date of 1 January 2019 for leases previously classified as operating leases applying HKAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 January 2019.

The Group has elected to recognise all the right-of-use assets at 1 January 2019 for leases previously classified operating leases under HKAS 17 as if HKFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application. For all these right-of-use assets, the Group has applied HKAS 36 Impairment of Assets at 1 January 2019 to assess if there was any impairment as on that date.

The Group has also applied the follow practical expedients: (i) applied a single discount rate to a portfolio of leases with reasonably similar characteristics; (ii) applied the exemption of not to recognise right-of-use assets and lease liabilities for leases with term that will end within 12 months of the date of initial application (1 January 2019) and accounted for those leases as short-term leases; (iii) exclude the initial direct costs from the measurement of the right-of-use asset at 1 January 2019; and (iv) used hindsight in determining the lease terms if the contracts contain options to extend or terminate the leases.

In addition, the Group has also applied the practical expedients such that: (i) HKFRS 16 is applied to all of the Group's lease contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease; and (ii) not to apply HKFRS 16 to contracts that were not previously identified as containing a lease under HKAS 17 and HK(IFRIC)-Int4.

The Group has also leased majority of its motor vehicle and office premises which previously were classified as operating leases under HKAS 17. As the Group has elected to adopt the cumulative effect method over the adoption of HKFRS 16, for those operating leases under HKAS 17, the right-of-use assets and the corresponding lease liabilities at 1 January 2019 were the carrying amount of the lease assets and lease liabilities under HKAS 17 immediately before that date. For those leases, the Group has accounted for the right-of-use assets and the lease liabilities applying HKFRS 16 from 1 January 2019.

HK(IFRIC)-Int 23 – Uncertainty over Income Tax Treatments

The Interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes. Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

Amendments to HKFRS 9 – Prepayment Features with Negative Compensation

The amendments clarify that pre-payable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income if specified conditions are met – instead of at fair value through profit or loss.

Amendments to HKAS 19 – Plan amendments, curtailment or settlement

The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company should use updated actuarial assumptions to determine its current service cost and net interest for the period. Additionally, the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income.

Amendments to HKAS 28 – Long-term Interests in Associates and Joint Ventures

The amendment clarifies that HKFRS 9 applies to long-term interests in associates or joint ventures which form part of the net investment in the associates or joint ventures and stipulates that HKFRS 9 is applied to these long-term interests before the impairment losses guidance within HKAS 28.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKFRS 3, Business Combinations

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 3 which clarify that when a joint operator of a business obtains control over a joint operation, this is a business combination achieved in stages and the previously held equity interest should therefore be remeasured to its acquisition date fair value.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKFRS 11, Joint Arrangements

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 11 which clarify that when a party that participates in, but does not have joint control of, a joint operation which is a business and subsequently obtains joint control of the joint operation, the previously held equity interest should not be remeasured to its acquisition date fair value.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKAS 12, Income Taxes

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 12 which clarify that all income tax consequences of dividends are recognised consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.

Annual Improvements to HKFRSs 2015-2018 Cycle – Amendments to HKAS 23, Borrowing Costs

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 23 which clarifies that a borrowing made specifically to obtain a qualifying asset which remains outstanding after the related qualifying asset is ready for its intended use or sale would become part of the funds an entity borrows generally and therefore included in the general pool.

(b) New and revised HKFRSs in issue but not yet effective

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2019. These new and revised HKFRSs include the following which may be relevant to the Group.

Amendments to HKAS 1 and HKAS 8	Definition of Material[1]
Amendments to HKFRS 3	Definition of a Business[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]

1 Effective for annual periods beginning on or after 1 January 2020.

2 The amendments were originally intended to be effective for periods beginning on or after 1 January 2019. The effective date has now been deferred/removed. Early application of the amendments continue to be permitted.

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Estimated useful lives of property, plant and equipment

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned.

(b) Impairment loss on property, plant and equipment

Determining whether the property, plant and equipment is impaired requires an estimation of the recoverable amount of the cash-generating unit ("**CGU**") to which the property, plant and equipment belong, by value-in-use and fair value less costs of disposal approaches. The Group estimates the future cash flows expected to be generated from the CGU and a suitable discount rate in order to calculate the present value. Where the future cash flows are less than expected, or there are changes in facts and circumstances which result in revisions of the estimated future cash flows, further impairment on the property, plant and equipment may arise.

The carrying amount of property, plant and equipment as at 31 December 2019 was approximately HK$105,577,000 (2018: HK$131,143,000). An impairment loss on property, plant and equipment of approximately HK$11,265,000 (2018: HK$8,486,000) was recognised for the year ended 31 December 2019.

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

As at 31 December 2019, the carrying amount of the Group's property, plant and equipment allocated to the Coal CGU is approximately HK$105,241,000 (2018: HK$130,645,000). An impairment loss of approximately HK$11,265,000 (2018: HK$Nil) was recognised for the year ended 31 December 2019.

The recoverable amount of the assets of the Coal CGU has been determined and approved by the directors based on the higher of fair value less cost of disposal and value-in-use approach. Value-in-use calculation is derived by reference to the discounted cash flow forecasts for the period until the expiry date of the business license.

(c) Deferred tax assets

The estimates of deferred tax assets require estimates over future taxable profit and corresponding applicable income tax rates of respective years. The change in future income tax rates and timing would affect income tax expense or credit, as well as deferred tax balance. The realisation of deferred tax assets also depends on the realisation of sufficient future taxable profits of the Group. Deviation of future profitability from the estimate could result in material adjustments to the carrying amount of deferred tax assets.

The carrying amount of deferred tax assets as at 31 December 2019 was approximately HK$13,388,000 (2018: HK$13,784,000).

(d) Income taxes

Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. During the year, release of taxable timing differences previously recognised due to disposal of subsidiaries of HK$Nil (2018: approximately HK$14,060,000) and deferred tax assets of approximately HK$86,000 (2018: deferred tax assets of approximately HK$3,207,000) was credited to profit or loss mainly based on the estimated assessable income from continuing operations.

(e) Impairment loss on intangible asset

Determining whether intangible asset is impaired requires an estimation of the value-in-use of the CGU to which the intangible asset has been allocated. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the Coal CGU and a suitable discount rate in order to calculate the present value. Details of the key assumptions that management made when determining the value-in-use of the Coal CGU as at the end of the period are disclosed in note 4(b). The carrying amount of intangible asset at the end of reporting period was approximately HK$26,528,000 (2018: HK$31,681,000). An impairment loss on intangible asset of approximately HK$2,840,000 (2018: HK$Nil) was recognised for the year ended 31 December 2019.

(f) Impairment loss on financial assets at amortised cost

The Group uses a provision matrix to calculate expected credit loss ("**ECLs**") for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For other financial assets at amortised cost are measured by 12-moths ECLs.

At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

As at 31 December 2019, accumulated impairment loss on trade receivables amounted to approximately HK$3,489,000 (2018: HK$3,656,000).

(g) Allowance for slow-moving inventories

Allowance for slow-moving inventories is made based on the ageing and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed. Allowance amounting to HK$330,000 was made in the year ended 31 December 2019 (2018: HK$Nil).

5. REVENUE

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

	2019	2018
	HK$'000	*HK$'000*
Sale of coal	**178,301**	194,109

The Group recognised sale of coal of approximately HK$178,301,000 during the year ended 31 December 2019 under the Coal CGU. Sale of coal is recognised at a point in time and its external customers were located in the PRC entirely.

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

	2019	2018
	HK$'000	*HK$'000*
Receivables *(note 14)*	**13,470**	1,983
Contract liabilities	**(3,794)**	(18,922)

The contract liabilities mainly relate to the advance consideration received from customers. HK$13,852,000 (2018: HK$21,940,000) of the contract liabilities as of 31 December 2018 has been recognised as revenue for the year ended 31 December 2019.

Movement in contract liabilities:

	2019	2018
	HK$'000	*HK$'000*
Balance as at 1 January	**18,922**	23,856
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	**(13,852)**	(21,940)
– during the year	**(164,449)**	(172,169)
Decrease in contract liabilities in relation to refund	**(4,554)**	(419)
Increase in contract liabilities as a result of receipt in advance consideration received from customers	**167,858**	190,683
Exchange difference	**(131)**	(1,089)
Balance as at 31 December	**3,794**	18,922

6. OTHER INCOME AND GAINS

	2019 *HK$'000*	2018 *HK$'000*
Gain on disposal of subsidiaries	**331**	–
Gain on disposals of property, plant and equipment	**57**	–
Interest income	**374**	409
Net foreign exchange gains	**47**	–
Waiver of other payable	**–**	197
Reversal of impairment loss on trade receivables	**91**	–
Sundry income	**16**	59
	916	665
Representing:		
Continuing operations	**916**	538
Discontinued operation *(note 10)*	**–**	127
	916	665

7. SEGMENT INFORMATION

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

Coal	–	Production and sale of coal; and
Coal Upgrading	–	Provision of low-rank coal upgrading services (Discontinued operation).

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

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

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

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

Segment profits or losses do not include corporate income and expense and central administration costs. Segment assets do not include goodwill, corporate assets and deferred tax assets. Segment liabilities do not include corporate liabilities and deferred tax liabilities.

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

	Coal *HK$'000*	Total *HK$'000*
Year ended 31 December 2019		
Revenue from external customers	**178,301**	**178,301**
Segment profit	**17,471**	**17,471**
Interest revenue	**285**	**285**
Income tax expense	**(98)**	**(98)**
Depreciation and amortisation	**(15,899)**	**(15,899)**
Gain on disposal of property, plant and equipment	**57**	**57**
Impairment loss on property, plant and equipment	**(11,265)**	**(11,265)**
Impairment loss on intangible assets	**(2,840)**	**(2,840)**
Impairment loss on inventory	**(330)**	**(330)**
Reversal of impairment loss on trade receivables	**91**	**91**
Additions to segment non-current assets	**(4,088)**	**(4,088)**
At 31 December 2019		
Segment assets	**231,522**	**231,522**
Segment liabilities	**(122,810)**	**(122,810)**

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

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

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

	2019	2018
	HK$'000	*HK$'000*
Revenue		
Total revenue of reportable segments	**178,301**	194,109
Profit or loss		
Total profit of reportable segments	**17,471**	40,516
Unallocated corporate income	**467**	13,548
Unallocated corporate expenses	**(21,127)**	(59,400)
Discontinued operation *(note 10)*	**–**	(7,758)
Consolidated loss for the year from continuing operations	**(3,189)**	(13,094)
Assets		
Total assets of reportable segments	**231,522**	261,329
Corporate assets	**113,167**	136,656
Deferred tax assets	**13,388**	13,784
Elimination of intersegment assets	**(38,001)**	(43,271)
Consolidated total assets	**320,076**	368,498
Liabilities		
Total liabilities of reportable segments	**122,810**	167,439
Corporate liabilities	**6,601**	60,170
Deferred tax liabilities	**14,842**	15,348
Elimination of intersegment liabilities	**(60,435)**	(77,798)
Consolidated total liabilities	**83,818**	165,159

Geographical information:

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

	Revenue		Non-current assets	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**–**	–	**1,423**	128
The PRC except Hong Kong	**178,301**	194,109	**147,787**	162,696
Consolidated total	**178,301**	194,109	**149,210**	162,824

Revenue from major customers:

	2019	2018
	HK$'000	*HK$'000*
Coal segment		
Customer A	**–**	32,340
Customer B	**–**	26,087
Customer C	**137,736**	–
Customer D	**30,303**	–

8. FINANCE COSTS

	2019	2018
	HK$'000	*HK$'000*
Interest on other loans	**74**	490
Interest on loans from a director	**–**	134
Imputed interest expenses	**417**	590
Interest on lease liabilities	**139**	–
	630	1,214
Representing:		
Continuing operations	**630**	717
Discontinued operation *(note 10)*	**–**	497
	630	1,214

9. INCOME TAX CREDIT

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

	2019	2018
	HK$'000	*HK$'000*
Current tax	**–**	–
Deferred tax	**(86)**	(17,267)
	(86)	(17,267)
Representing:		
Continuing operations	**(86)**	(17,267)
Discontinued operation *(note 10)*	**–**	–
	(86)	(17,267)

(a) No provision for Hong Kong Profits Tax was made for the year ended 31 December 2019 as the Group did not generate any assessable profits arising in Hong Kong during the year (2018: HK$Nil).

Under the law of the PRC on Enterprise Income Tax (the "**EIT law**") and Implementation Regulation of the EIT law, the tax rate applicable to the PRC subsidiaries is 25% (2018: 25%). No provision for PRC Enterprise Income Tax was made for the financial year ended 31 December 2019 as the PRC subsidiaries did not have any assessable profits during the year.

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

	2019	2018
	HK$'000	*HK$'000*
Loss before tax		
Continuing operations	**(3,275)**	(30,361)
Discontinued operation *(note 10)*	**–**	7,758
	(3,275)	(22,603)
Tax at the PRC Enterprise Income Tax rate of 25% (2018: 25%)	**(819)**	(5,651)
Tax effect of expenses that are not deductible	**77**	1,800
Tax effect of income that are not taxable	**(2,345)**	(5,272)
Tax effect of temporary differences not recognised	**(11,218)**	(3,151)
Tax effect of tax losses not recognised	**12,464**	3,630
Tax effect of utilisation of tax losses not previously recognised	**–**	655
Reversal of deferred tax on undistributed earnings of a PRC subsidiary	**–**	(278)
Release of taxable timing differences previously recognised	**–**	(14,061)
Effect of different tax rates	**1,755**	5,061
Income tax credit	**(86)**	(17,267)

10. DISCONTINUED OPERATION

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

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

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

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

	2018
	HK$'000
Revenue *(note 5)*	–
Other income and gains *(note 6)*	127
Administrative expenses	(3,609)
Amortisation of land use right	(372)
Impairment loss on property, plant and equipment	(8,486)
Loss from operations	(12,340)
Finance costs *(note 8)*	(497)
Loss before tax	(12,837)
Income tax expense *(note 9)*	–
Loss for the year	(12,837)

Cash flows from discontinued operation:

Net cash used in operating activities	(4,022)
Net cash generated from investing activities	2,993
Net cash generated from financing activities	1,325
Net cash inflow	296

11. LOSS FOR THE YEAR

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

	Continuing operations		Discontinued operation		Total	
	2019	2018	**2019**	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Auditor's remuneration	**1,450**	1,510	**–**	–	**1,450**	1,510
Amortisation of prepaid lease payment	**–**	–	**–**	372	**–**	372
Amortisation of mining right (included in cost of sales)	**1,720**	1,782	**–**	–	**1,720**	1,782
Cost of inventories sold	**99,644**	120,576	**–**	–	**99,644**	120,576
Depreciation charge						
– Owned property, plant and equipment	**15,970**	17,357	**–**	356	**15,970**	17,713
– Right-of-use assets included within						
– Properties	**2,466**	–	**–**	–	**2,466**	–
– Motor vehicle	**163**	–	**–**	–	**163**	–
Total minimum lease payments for leases previously classified as operating leases under HKAS17	**–**	2,586	**–**	592	**–**	3,178
(Gain)/loss on disposals of property, plant and equipment	**(57)**	532	**–**	–	**(57)**	532
Impairment of inventories	**330**	–	**–**	–	**330**	–
Impairment loss on property, plant and equipment	**11,265**	–	**–**	8,486	**11,265**	8,486
Impairment loss on intangible asset	**2,840**	–	**–**	–	**2,840**	–
(Reversal)/provision of impairment loss on trade receivables	**(91)**	622	**–**	–	**(91)**	622
Short-term leases expenses	**68**	–	**–**	–	**68**	–

Cost of inventories sold includes staff costs, amortisation of mining right and depreciation of approximately HK$42,611,000 (2018: HK$46,517,000) which are included in the amounts disclosed separately.

12. DIVIDENDS

The Directors do not recommend the payment of any final dividend for the year ended 31 December 2019 (2018: Nil).

13. LOSS PER SHARE

(a) From continuing and discontinued operation

Basic loss per share

The calculation of basic losses per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of approximately HK$10,629,000 (2018: HK$18,933,000) and the weighted average number of ordinary shares of 1,503,477,166 (2018: 1,503,477,166) in issue during the year.

Diluted loss per share

The computation of diluted loss per share for the years ended 31 December 2019 and 2018 does not assume the exercise of share options granted by the Company as the exercise price of those options was higher than the average market price for shares.

(b) From continuing operations

Basic loss per share

The calculation of basic loss from continuing operations per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of approximately HK$10,629,000 (2018: HK$27,018,000) and the weighted average number of ordinary shares using the denominators detailed above for basic loss per share from continuing and discontinued operation.

Diluted loss per share

The computation of diluted loss per share for the years ended 31 December 2019 and 2018 does not assume the exercise of share options granted by the Company as the exercise price of those options was higher than the average market price for shares.

(c) From discontinued operation

Basic earnings per share from the discontinued operation was HK0.54 cents per share in 2018, based on the profit for the year from discontinued operation attributable to the owners of the Company of approximately HK$8,085,000 in 2018 and the weighted average number of ordinary shares using the denominators detailed above for basic loss per share from continuing and discontinued operation.

Diluted loss per share

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

14. TRADE AND BILLS RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Trade receivables	**4,376**	4,386
Impairment loss on trade receivables	**(3,489)**	(3,656)
	887	730
Bills receivable	**12,583**	1,253
	13,470	1,983

Payments in advance are required but credit terms of 90 days are granted to certain key customers. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the senior management.

The ageing analysis of trade receivables, based on the date of delivery, and net of allowance, is as follows:

	2019	2018
	HK$'000	*HK$'000*
0 to 90 days	**183**	5
91 to 180 days	**–**	6
181 to 365 days	**–**	719
Over 365 days	**704**	–
	887	730

15. DUE FROM NON-CONTROLLING SHAREHOLDERS

The analysis of the carrying amount of the amounts due from non-controlling shareholders are as follows:

	2019	2018
	HK$'000	*HK$'000*
Non-current assets		
Other receivable *(note a)*	**15,748**	–
Current assets		
Other receivable *(note b)*	**–**	5,717

Notes:

(a) The other receivable represents USD2,000,000 unpaid capital commitment by Ecostar (Qingdao) Holdings Corporation (伊克斯達(青島)控股有限公司) for the formation of an indirect non-wholly owned subsidiary of the Company, Qingdao Xinghua Resources Holding Company Limited (青島星華資源控股有限公司) ("**Qingdao Xinghua**") to be contributed on or before the expiry of a 3-year period from the establishment of Qingdao Xinghua (detailed in the Company's announcement dated 23 September 2019 and 8 November 2019).

(b) The other receivable was unsecured, interest bearing at 3.6% per annum and repayable in December 2019 which was fully settled during the year.

(c) The carrying amounts of the amounts due from non-controlling shareholders were denominated in USD and RMB.

16. OTHER LOANS

Other loans are repayable as follows:

	2019	2018
	HK$'000	*HK$'000*
Repayable within one year	**–**	13,653

The carrying amounts of the Group's other loans were denominated in RMB and HKD.

Other loans of approximately HK$6,000,000 as at 31 December 2018 were arranged at fixed interest rates.

As at 31 December 2018, other loans represented the loans from a former director which were unsecured, interest bearing at 0% to 5% per annum and were fully settled during the year.

The effective interest rate at 31 December 2018 was 6% per annum.

17. EVENTS AFTER THE REPORTING DATE

The assessment of the impact of the Coronavirus Disease 2019

In view of the outbreak of Coronavirus Disease 2019 the (the "**COVID-19**") in January 2020 in the PRC, the PRC authority has taken national prevention and control of the COVID-19. The COVID-19 has certain impacts on the business operation and overall economy in some geographical areas or industries in the PRC. To certain extent, the outbreak might affect the production schedule and geographic sales located in the PRC of the Group, and the extent of the impact depends on the duration of the epidemic and the implementation of regulatory policies and relevant protective measures. The Group will stay alert on the development and situation of the COVID-19, continuing to assess its impacts on the financial position and operating results of the Group and take necessary action to mitigate the business risk in the PRC. Up to the date of this announcement, the assessment is still in progress.

MANAGEMENT DISCUSSION AND ANALYSIS

Business and financial review

The Group recorded total revenue from continuing operations of approximately HK$178,301,000 for the year ended 31 December 2019, representing a decrease of approximately HK$15,808,000 or approximately 8.1% as compared to the revenue of approximately HK$194,109,000 for the year ended 31 December 2018. The loss attributable to the owners of the Company from continuing operations for the year ended 31 December 2019 amounted to approximately HK$10,629,000 as compared to the corresponding period in the year 2018 of approximately HK$27,018,000. For the year ended 31 December 2019, two segments are reported, namely: (i) the Coal Mining Business as continuing operations; and (ii) the Coal Upgrading Business as discontinued operation in the year 2018.

The Coal Mining Business

Inner Mongolia Yuan Yuan Energy Group Jinyuanli Underground Mining Company Limited ("**Inner Mongolia Jinyuanli**"), an indirect non-wholly owned subsidiary of the Company, operates the Group's Inner Mongolia Coal Mine 958 ("**Inner Mongolia Coal Mine 958**") in Inner Mongolia region, the PRC with an allowed annual production capacity of 1.2 million tonnes.

During the year ended 31 December 2019, approximately 1.2 million tonnes of coals were produced (year ended 31 December 2018: approximately 1.2 million tonnes) and approximately 1.2 million tonnes of coals were sold (year ended 31 December 2018: approximately 1.5 million tonnes). The segment profit of the Coal Mining Business for the year ended 31 December 2019 was approximately HK$17,471,000 as compared to the segment profit of approximately HK$32,758,000 for the year ended 31 December 2018. The decrease in segment profit of the coal mining segment was mainly due to: (i) the decrease in the quantity of coals sold in the year 2019; (ii) the slight decrease in the average selling price of coals sold as a result of coals of lower calorific values being produced; and (iii) the impairment losses made on the property, plant and equipment and intangible assets of the coal mining segment amounted to approximately HK$11,265,000 and HK$2,840,000 respectively.

During the year 2019, the key founder of the non-controlling shareholder of Inner Mongolia Jinyuanli passed away, resulted in loss of some major customers of Inner Mongolia Jinyuanli. In order to maintain stable operations of the Coal Mining Business, the management of Inner Mongolia Jinyuanli (as the supplier), entered into a year-long coal supply contract with a wholesale dealer of coal for off taking not less than 50% of the total coals output of Inner Mongolia Coal Mine 958 during the year 2019. Accordingly, Inner Mongolia Jinyuanli offered slight price cut in return for substantial prepayments to carry on its mining operations in the first half of 2019.

In view of the circumstances, the management of Inner Mongolia Jinyuanli promoted new marketing plans in the second half of 2019. By end of 2019, Inner Mongolia Jinyuanli has identified several new customers in order to secure the sales of coals in the year 2020, it's the intention of the Group to develop long term business relationships with good standing customers.

Besides, contingent liabilities in the amount of RMB2 million (approximately HK$2.2 million) was reported in the Group's consolidated financial statements since the financial year ended 31 December 2016 on a prudent basis, which represented the maximum amount of penalty may arise as a result of over-production in the year 2016. As at the date of this announcement, Inner Mongolia Jinyuanli has not received any indication or formal notice of warning or penalty in this regard.

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

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

The Group recorded total impairment losses of approximately HK$14,105,000 on the assets under the Coal Mining CGU for the year ended 31 December 2019. Impairment losses of: (i) approximately HK$11,265,000 on the property, plant and equipment; and (ii) approximately HK$2,840,000 on the intangible assets were recognised for the year ended 31 December 2019 mainly due to the decrease in projected average selling price of coals as compared to the year 2018. The key assumptions and parameters in the cash flow projections of the Coal CGU as at 31 December 2018, 30 June 2019 and 31 December 2019 are set out below.

Key assumptions	**31 December 2018**	**30 June 2019**	**31 December 2019**
Projected annual coal production output for the period until the expiry date of the business license	1,003,600 tonnes	1,003,600 tonnes	1,003,600 tonnes
Average unit coal selling price per tonne (including value-added tax) *(note)*	2019:RMB136 2020:RMB140 2021 onwards: increase with inflation rate	2019:RMB131 2020:RMB134 2021 onwards: increase with inflation rate	2020:RMB131 2021:RMB134 2022 onwards: increase with inflation rate
Inflation rate	2.5%	2.5%	2.5%

Note :

The estimated unit coal price per tonne (average selling price) was determined by referencing to : (i) the average unit selling price of coal for the year ended 31 December 2019 of Inner Mongolia Jinyuanli; (ii) the prevailing market price of coals in the Inner Mongolia region, the PRC; and (iii) the historical average unit selling price of coal over past few years of Inner Mongolia Jinyuanli.

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

Selling and distribution expenses

The selling and distribution expenses of the Group from continuing operations for the year ended 31 December 2019 was 100% attributed to the Coal Mining Business of approximately HK$5,128,000, representing an decrease of approximately HK$1,247,000 as compared to the corresponding period in year 2018 of approximately HK$6,375,000. The decrease in selling and distribution expenses was mainly resulted from lower logistic costs of coal delivery in line with the decrease in coals sold in the year 2019.

Administrative expenses

The administrative expenses of the Group from continuing operations for the year ended 31 December 2019 amounted to approximately HK$62,985,000, representing an increase of approximately HK$9,109,000 from approximately HK$53,876,000 in the corresponding period of the year 2018 mainly due to increase in staff costs, business travels and professional fees. The management of the Company will continue to adopt cost saving measures in order to improve the financial performance of the Group.

Finance costs

The finance costs of the Group from continuing operations represented mainly the interest expenses of the loans from a former executive director. The decrease in finance costs was due to full repayment of the loan in the year 2019.

Loss for the year

Net loss attributable to the owners of the Company from continuing operations for the year ended 31 December 2019 deceased to approximately HK$10,629,000 from last year of approximately HK$27,018,000. The decrease in net loss attributable to the owners of the Company from continuing operations was mainly due to the combined effect of (i) decrease in segment profits from Coal Mining Business of approximately HK$15,287,000; (ii) impairment loss of approximately HK$14,105,000 on the property, plant and equipment and intangible assets under the Coal Mining Business; and (iii) no equity-settled share-based payments incurred in this year (for the year ended 31 December 2018 : HK$42,309,000).

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

Qualified Opinion for the financial year ended 31 December 2018	Actions Taken	Status for the year ended 31 December 2019 and proposed plan, if required
Qualified opinion on the impairment of property, plant and equipment and deposit under non-current assets for the Coal Upgrading CGU	Disposal of the Coal Upgrading CGU, completion took place in December 2018.	Resolved.
Qualified opinion on the consequential effect of the opening balances and comparability of the previous year figures	No actions required.	Not applicable.

Other loans under the current liabilities

As at 31 December 2019, there was no other loan balance under the current liabilities. The other loans represented the loan from the late Mr. Xu Bin ("**Mr. Xu**") (including interest payable) of approximately HK$13,653,000 as at 31 December 2018, which had been fully repaid during the year 2019.

On 2 January 2014, Mr. Xu, as lender, agreed to grant to the Company an unsecured loan of HK$4 million at an interest rate of 5% per annum. This loan has been applied as general working capital of the Company. Approximately HK$1 million of this loan was repaid in year 2017 and the remaining loan of HK$3 million was repaid in July 2019.

On 24 March 2014, Beijing Guochuan New Energy Development Co., Ltd ("**Beijing Guochuan**"), a former indirect wholly-owned subsidiary of the Company, as borrower, entered into a loan agreement with Mr. Xu, as lender, pursuant to which Mr. Xu agreed to grant to Beijing Guochuan an unsecured and interest-free loan of RMB20 million as general working capital of the Group (the "**Original Loan Amount**"). First part of the Original Loan Amount in the book of Beijing Guochuan amounted to RMB8 million was repaid in the year 2016 and the second part of the Original Loan Amount in the amount of RMB12 million had been assumed by Shanghai Wealthy Ocean International Trading Co., Ltd ("**Shanghai Wealthy Ocean**"), an indirect wholly-owned subsidiary of the Company, as part of the consideration of intra group transfer of 37.5% equity interests in Xilinhaote City Guochuan Energy Development Co., Ltd ("**Xilinhaote Guochuan**") held by Beijing Guochuan to Shanghai Wealthy Ocean, being part of the Group's restructuring. Xilinhaote Guochuan remained as an indirect wholly-owned subsidiary of the Company after such intra group transfer. The remaining of the Original Loan Amount of RMB12 million (approximately HK$13.4 million) in the book of Shanghai Wealthy is unsecured, interest-free and due on or before 31 December 2019 (the "**Remaining Loan**"). The Remaining Loan was fully repaid in November 2018 as to approximately RMB6,350,000 (approximately HK$7,076,000) and in April 2019 as to approximately RMB5,650,000 (approximately HK$6,296,000) respectively.

On 7 May 2014, the Company, as borrower, entered into a loan agreement with Mr. Xu, as lender, pursuant to which Mr. Xu agreed to grant to the Company an unsecured loan of HK$3 million at an interest rate of 5% per annum. The loan which had been applied as general working capital of the Company, was repayable on 31 March 2016 and extended to 31 December 2019. Such loan was fully repaid in July 2019.

Use of proceeds from the placing

In July 2017, the Company raised gross and net proceeds from a placing of a maximum of 1,000,000,000 new shares at a placing price of HK$0.110 per share of the Company (the "**Placing**") in the amounts of approximately HK$110.0 million and HK$106.8 million respectively. The use of net proceeds from the Placing is as follows:

Intended use	Planned use of proceeds	Utilisation up to 31 December 2017	Utilisation up to 31 December 2018	Utilisation up to 30 June 2019	**Balance up to 30 June 2019 (before change of use of proceeds)**	Change of use of proceeds	**Balance up to 30 June 2019 (after change of use of proceeds)**	Utilisation up to 31 December 2019	**Remaining balance up to 31 December 2019**
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	***HK$ million***	*HK$ million*	***HK$ million***	*HK$ million*	***HK$ million***
Repayment of the overdue construction payables of the Coal Mining Business and the Coal Upgrading Business	45.0	14.7	39.0	42.0	**3.0**	(3.0)	**–**	–	**–**
Development of the Coal Upgrading Business	25.0	4.4	7.6	7.6	**17.4**	(17.4)	**–**	–	**–**
Repayment of the loan due to a non-controlling shareholder of Inner Mongolia Jinyuanli	8.0	–	8.0	8.0	**–**	–	**–**	–	**–**
General working capital	28.8	8.3	24.5	28.8	**–**	20.4	**20.4**	8.5	**11.9**
	106.8	27.4	79.1	86.4	**20.4**	–	**20.4**	8.5	**11.9**

Following the completion of the disposal of Coal Upgrading Business in the year 2018, the Group will not apply further proceeds on the Coal Upgrading Business (including the repayment of overdue construction payables). In addition, the relevant overdue construction payables of the Coal Mining Business, which were intended to be repaid by the proceeds, had been fully repaid. The management of the Company will apply all the remaining proceeds from the Placing as the general working capital of the Group for the year 2020.

Liquidity and financial resources

As at 31 December 2019,

(a) the aggregate amount of the Group's: (i) restricted bank deposits; and (ii) bank and cash balances was approximately HK$126,402,000 (as at 31 December 2018: approximately HK$162,956,000);

(b) the Group had no borrowing (as at 31 December 2018: approximately HK$13,653,000);

(c) the Group's gearing ratio was zero (as at 31 December 2018: 6.7%). The gearing ratio was calculated as the Group's total borrowings divided by total equity; and

(d) the Group's current ratio was approximately 2.47 (as at 31 December 2018: approximately 1.32). The current ratio was calculated as total current assets divided by total current liabilities.

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

Pledge of assets

As at 31 December 2019, the Group did not have any pledge of assets (as at 31 December 2018: Nil).

Foreign currency risk

The Group's sales and purchases are mainly transacted in Renminbi and the books are recorded in Hong Kong dollars. The management of the Group noted that the recent fluctuation in the exchange rate between Renminbi and Hong Kong dollar, and is of the opinion that it would not currently have a material adverse impact to the Group's financial position. The Group currently does not have a foreign currency hedging policy. The management will continue to monitor the foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Acquisition and disposal of material subsidiaries and associates

Apart from the formation of Qingdao Xinghua, a joint venture company established in the PRC in December 2019, the equity interest of which is owned as to 51% by an indirect wholly-owned subsidiary of the Company and as to the remaining 49% are owned by two independent third parties, in relation to the development of environmental-friendly tyres recycling plants in the PRC, the Group did not acquire nor dispose of any material subsidiaries and associates during the year ended 31 December 2019.

Significant investment

The Group did not purchase, sell or hold any significant investments during the year ended 31 December 2019.

Contingent liabilities

As at 31 December 2019, contingent liabilities in the amount of RMB2 million (approximately HK$2.2 million) was booked, which represented the maximum amount of penalty may arise as a result of over-production of the Coal Mining Business in 2016.

Capital commitment

As at 31 December 2019, the Group have had no capital commitment (as at 31 December 2018: HK$: Nil).

Employees

The Group employed 463 full-time employees as at 31 December 2019 (as at 31 December 2018: 449) in Hong Kong and the PRC. Remuneration of the staff comprised monthly salaries, provident fund contributions, medical benefits, training programs, housing allowances, discretionary bonus and options based on their contributions to the Group. Staff costs (including Director's emoluments) from continuing operations for the year ended 31 December 2019 were HK$69,510,000 (for the year ended 31 December 2018 from continuing operations: HK$87,613,000).

PROSPECTS

The Group's coal mining operations had remained stable in the past few years as the PRC's coal industry reforms in the past few years have stabilised the coal prices. Going forward, the Group's coal production output is expected to maintain at a level complying with relevant industry rules and regulations changing from time to time.

The recent outbreak of the Coronavirus Disease 2019 (the "**COVID-19**") has halted mobility of people all over the PRC, which caused some labours of Inner Mongolia Jinyuanli failed to return to their working positions. As a result, management of Inner Mongolia Jinyuanli has decided to commence its coal production in the second quarter of the year 2020. It is expected that the total coal production output of Inner Mongolia Jinyuanli would decrease in the year 2020.

On the other hand, the Group entered into a joint venture agreement in November 2019 and formed Qingdao Xinghua in December 2019 for the purpose of developing environmental-friendly tyre recycling plants in the PRC. The management of the Company is currently in discussions with the business partners to formulating the business development plan and timeline.

Further to the COVID-19 outbreak, it has also come to the attention of the management the recent slump in oil prices, which may have material influences on energy prices around the globe in near future. The management will continuously keep track of the latest development of the COVID-19 outbreak and fluctuations in energy prices in order to take necessary actions to maintain its financial performance and adopt more prudent strategies to manage the Group's business portfolio.

In the near future, it is still one of the objectives of the Group to diversify its business portfolio into sectors offering higher growth momentum. In view of the recent uncertain business and economic environment, the Group will use its best endeavors to manage its business portfolio well with an aim to enhance the shareholders' value.

CORPORATE GOVERNANCE

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

The Company has complied with the applicable code provisions as set out in the CG Code during the year ended 31 December 2019 except for the following deviations:

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

(2) Following the resignation of Mr. Huang Shao Ru as an independent non-executive Director ("**INED**") with effect from 31 October 2019, the Board comprised two INEDs, hence failed to meet the requirements of having the nomination committee of the Company ("**Nomination Committee**") comprising a majority of INEDs and chaired by the chairman of the Board or an INED under code provision A.5.1 of the CG Code. Following the appointment of Mr. Ho Man as an INED with effect from 22 January 2020, the Company is in compliance with the requirements under coder provision A.5.1 of the CG Code, which stipulates that the Nomination Committee shall comprise a majority of INEDs and chaired by the chairman of the Board or an INED.

Non-compliance with Rules 3.10(1), 3.21 and 3.25 of the Listing Rules

Following the resignation of Mr. Huang Shao Ru as an INED on 31 October 2019, the Company had only two INEDs, hence failed to meet the requirements of: (i) at least three INEDs in the Board under Rule 3.10(1) of the Listing Rules; (ii) the Audit Committee comprising only non-executive directors with a minimum of three members under Rule 3.21 of the Listing Rules; and (iii) the remuneration committee of the Company comprising a majority of INEDs and chaired by an INED under Rule 3.25 of the Listing Rules.

Following the appointment of Mr. Ho Man as an INED on 22 January 2020, the Company is in compliance with the requirements under: (i) Rule 3.10(1) of the Listing Rules stipulating that the Board must have at least three INEDs; (ii) Rule 3.21 of the Listing Rules stipulating that the Audit Committee must comprise a minimum of three members; and (iii) Rule 3.25 of the Listing Rules, which stipulates that the remuneration committee of the Company shall comprise a majority of INEDs and chaired by an INED.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the required standard governing securities transactions by the Directors. The Company made specific enquires to all the Directors and all the Directors have confirmed that they had complied with the required standards set out in the Model Code during the year ended 31 December 2019.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

ANNUAL GENERAL MEETING

The 2019 annual general meeting of the Company (the "**2019 AGM**") will be held on Monday, 15 June 2020, 11 a.m. details of which will be set out in the notice of the 2019 AGM, which will be published and despatched to the shareholders of the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 10 June 2020 to Monday, 15 June 2020, both days inclusive, for the purpose of determining the shareholders who are entitled to attend and vote at the 2019 AGM.

In order to be eligible to attend and vote at the 2019 AGM, all transfers of the shares of the Company accompanied by the relevant share certificates and transfer forms must be lodged to the Company's Hong Kong branch share registrar and transfer office, Tricor Abacus Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Tuesday, 9 June 2020.

REVIEW OF THE ANNUAL RESULTS BY AUDIT COMMITTEE

An audit committee of the Company (the "**Audit Committee**") has been established for the purpose of reviewing the financial information of the Group and overseeing the financial reporting system, risk management and internal control systems to ensure the integrity of the financial statements of the Group and the effectiveness of internal control and risk management systems of the Group. The Audit Committee, comprising three INEDs, namely Mr. Kwok Chi Shing (Chairman), Mr. Chang Xuejun and Mr. Ho Man, have reviewed the Group's consolidated financial statements for the year ended 31 December 2019 and are satisfied that the preparation of the results is in compliance with appropriate accounting policies and practices.

SCOPE OF WORK OF BDO LIMITED

The figures in respect of this announcement of the Group's annual results for the year ended 31 December 2019 have been agreed by the Group's independent auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements and the related notes thereto for the year ended 31 December 2019. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with the Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagement issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by BDO Limited on this annual results announcement.

DIVIDEND

The Board does not recommend the payment of final dividend in respect for the year ended 31 December 2019.

PUBLICATION OF ANNUAL RESULTS

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.grandocean65.com) respectively. The annual report of the Company for the year ended 31 December 2019 containing all the information required by the Listing Rules will be despatched to shareholders of the Company and published on the above websites in due course.

By Order of the Board
Grand Ocean Advanced Resources Company Limited
Ng Ying Kit
Executive Director

Hong Kong, 20 March 2020

As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Ng Ying Kit and Mr. Ren Hang; and three independent non-executive Directors, namely Mr. Kwok Chi Shing, Mr. Chang Xuejun and Mr. Ho Man.