Resources **OPTIMIZATION**
by **Proven Technologies**

ANNUAL REPORT 2015

弘海 GRANDOCEAN
0065.HK

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

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CORPORATE PROFILE

Board of Directors

Executive Directors

Mr. XU Bin *(Chairman)*
Mr. ZHANG Fusheng *(Chief Executive Officer)*
Mr. NG Ying Kit
Ms. HUO Lijie

Independent Non-Executive Directors

Mr. KWOK Chi Shing
Mr. HUANG Shao Ru
Mr. CHANG Xuejun

Compliance Officer

Mr. NG Ying Kit

Company Secretary

Ms. WAN Shui Wah

Authorised Representatives

Mr. ZHANG Fusheng
Mr. NG Ying Kit

Audit Committee

Mr. KWOK Chi Shing *(Chairman)*
Mr. HUANG Shao Ru
Mr. CHANG Xuejun

Remuneration Committee

Mr. HUANG Shao Ru *(Chairman)*
Mr. XU Bin
Mr. CHANG Xuejun

Nomination Committee

Mr. HUANG Shao Ru *(Chairman)*
Mr. XU Bin
Mr. CHANG Xuejun

Registered Office

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Cayman Islands

Corporate Websites

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Head Office and Principal Place of Business in Hong Kong

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255-257 Gloucester Road
Hong Kong

Principal Share Registrar and Transfer Office

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Tricor Abacus Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Principal Bankers

China Citic Bank International Limited
Hang Seng Bank Limited

Independent Auditor

RSM Hong Kong
Certified Public Accountants

Legal Advisers

As to Hong Kong Law:
Michael Li & Co.

As to Cayman Islands Law:
Conyers Dill & Pearman

Stock Code

65

Resources OPTIMIZATION by Proven Technologies

We strive to become a vertically integrated enterprise, using state-of-the art facilities, to optimise the value of diverse resources through the application of proven patented technologies.

CHAIRMAN'S STATEMENT

China's GDP growth retreated to less than 7% in 2015, hitting the lowest level in 25 years. Against the backdrop of a slowdown in China's economy, coal operators in China found themselves facing a tougher business environment, as glut of coal made prices stay in the doldrums during the year under review.

Despite adverse market conditions, Grand Ocean Advanced Resources Company Limited (the "**Company**", together with its subsidiaries, the "**Group**") lifted its coal sales volume on the back of an increase in output as a result of improved production efficiency. The Group sold approximately 2.21 million tonnes in 2015, representing a 33% year-on-year increase from 1.66 million tonnes in 2014. Furthermore, in light of the Chinese government's determination to promote clean energy for environmental protection, the Group stepped up the development of its coal upgrading plant in Xilinhaote City (the "**Xilinhaote Plant**"), Inner Mongolia, the People's Republic of China (the "**PRC**"). The Group completed the construction of the first phase of the Xilinhaote Plant with an annual designed capacity of 500,000 tonnes upgraded coal output by the end of the year.

In view of the lackluster prospects for the bags business and the Group's successful transformation into a technology-based and resources-focused company, the Group has decided to discontinue the operations of the bags business. The Group is currently contemplating various solutions to realise the assets of the bags business to support the development of its core business in coal-related operations.

2016 will remain a challenging year for the coal industry in China. With respect to its coal production and sale business, the Group will continue to focus on improving production efficiency, sales effort and cost control, in order to maintain sales volume and to cope with low coal price as well as high logistics costs.

In line with the Chinese government's promotion of clean energy, the Group has positioned low-rank coal upgrading business as a strategic operation for the Company's long term growth. With the completion of the first phase of the Xilinhaote Plant, the Group has scheduled to perform instrument calibrations and trial production in the first quarter of 2016. Taking cue from the results of the Xilinhaote Plant's trial run, the Group has been identifying prospective customers in the surrounding areas of the Xilinhaote Plant. Commercial production of the first phase of the Xilinhaote Plant is scheduled to commence in the second quarter of 2016.

To facilitate the research and development of upgraded coal applications and techniques for improving efficiency of the coal upgrading operation, the Group decided to house its technology advancing research unit within the premises of the Xilinhaote Plant. The close proximity allows the research team to have immediate and easy access to a full range of operating data, which will facilitate the research team to fine-tune the coal upgrading techniques and workflow, as well as to explore the downstream applications of our upgraded coal.

Although coal demand and price may remain weak in 2016, the Group's unabated efforts to tighten cost control, improve coal production efficiency and enhance research and development capability to support its low-rank coal upgrading business are expected to aid the Group to weather tough business conditions.

Last but not least, on behalf of the board (the "**Board**") of directors (the "**Director**") of the Company, I would like to express my heartfelt thanks to our staff for their dedication, and the shareholders of the Company (the "**Shareholders**") as well as business partners for their continued supports. The Group will continue to consolidate its coal-related businesses and strive to bring better returns to our Shareholders.

Xu Bin
Chairman

30 March 2016

Financial Highlights

	2015	2014	Change
	HK$'000	HK$'000	
Operating Results			
Revenue	**245,838**	342,943	-28%
Gross profit	**92,224**	106,332	-13%
Other operating expenses	**6,915**	719	862%
Finance costs	**4,532**	11,866	-62%
Loss for the year attributable to owners of the Company	**(170,849)**	(113,109)	51%
Loss per share – Basic	**HK(35.34) cents**	HK(40.98) cents	-14%
Financial Position			
Total assets	**723,885**	906,739	-20%
Total liabilities	**359,801**	358,284	–
Bank and cash balances	**48,189**	105,358	-54%
Equity attributable to owners of the Company	**311,079**	458,868	-32%
Financial Ratios			
Current ratio	**0.53**	0.81	-35%
Gearing ratio	**32.5%**	22.3%	46%

Five-Year Financial Summary

The following is a summary of the published consolidated results and of the assets, liabilities and equity of the Group for the last five financial years, as extracted from the audited financial statements and restated as appropriate:

Results

	Year ended 31 December				
	2015	**2014**	2013	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**245,838**	342,943	286,149	430,506	494,496
Loss from operations	**(204,810)**	(77,459)	(30,579)	(67,042)	(11,276)
Finance costs	**(4,532)**	(11,866)	(4,797)	(7,444)	(11,125)
Loss before tax	**(209,342)**	(89,325)	(35,376)	(74,486)	(22,401)
Income tax credit/(expense)	**5,753**	(20,649)	(32,827)	10,777	217
Loss for the year	**(203,589)**	(109,974)	(68,203)	(63,709)	(22,184)
Attributable to:					
Owners of the Company	**(170,849)**	(113,109)	(35,114)	(25,385)	(2,292)
Non-controlling interests	**(32,740)**	3,135	(33,089)	(38,324)	(19,892)
	(203,589)	(109,974)	(68,203)	(63,709)	(22,184)

Five-Year Financial Summary (Continued)

Assets, Liabilities and Equity

	As at 31 December				
	2015	2014	2013	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets	**577,695**	700,810	796,487	713,536	642,832
Current assets	**146,190**	205,929	221,024	276,741	276,699
TOTAL ASSETS	**723,885**	906,739	1,017,511	990,277	919,531
Non-current liabilities	**85,670**	104,167	214,383	90,589	59,383
Current liabilities	**274,131**	254,117	247,560	303,848	251,853
TOTAL LIABILITIES	**359,801**	358,284	461,943	394,437	311,236
NET ASSETS	**364,084**	548,455	555,568	595,840	608,295
Attributable to:					
Owners of the Company	**311,079**	458,868	467,737	476,299	453,007
Non-controlling interests	**53,005**	89,587	87,831	119,541	155,288
TOTAL EQUITY	**364,084**	548,455	555,568	595,840	608,295

Notes:

The results of the Group for the years ended 31 December 2014, 2013, 2012 and 2011 and of the assets, liabilities and equity of the Group as at these dates have been extracted from audited financial statements of the Company for the respective years.

The results of the Group for the year ended 31 December 2015 and of the assets, liabilities and equity of the Group as at 31 December 2015 are those set out on pages 51 to 54 of the audited financial statements respectively.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Review

The Group recorded a revenue of HK$245,838,000 for the year ended 31 December 2015 ("**FY2015**"), representing a decrease of approximately 28.3% as compared to the year ended 31 December 2014 ("**FY2014**"). The loss for FY2015 attributable to the owners of the Company increased from approximately HK$113,109,000 for FY2014 to approximately HK$170,849,000 for FY2015. The Group reports its annual results in three business segments, namely: (i) production and sale of coal; (ii) provision of low-rank coal upgrading services; and (iii) manufacture and sale of plastic woven bags, paper bags and plastic barrels.

Production and sale of coal

The Group recorded a revenue from its coal production and sale business of approximately HK$240,128,000 for FY2015, representing a modest decrease of approximately 0.43% as compared to a revenue of approximately HK$241,175,000 for FY2014. Despite the increase in the sales and production volume of coal, the segment reported a loss of approximately HK$70,525,000 for FY2015 as compared to a profit of approximately HK$21,774,000 for FY2014 as a result of: (i) the decrease in the average selling price of coal with prevailing market conditions; (ii) higher logistics costs; and (iii) impairment loss on property, plant and equipment and intangible asset.

During FY2015, approximately 2.20 million tonnes of coal were produced (FY2014: approximately 1.75 million tonnes) and approximately 2.21 million tonnes of coal were sold (FY2014: approximately 1.66 million tonnes) respectively. During FY2015, Inner Mongolia Yuan Yuan Energy Group Jinyuanli Underground Mining Company Limited ("**Inner Mongolia Jinyuanli**"), an indirect non-wholly owned subsidiary of the Company, has applied to relevant authorities to increase its production capacity to 1.8 million tonnes per year (the "**Application**"). Due to an industrial accident in June 2015, Inner Mongolia Jinyuanli suspended its production for safety investigations by the authorities. Inner Mongolia Jinyuanli also conducted internal safety trainings during the period, and upon passing the examinations conducted by the authorities, resumed its operations five days after such suspension in production. This accident resulted in an extension to the Application. The management of Inner Mongolia Jinyuanli will use their best endeavors to obtain an approval for the Application. Meanwhile, the annual coal output of Inner Mongolia Jinyuanli is expected to remain at around 1.8 million tonnes per year until further development of the Application. Inner Mongolia Jinyuanli has engaged an independent legal adviser to advise on the legality of its operations.

Coal trading operations of this segment remained at a minimal level due to unjustifiable profit margin during FY2015.

Provision of low-rank coal upgrading services

By the end of December 2015, the construction of the first phase of designed annual production capacity of 500,000 tonnes of the Group's low-rank coal upgrading plant located at Xilinhaote City (the "**Xilinhaote Plant**"), Inner Mongolia, the PRC was completed. The Xilinhaote Plant has commenced instrument calibrations and trial production since the first quarter of 2016, approximately 30 tonnes of upgraded coal trial products were produced in January 2016, it is scheduled to commence commercial production in the second quarter of 2016. As set out in the Company's 2015 interim report, the Group commenced the relocation of major equipment and machineries from our coal upgrading plant located at Dehui City (the "**Dehui Plant**"), Jilin Province, the PRC to the Xilinhaote Plant (the "**Machineries Relocation**") in the second quarter of 2015, the Machineries Relocation was completed in the third quarter of 2015. Following the Machineries Relocation, operations of the Dehui Plant were ceased in FY2015.

Financial Review (Continued)

Provision of low-rank coal upgrading services (Continued)

On the other hand, the Group is currently in negotiation for further favourable supports from the local government in the PRC. Based on the negotiation, the Group will pay to the local government in the PRC an agreed land premium to perfect the title to the properties where the Xilinhaote Plant is located. The existing approvals granted to the Xilinhaote Plant for the development of the site will expire in June 2016. The management of the Xilinhaote Plant will apply for an extension in due course in compliance with the local regulations.

In FY2015, this segment did not record any revenue as commercial production of the Xilinhaote Plant has not commenced (FY2014: approximately HK$4,642,000 (from Dehui Plant before the Machineries Relocation)). The segment reported a loss of approximately HK$16,887,000 as a result of: (i) the costs incurred from the Machineries Relocation; and (ii) the increase in wage costs and other administrative expenses.

Manufacture and sale of plastic woven bags, paper bags and plastic barrels

During FY2015, the performance of the manufacture and sale of plastic woven bags, paper bags and plastic barrels business suffered from further reduction of orders from our major customers. Since May 2015, there was no further orders from our customers. Revenue from this business segment recorded a significant drop to approximately HK$5,710,000 in FY2015 as compared to approximately HK$97,126,000 in FY2014, representing a year-on-year decrease of approximately 94.1%. The loss of this segment decreased from approximately HK$75,771,000 for FY2014 to approximately HK$74,941,000 for FY2015, which was mainly attributable to: (i) the impairment losses on inventories and trade receivables; and (ii) the impairment losses on property, plant and equipment.

In view of the performance, the Company has taken significant measures to reduce administrative expenses and to recover trade receivables of this business segment. In FY2015, an aggregate of about 200 workers were dismissed as a result of scaling down of labour power. This incurred compensation payment of approximately HK$2,200,000 being recognised in other operating expenses.

Furthermore, the management has conducted appropriate business assessments and after reviewing the performance of this business segment for FY2015, the management has decided to terminate operations of this business segment and to realise the assets to strengthen the Group's financial position.

Selling and distribution expenses

The selling and distribution expenses of the Group were approximately HK$29,884,000 in FY2015, representing an increase of approximately HK$7,918,000 or approximately 36.0% as compared to approximately HK$21,966,000 in FY2014. The increase was mainly due to the increase in logistics charges related to the coal production and sale business, generally in line with the increase in the quantity of sale of coal.

Financial Review (Continued)

Administrative expenses

The administrative expenses of the Group in FY2015 amounted to approximately HK$109,941,000, representing an increase of approximately HK$31,356,000 or approximately 39.9% from approximately HK$78,585,000 in FY2014. The increase in administrative expenses was mainly attributable to the increase in directors' & employees' emoluments and the fair value of the share options granted in the amount of approximately HK$1,843,000 and HK$8,509,000 respectively, and the increase in the wages of labour in the production and sale of coal business segment by approximately HK$13,918,000.

Impairment of property, plant and equipment, intangible asset and trade and other receivables

The Group recorded total impairment losses of approximately HK$153,723,000 in FY2015, such impairment losses were mainly attributable to:

(i) the impairment loss of the trade receivables amounting to approximately HK$48,160,000 associated with the manufacture and sale of plastic woven bags, paper bags and plastic barrels business segment due to management's opinion that the chance to recover those receivables would be relatively low;

(ii) the impairment loss of property, plant and equipment in the amount of approximately HK$20,937,000 associated with the manufacture and sale of plastic woven bags, paper bags and plastic barrels business segment due to management's view on the future business prospects of the segment; and

(iii) the impairment loss on the intangible asset and property, plant and equipment amounting to approximately HK$82,489,000 in the coal production and sale business segment as a result of the drop in the average selling price of coal.

In assessing the impairments of the Group's assets under the production and sale of coal business segment and coal upgrading business segment, the Company conducted valuations by adopting discounted cashflow method to derive the respective recoverable amounts of our assets, the assumptions of the valuations were made based on the current business conditions and project development progress. An independent valuer was engaged by the Company to review the reasonableness and fairness of the assumptions used and the values of the assets.

Financial Review (Continued)

Impairment of property, plant and equipment, intangible asset and trade and other receivables (Continued)

The justifications of the management of the Company on the use of assumptions in the forecasts are as below:

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

(1) availability of adequate funding to finance the future CAPEX of the Xilinhaote Plant

In assessing the recoverable amount of the Coal Upgrading CGU, the management has factored in the future capital expenditures (the "**CAPEX**") for the land use right of the Xilinhaote Plant and the construction costs of the Xilinhaote Plant for phase 2 and phase 3 in the aggregate amount of approximately HK$234 million. Out of the total CAPEX, it was planned that RMB66 million (approximately HK$77 million) will be incurred in 2016 for the development of phase 2 of the Xilinhaote Plant, depending on the financial position of the Group.

It is the current intention of the management to fund the total CAPEX from: (i) the proceeds of disposal of our property, plant and equipment (the "**Disposal Assets**") of the manufacture and sale of plastic woven bags, paper bags and plastic barrels business segment, with an estimated aggregate amount of RMB60 million (approximately HK$71 million), comprising properties and land with an aggregate value of RMB55.3 million in referencing to an independent valuation report, and the resell value of the equipment estimated to be RMB5 million; (ii) projected net cash inflow to be generated from the Coal CGU (as defined below) of around RMB30 million (approximately HK$35 million); (iii) financial supports in the amount of HK$100 million from the Company's controlling shareholder; and (iv) possible fund raisings of the Group in form of equity and/or debt financings, if necessary.

The management is of the view that the Group has sufficient funding in the next 12 months to carry out its business operations and development.

(2) assumption on the selling price of the upgraded coal

In forecasting the future cash flows to be generated from the Coal Upgrading CGU, the management applied an unit selling price of RMB300 per tonne (including value-added tax) and parameters extracted from the existing sales and production plan (commencing production in second quarter 2016) based on the existing designed annual production capacity of upgraded coal output (i.e. 500,000 tonnes per annum in 2016; 1,000,000 tonnes per annum from 2017 to 2018; and 2,000,000 tonnes per annum from 2019 onwards).

The unit selling price of RMB300 per tonne represented a discount of approximately 5.4% to the indicative price of RMB317 per tonne based on preliminary discussions with potential customers. Furthermore, such selling price level also represented a significant discount of around RMB50 per tonne (or approximately 14.3%) as compared to the market price of RMB345-355 per tonne (coal with calorific value of 5,000Kcal/kg) as quoted on http://www.cqcoal.com, a website generally recognised by the coal industry participants. The Xilinhaote Plant has received from its potential customers their letters of intent to purchase our upgraded coal. Management of the Company considers such assumption is fair and reasonable on this basis.

In January 2016, the Xilinhaote Plant produced around 30 tonnes of upgraded coal during its trial production, raising raw coals of calorific value level of around 3,600Kcal/kg to around 5,100Kcal/kg, given by an independent coal quality checking institute after performing proximate analysis on the upgraded coal.

Financial Review (Continued)

Impairment of property, plant and equipment, intangible asset and trade and other receivables (Continued)

The coal mining cash-generating unit (the "Coal CGU")

(1) assumption on the selling price of coal of Inner Mongolia Jinyuanli

In forecasting the future cash flows of the Coal CGU, we have applied an average estimated selling price of RMB115 per tonne from 2016 to 2018 in our cash flow forecast. Such average selling price was determined by referencing to: (i) the latest sales plan implemented by Inner Mongolia Jinyuanli; (ii) the sales contracts entered into by Inner Mongolia Jinyuanli in early 2016 with the actual selling price within the range of RMB100 to RMB120 per tonne (excluding the sale of previous inventories of coal with lower calorific value); and (iii) prevailing market price of coal with similar quality of RMB120 per tonne in the Huolinguole City, Inner Mongolia, the PRC.

The current production and sales plan of Inner Mongolia Jinyuanli for the year ending 31 December 2016 ("**FY2016**") is to produce and sell around 1.8 million tonnes of coal with calorific value level of around 3,500 Kcal/kg, such plan is in line with the increased production capacity under the Application. In FY2015, there were approximately 500,000 tonnes of coal with lower calorific values (mainly came from inventory) being sold, representing approximately 22.7% of Inner Mongolia Jinyuanli's total sales volume in FY2015, and which was one of the main reasons for the decrease in the average selling price of coal in FY2015 (approximately RMB102 per tonne). Currently, Inner Mongolia Jinyuanli does not have any inventories of coal with low calorific values, based on the existing production plan, it is expected that the coal outputs in near future will be of better quality.

In view of the above, the management considers that there is still room to increase the selling price of our coal closer to current market price level of RMB120 per tonne. The applied selling price of coal represents a discount of approximately 4.2% to current local market price, with an increment of RMB5 per tonne in every 3-year period (i.e. RMB115 per tonne from 2016 to 2018; RMB120 per tonne from 2019 to 2021; and RMB125 per tonne since 2022) and not exceeding RMB125 per tonne (an overall increment rate of lower than the projected inflation rate in the PRC). The management of the Company considers that the average selling price applied in the cash flow forecast is fair and reasonable, and truly reflecting the existing business conditions of Inner Mongolia Jinyuanli.

(2) production capacity of Inner Mongolia Jinyuanli

As mentioned above, management of Inner Mongolia Jinyuanli has submitted to relevant government authorities to increase the annual production capacity of coal to 1.8 million tonnes in May 2015, whereas it had been verified by the government authority its ability for such production capacity. Due to an industrial accident occurred in June 2015, the Application is currently pending and under "examination", a longer period of safety production has to be demonstrated to proceed the Application. As at the date of this report, Inner Mongolia Jinyuanli has not been notified for over-production penalty nor suspension of operations.

Financial Review (Continued)

Impairment of property, plant and equipment, intangible asset and trade and other receivables (Continued)

The coal mining cash-generating unit (the "Coal CGU") (Continued)

(2) production capacity of Inner Mongolia Jinyuanli (Continued)

In view of such circumstance, Inner Mongolia Jinyuanli has engaged a legal adviser to advise the legality of its operations in a timely manner. As part of the audit, a legal opinion (the "**JYL Legal Opinion**") was issued by the legal adviser giving their views that Inner Mongolia Jinyuanli could maintain its operations of current production output of 1.8 million tonnes per annum before there are any further development of the Application, the JYL Legal Opinion also states that it is very unlikely that the Inner Mongolia Jinyuanli operations will be penalised or suspended.

The management of the Company relied on the JYL Legal Opinion to conduct its business operations. Nevertheless, a contingent liability in the amount of RMB2 million (approximately HK$2,352,000) was stated in the disclosure note 36 to the Group's financial statements on a prudent basis, which represents the maximum amount of penalty as a result of over-production. Inner Mongolia Jinyuanli will be able to change its production plan and capacity to comply with corresponding rules and regulations in the PRC depending on the progress of the Application.

In view of the above, the Company applied an annual production capacity of 1.8 million tonnes in preparing the cash flow forecast of Inner Mongolia Jinyuanli.

In resolving the issues identified in auditor's disclaimer of opinion, further to the Group's business plans disclosed, the management will also:

1. monitor closely the progress of the Application, and consider any other viable ways to officially increase the production capacity of Inner Mongolia Jinyuanli with the PRC legal adviser's advice;

2. implement the development and production plan of Xilinhaote Plant in an efficient manner; and

3. adopt appropriate and efficient ways in the Group's capital allocation based on the financial position of the Group from time to time to ensure the adequacy of its working capital.

Finance costs

Finance costs of the Group decreased from approximately HK$11,866,000 in FY2014 to approximately HK$4,532,000 in FY2015, representing a decrease of approximately HK$7,334,000 or approximately 61.8%. The decrease was mainly attributable to the reduced interest expenses as a result of certain repayments to the non-controlling shareholders and third parties in an aggregate amount of approximately HK$61,000,000 and HK$19,745,000 respectively in FY2014.

Financial Review (Continued)

Loss for FY2015

Net loss attributable to the owners of the Company increased to approximately HK$170,849,000 for FY2015 as compared to approximately HK$113,109,000 for FY2014. The loss for FY2015 was mainly due to: (i) a significant decrease in the revenue of the manufacture and sale of plastic woven bags and plastic barrels business; (ii) the relocation of equipment and machineries for the provision for low-rank coal upgrading services business; (iii) the fair value of share options granted to management, employees and other eligible persons; and (iv) the impairment losses of assets of the Group in FY2015.

Capital structure, liquidity and financial resources

Issue of new shares

The Company entered into a placing agreement (the "**Placing Agreement**") dated 4 June 2015 with a placing agent in order to provide additional working capital to the Group, pursuant to which the placing agent had conditionally agreed to place up to an aggregate of 45,000,000 new ordinary shares (the "**Placing Share(s)**") of HK$0.50 each in the share capital of the Company on a best effort basis, to not less than six placees who are independent of and not connected with the Company, its directors, chief executive and substantial shareholders and its subsidiaries or any of their respective associates ("**Independent Third Parties**") at a placing price of HK$0.82 per Placing Share (the "**Placing**").

The placing price represented (i) a discount of approximately 8.89% to the closing price of HK$0.900 per share of the Company (the "**Shares**") as quoted on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 3 June 2015; and (ii) a discount of approximately 3.76% to the average closing price of HK$0.852 per Share as quoted on the Stock Exchange for the last five trading days of the Share immediately prior to the date of the Placing Agreement.

On 11 June 2015, 45,000,000 new ordinary Shares were placed at HK$0.82 per Share to not less than six placees who were Independent Third Parties with an aggregate nominal value of HK$22,500,000. The net proceeds from the Placing were approximately HK$35.48 million, representing a net placing price of HK$0.788 per Placing Share, which has been used as general working capital of the Group. Further details of the Placing were set out in the Company's announcements dated 4 June 2015 and 11 June 2015 respectively.

Loans from a director

On 2 January 2014, the Company as the borrower, entered into a loan agreement with Mr. Xu Bin ("**Mr. Xu**"), the chairman, an executive director and a controlling shareholder (as defined in the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**")) of the Company, as lender, pursuant to which Mr. Xu agreed to grant to the Company an unsecured loan of HK$4,000,000 at an interest rate of 5% per annum. This loan, which has been applied as general working capital of the Company, the repayment date of this loan had been extended to 31 December 2017.

Financial Review (Continued)

Loans from a director (Continued)

On 24 March 2014, Beijing Guochuan New Energy Development Co., Ltd. ("**Beijing Guochuan**"), an indirect wholly-owned subsidiary of the Company, as borrower, entered into a loan agreement with Mr. Xu, as lender, pursuant to which Mr. Xu agreed to grant to Beijing Guochuan an unsecured and interest-free loan of RMB20,000,000 (approximately HK$25,000,000) as general working capital of the Group. The repayment date of this loan had been extended to 31 October 2017.

On 5 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$1,000,000 at an interest rate of 5% per annum. This loan, which had been applied as general working capital of the Company, will be repayable on 30 June 2016. The repayment date of this loan had been extended to 31 December 2017.

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$3,000,000 at an interest rate of 5% per annum. This loan, which had been applied as general working capital of the Company, will be repayable on 31 March 2016. The repayment date of this loan had been extended to 31 December 2017.

On 8 May 2014, the Company, as borrower, entered into a loan agreement (the "**Loan Agreement**") with Mr. Xu, as lender, pursuant to which Mr. Xu agreed to grant to the Company unsecured loans up to 8 tranches with an aggregate principal amount of up to HK$200,000,000 during the availability period at an interest rate of 5% per annum. As at the date of this report, the Company has not made any drawdown under the Loan Agreement and the Loan Agreement will be expired on 7 May 2016.

As at 31 December 2015,

(a) the Group's aggregate amount of (i) restricted bank deposits; and (ii) bank and cash balances was approximately HK$55,682,000 (as at 31 December 2014: approximately HK$113,296,000). The management will continue to closely monitor the financial position of the Group to maintain its financial capacity.

(b) the Group's total borrowings comprised (i) loans from non-controlling shareholders; (ii) loans from a director; and (iii) other loans, totalling approximately HK$118,445,000 (as at 31 December 2014: approximately HK$122,540,000).

(c) the Group's total gearing ratio was approximately 32.5% (as at 31 December 2014: approximately 22.3%). The gearing ratio was calculated as the Group's total borrowings divided by total equity.

(d) the current ratio of the Group was approximately 0.53 (as at 31 December 2014: approximately 0.81).

Pledge of assets

As at 31 December 2015, the Group had no pledge of assets (as at 31 December 2014: Nil).

Financial Review (Continued)

Foreign currency risk

In FY2015, the Group's sale and purchases are mainly transacted in Renminbi and the books are recorded in Hong Kong dollars. The management of the Group noted that the recent fluctuation in the exchange rate between Renminbi and Hong Kong dollar, and is of the opinion that it does not currently have a material adverse impact on the Group's financial position. The Group currently does not have a foreign currency hedging policy. The management will continue to monitor the foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Significant investments

The Group did not purchase, sell or hold any significant investments during FY2015 and as at 31 December 2015.

Acquisition and disposal of material subsidiaries and associates

The Group did not acquire or dispose of any material subsidiaries and associates during FY2015 and as at 31 December 2015.

Contingent liabilities

A contingent liability in the amount of RMB2,000,000 (approximately HK$2,352,000) was stated in the disclosure note 36 to Group's financial statements on a prudent basis as at 31 December 2015, which represents the maximum amount of penalty as a result of over-production (as at 31 December 2014: HK$Nil).

Capital commitment

As at 31 December 2015, the Group had capital commitment relating to the construction agreements and prepaid land lease payments contracted for at the end of reporting period but not yet incurred in the amount of approximately HK$58,220,000 (as at 31 December 2014: approximately HK$65,073,000).

Employees

As at 31 December 2015, the Group employed 630 full-time employees including contracted manufacturing labour (as at 31 December 2014: 919) in Hong Kong and the PRC. Remuneration of the staff comprised monthly salaries, provident fund contributions, medical benefits, training programs, housing allowances, discretionary bonus and discretionary options based on their contributions to the Group. Staff costs (including directors' emoluments) for FY2015 were HK$107,374,000 (FY2014: HK$99,790,000).

Prospects

Going forward, the Group expects that the Chinese government's recent reforms on eliminating the overcapacity issue of the coal industry will be favourable to the long term development of the coal industry. However, such measures are unlikely to lift the weakening coal prices in the short term. Coal prices in the PRC are expected to hover at current levels in the foreseeable future in tandem with the existing global commodity market.

In an effort to mitigate the impacts of low coal price, the Group has taken stringent cost control measures and efficiency enhancement moves in the last few years. Upon reaching the optimal production efficiency of the Inner Mongolia Jinyuanli coal mine, the Group expects that the production and sale of coal segment will achieve a stable performance in the medium to long term.

The low-rank coal upgrading services business is expected to contribute to the revenue to the Group for the year ending 31 December 2016 upon the commencement of commercial production of the first phase of the Xilinhaote Plant in the second quarter of 2016. The Group will proceed to the development of later phases of the Xilinhaote Plant of annual designed capacity of 1,500,000 tonnes of upgraded coal output in 2016, 2017 and 2018.

In a bid to fully leverage the potential of the low-rank coal upgrading technologies, the Group plans to implement a technology-based business model for this segment and broaden the applications of our upgraded coal. Meanwhile, the Group is carrying out its research and development activities at the Xilinhaote Plant, as well as collaborating with leading research institutes of the coal industry in the PRC.

After years of preparation and restructuring, the low-rank coal upgrading business is expected to create meaningful values to the Group following commencement of the commercial production of the Xilinhaote Plant. On the other hand, the management believes that, in realising the assets of the plastic woven bags, paper bags and plastic barrels manufacture and sale business, it will provide further financial support to the development of the Group. The Group is gradually consolidating its business into a technology-based and resources-focused company.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Xu Bin, *Chairman*

Aged 50, was appointed as an executive Director of the Company in August 2009 and re-designated as the Chairman of the Company in February 2015. Mr. Xu was appointed as a member of each of the remuneration committee (the "**Remuneration Committee**") and nomination committee (the "**Nomination Committee**") of the Company on 1 March 2016. Mr. Xu pursued his studies at the Faculty of Finance in Jilin University, the PRC and has over 15 years of experience in financial management and extensive experience in corporate operation and management. As the Chairman of the Company, Mr. Xu leads and takes primary responsibility in setting the Company's growth strategy in the PRC and its continued development direction. He heads strategic initiatives and contributes to the Company's strategic decision making process. Mr. Xu has held directorships in various subsidiary companies of the Group.

Prior to joining the Group, Mr. Xu was the general manager of Hainan Dongyuan Industrial Company Limited.

Mr. Zhang Fusheng, *Chief Executive Officer*

Aged 43, was appointed as an executive Director and the chief executive officer of the Company (the "**Chief Executive Officer**") in June 2013. He holds a Master's degree of Nanyang Executive MBA from the Nangyang Technological University in Singapore and has extensive working experience in management and leadership role. Mr. Zhang is responsible for overseeing the operations of the Group and holds directorships in various subsidiary companies of the Group.

During September 2010 to March 2012, Mr. Zhang was an executive director of Global Bio-chem Technology Group Company Limited (Stock Code: 809), a company whose shares are listed on the Stock Exchange.

Mr. Ng Ying Kit

Aged 38, joined the Company as the Vice President, Business Development and Corporate Finance in June 2014, and was appointed as an executive Director and the Compliance Officer of the Company in February 2015. He is mainly responsible for business development and corporate finance function of the Group and holds directorships in various subsidiary companies of the Group. Mr. Ng has more than 10 years of experience in corporate finance and investment banking and has considerable experience in mergers and acquisitions, debt and equity financing and corporate strategic planning. Prior to joining the Company, he held senior management position in a Hong Kong listed company overseeing corporate finance function. Mr. Ng graduated from the University of Hong Kong with a Bachelor's degree in Electrical and Electronic Engineering.

Ms. Huo Lijie

Aged 51, joined the Company as the financial director of the Group's indirect wholly owned subsidiary, Xilinhaote City Guochuan Energy Technology Development Co. Ltd in August 2012, and was appointed as an executive Director of the Company on 11 January 2016 and holds directorships in various subsidiary companies of the Group. She obtained a Bachelor's degree of Economics (Finance) from Nankai University in Tianjin, the PRC in 1988. Ms. Huo had worked as an accountant at Agricultural Bank of China (Changchun City branch) in the PRC from July 1988 to August 1989. Ms. Huo later served as an accountant, the settlement officer and the business manager at the foreign exchange department of Agricultural Bank of China (Jilin Province branch) in the PRC from September 1990 to November 2003.

Ms. Huo served as the finance supervisor of Global Bio-chem Technology Group Company Limited (Stock code: 809), a company listed on the Stock Exchange, in the Guangdong office, the PRC from December 2003 to August 2008. Ms. Huo then served as the finance manager of Harbin Dacheng Bio Technology Co., Ltd. in the PRC from September 2008 to July 2012.

Independent Non-executive Directors

Mr. Kwok Chi Shing

Aged 53, has been appointed as an independent non-executive Director of the Company since January 2006. He is the chairman of the audit committee of the Company (the "**Audit Committee**"). Mr. Kwok graduated from the University of Aberdeen, England in 1986 and obtained a Master of Arts in Accountancy with Economics with Honours, and is a fellow member of the Hong Kong Institute of Certified Public Accountants. Mr. Kwok has extensive experience in corporate and financial management work especially for international cross border transactions, real estate development and property management industries and he was the president of the Hong Kong Association of Financial Advisors. In addition, he has extensive experience in public sector work both in Hong Kong and the PRC.

Mr. Kwok is currently the managing director of LKKC C.P.A. Limited.

Mr. Huang Shao Ru

Aged 43, was appointed as an independent non-executive Director of the Company in April 2013. He is a member of the Audit Committee and was re-designated as the chairmen of the Nomination Committee and the Remuneration Committee on 1 March 2016. Mr. Huang graduated from the school of Distance Education of Beijing Jiaotong University, majoring in business and administration and has over 22 years of managerial and international trade experience.

Mr. Huang has been serving as a director and the general manager in Xinhu Industry Co., Ltd. since January 2003.

Mr. Chang Xuejun

Aged 45, was appointed as independent non-executive Director of the Company and a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee on 17 March 2016. Mr. Chang is a qualified lawyer in the PRC. He graduated from Northwest University of Political Science and Law in Xi'an City, the PRC in 1993. Mr. Chang has more than 20 years' legal experience. He had been working as a secretary and assistant judge at the Intermediate People's Court in Lanzhou City, Gansu Province, the PRC from August 1993 to May 1999. He has joined LI & PARTNERS Attorneys at Law in Shenzhen, the PRC as a lawyer since May 1999. Mr. Chang is currently the responsible person of LI & PARTNERS Attorneys at Law in Shenzhen, the PRC.

Senior Management

Ms. Wan Shui Wah
Aged 36, is the Group Financial Controller and Company Secretary of the Company. She joined the Company and was appointed to the position in February 2015. Ms. Wan received a Bachelor's degree in Accounting from the Hong Kong Polytechnic University and is an associate member of the Hong Kong Institute of Certified Public Accountants. She has extensive experience in the auditing, accounting and finance fields.

Mr. Sun Jing Hui
Aged 53, the general manager of the Group's indirect wholly owned subsidiary, Xilinhaote City Guochuan Energy Technology Development Co. Ltd. Mr. Sun graduated from East China Institute of Technology (formerly known as East China Geological Institute) in the PRC in 1984. Prior to joining the Group in May 2012, Mr. Sun served as the Manager in Northeast China Bureau of geology and chemical based company and has more than 20 years of experience in production, operation and management.

Mr. Cong Yue Sheng
Aged 59, the general manager of the Group's indirect non-wholly owned subsidiary, Inner Mongolia Yuan Yuan Energy Group Jinyuanli Underground Mining Company Limited. Mr. Cong graduated from the Xi'an University of Science and Technology (formerly known as the Xi'an Institute of Mining and Technology) in the PRC in 1978 major in mining engineering. Prior to joining the Group in September 2011, Mr. Cong worked in Heilongjiang Province Jixi Mining Bureau and has more than 35 years of experience in the operation and management of the coal industry.

Mr. Wang Yun Lung
Aged 52, the financial director of the Group's indirect non-wholly owned subsidiary, Inner Mongolia Yuan Yuan Energy Group Jinyuanli Underground Mining Company Limited. Mr. Wang graduated from the Jilin Radio and TV University in the PRC in 1989 major in financial accounting. Prior to joining the Group in August 2007, Mr. Wang served as financial controller in construction and technology development companies and has more than 25 years of experience in financial management.

Corporate Governance

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

The Company has complied with the applicable code provisions as set out in the CG Code throughout FY2015 except for the following deviations:

Under the code provision E.1.2 of the CG Code, the chairman of the board should attend the annual general meeting. The chairman of the Board, Mr. Xu Bin, attended the annual general meeting of the Company held on 15 June 2015 (the "**2014 AGM**") by telephone conference call, but he was well informed by the Company in advance of the date and time of the 2014 AGM and was available to answer questions raised at the 2014 AGM by telephone. Mr. Tse Kam Fow, the deputy chairman of the Company, was elected as the chairman of the 2014 AGM.

Following the resignations of Mr. Tse Kam Fow as an executive Director and Mr. Kwok Siu Man as an independent non-executive Director of the Company being effective on 1 March 2016, (i) the number of independent non-executive Directors ("**INEDs**") fell below the minimum number required under Rule 3.10(1) of the Listing Rules, which prescribes that a listed issuer must have at least three INEDs; (ii) the number of the members of the Audit Committee fell below the minimum number required under Rule 3.21 of the Listing Rules, which prescribes that a listed issuer's audit committee must comprise a minimum of three members who should all be non-executive directors with at least one of whom is an INED; (iii) the number of the members of the Remuneration Committee fell below the minimum number required under Rule 3.25 of the Listing Rules, which stipulates that the remuneration committee shall comprise a majority of INEDs; and (iv) the number of the members of the Nomination Committee fell below the minimum number required under code provision A.5.1 of the CG Code, which stipulates that the nomination committee shall comprise a majority of INEDs. Upon the appointment of Mr. Chang Xuejun as an INED and a member of each of the Audit Committee, Remuneration Committee and Nomination Committee on 17 March 2016, the relevant requirements under the Rules 3.10(1), 3.21 and 3.25 of the Listing Rules and code provision A.5.1 of the CG Code were then fulfilled.

The Company reviewed its corporate governance practices regularly to ensure compliance with the CG Code. Under the code provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term, subject to re-election. Certain INEDs were not appointed for a specific term in FY2014. To comply with this code provision A.4.1, appointment letters were entered into between the Company and each of the INEDs during FY2015 and their services shall continue for a term of three years and could be terminated by the Company or the INEDs with a written notice of not less than three months.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the required standard governing securities transactions by the Directors. The Company made specific enquiries of all the Directors and each of the Directors have confirmed that they had complied with the required standards set out in the Model Code during FY2015.

Board of Directors and Board Meetings

The Board is responsible for corporate strategy, annual and interim results, succession planning, risk management, major acquisitions, disposals and capital transactions, and other significant operational and financial matters. Major corporate matters that are specifically delegated by the Board to the management include the preparation of annual and interim financial statements for the Board's approval before public reporting, execution of business strategies and initiatives adopted by the Board, implementation of adequate systems of internal controls and risk management procedures, and compliance with relevant statutory requirements and rules and regulations.

Board Members

As at 31 December 2015 and up to the date of this annual report, the Board comprised seven Directors, including four executive Directors and three INEDs.

Executive Directors

Mr. Xu Bin *(re-designated as Chairman on 5 February 2015)*
Mr. Zhang Fusheng *(Chief Executive Officer)*
Mr. Ng Ying Kit *(appointed on 5 February 2015)*
Ms. Huo Lijie *(appointed on 11 January 2016)*
Mr. Tse Kam Fow *(Deputy Chairman, appointed on 5 February 2015 and resigned with effect from 1 March 2016)*
Mr. Wang Hon Chen *(removed on 30 September 2015)*
Mr. Mak Shiu Chung, Godfrey *(resigned with effect from 5 February 2015)*

Independent Non-Executive Directors

Mr. Kwok Chi Shing
Mr. Huang Shao Ru
Mr. Chang Xuejun *(appointed on 17 March 2016)*
Mr. Kwok Siu Man *(appointed on 5 February 2015 and resigned with effect from 1 March 2016)*
Mr. Tsang Wai Sum *(resigned with effect from 5 February 2015)*

There is no financial, business, family or other material/relevant relationship among the Directors.

Details of the qualifications and experience of the current chairman of the Board of the Company (the "**Chairman**") and other Directors are set out in the section headed "Profiles of Directors and Senior Management" of this annual report. All Directors have given sufficient time and attention to the affairs of the Group. Each executive Director has sufficient experience to hold the position so as to carry out his duties effectively and efficiently.

The roles of the Chairman and the Chief Executive Officer are separate and performed by Mr. Xu Bin and Mr. Zhang Fusheng respectively. The Chairman, Mr. Xu Bin, provides leadership for the Board and ensures the Board works effectively and performs its responsibilities. He is responsible for formulating the overall strategies and policies of the Company, while the Chief Executive Officer, Mr. Zhang Fusheng, is responsible for managing the day-to-day business operations of the Company, developing and implementing objectives, policies and strategies approved by the Board. He is also supported by the full Board members and management. Mr. Tse Kam Fow was the deputy chairman of the Board and resigned with effect from 1 March 2016.

During FY2015, the Company had three INEDs who have appropriate and sufficient experience and qualifications to carry out their duties so as to protect the interests of the Shareholders. Mr. Kwok Chi Shing, one of the INEDs, possesses appropriate professional accounting qualifications and financial management expertise in compliance with the requirements set out in Rules 3.10(1) and (2) of the Listing Rules. The Company has received an annual confirmation from each of the INEDs as at 31 December 2015 on their respective independence pursuant to Rule 3.13 of the Listing Rules and the Company considered that each of them to be independent. Mr. Tsang Wai Sum resigned as an INED with effect from 5 February 2015. Mr. Kwok Siu Man was appointed as an INED on 5 February 2015 and resigned with effect from 1 March 2016. Mr. Chang Xuejun was appointed as an INED on 17 March 2016. Mr. Kwok Chi Shing, Mr. Huang Shao Ru and Mr. Chang Xuejun are currently the INEDs. Appointment letters were entered into between the Company and each of the INEDs during FY2015 and up to the date of this annual report and their services shall continue for a term of three years and could be terminated by the Company or the INEDs with a written notice of not less than three months.

During FY2015, the Board held regular board meetings and the annual general meeting (the "**AGM**") and no extraordinary general meeting (the "**EGM**") was held.

Details of the attendance record of the Board members are as follows:

Directors	Number of regular board meeting attended/ held	Regular board meeting attendance percentage	Number of AGM Attended/ held	AGM Attendance percentage	Number of EGM Attended/ held	EGM Attendance percentage
Mr. Xu Bin (1)	3/4	75%	0/1	0%	N/A	N/A
Mr. Zhang Fusheng	1/4	25%	0/1	0%	N/A	N/A
Mr. Ng Ying Kit (2)	4/4	100%	1/1	100%	N/A	N/A
Ms. Huo Lijie (3)	N/A	N/A	N/A	N/A	N/A	N/A
Mr. Kwok Chi Shing	4/4	100%	1/1	100%	N/A	N/A
Mr. Huang Shao Ru	3/4	75%	1/1	100%	N/A	N/A
Mr. Chang Xuejun (4)	N/A	N/A	N/A	N/A	N/A	N/A
Mr. Tse Kam Fow (5)	4/4	100%	1/1	100%	N/A	N/A
Mr. Mak Shiu Chung, Godfrey (6)	N/A	N/A	N/A	N/A	N/A	N/A
Mr. Wang Hon Chen (7)	0/3	0%	0/1	0%	N/A	N/A
Mr. Kwok Siu Man (5)	4/4	100%	1/1	100%	N/A	N/A
Mr. Tsang Wai Sum (6)	N/A	N/A	N/A	N/A	N/A	N/A

Apart from four regular board meetings each year, the Board met on other occasions when a board-level decision on a particular matter was required. The Directors received details of the agenda items for decision and, if applicable, minutes of committee meetings in advance of each Board meeting.

Notes:

(1) Mr. Xu Bin attended the AGM by telephone conference call.

(2) Mr. Ng Ying Kit was appointed as an executive Director on 5 February 2015.

(3) Ms. Huo Lijie was appointed as an executive Director on 11 January 2016.

(4) Mr. Chang Xuejun was appointed as an INED on 17 March 2016.

(5) Each of Mr. Tse Kam Fow and Mr. Kwok Siu Man was appointed as an executive Director and an INED respectively on 5 February 2015 and both of them have resigned with effect from 1 March 2016.

(6) Mr. Mak Shiu Chung, Godfrey and Mr. Tsang Wai Sum resigned as an executive Director and an INED respectively with effect from 5 February 2015.

(7) Mr. Wang Hon Chen was removed as an executive Director on 30 September 2015.

(8) The AGM was held on 15 June 2015 and there was no EGM held during 2015.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

Remuneration Committee

The Company has established the Remuneration Committee in September 2005. The terms of reference of the Remuneration Committee are consistent with the provisions set out in the relevant section of the CG Code.

During FY2015, the Remuneration Committee comprised two INEDs, namely Mr. Kwok Siu Man (appointed as the chairman of the Remuneration Committee on 5 February 2015) and Mr. Huang Shao Ru; and one executive Director, Mr. Tse Kam Fow (appointed as a member of the Remuneration Committee on 5 February 2015). Mr. Tsang Wai Sum and Mr. Mak Shiu Chung, Godfrey resigned as the chairman and a member of the Remuneration Committee respectively with effect from 5 February 2015.

Mr. Kwok Siu Man and Mr. Tse Kam Fow resigned as the chairman and a member of the Remuneration Committee respectively with effect from 1 March 2016. Mr. Huang Shao Ru was re-designated as the chairman of the Remuneration Committee and Mr. Xu Bin was appointed as a member of the Remuneration Committee on 1 March 2016. Mr. Chang Xuejun was appointed as a member of the Remuneration Committee on 17 March 2016. Up to the date of this annual report, Mr. Huang Shao Ru, an INED, is the chairman of the Remuneration Committee and Mr. Xu Bin, an executive Director, and Mr. Chang Xuejun, an INED, are the members of Remuneration Committee.

The role and function of the Remuneration Committee include making recommendations to the Board on the Company's remuneration policy for all Directors and senior management, the determination of the specific remuneration packages of all executive Directors, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and the making of recommendations of the remuneration of non-executive Directors to the Board. In doing so, the Remuneration Committee would consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions and desirability of performance-based remuneration.

During FY2015, four meetings were held by the Remuneration Committee to review the Company's remuneration policy, determine the remuneration packages for executive Directors, make recommendations of the remuneration of non-executive Directors to the Board and approve the terms of the service agreements for executive Directors. The attendance record of each member of the Remuneration Committee is as follows:

	Attendance	Attendance percentage
Mr. Huang Shao Ru (1)	4/4	100%
Mr. Xu Bin (2)	N/A	N/A
Mr. Chang Xuejun (3)	N/A	N/A
Mr. Kwok Siu Man (4)	3/3	100%
Mr. Tse Kam Fow (4)	3/3	100%
Mr. Tsang Wai Sum (5)	1/1	100%
Mr. Mak Shiu Chung, Godfrey (5)	1/1	100%

Notes:

(1) Mr. Huang Shao Ru was re-designated as the chairman of the Remuneration Committee on 1 March 2016.

(2) Mr. Xu Bin was appointed as a member of the Remuneration Committee on 1 March 2016.

(3) Mr. Chang Xuejun was appointed as a member of the Remuneration Committee on 17 March 2016.

(4) Mr. Kwok Siu Man and Mr. Tse Kam Fow were appointed as the chairman and a member of the Remuneration Committee respectively on 5 February 2015 and resigned with effect from 1 March 2016.

(5) Mr. Tsang Wai Sum and Mr. Mak Shiu Chung, Godfrey resigned as the chairman and a member of the Remuneration Committee respectively with effect from 5 February 2015.

The Remuneration Committee has considered and reviewed appointment letters of the executive Directors and the INEDs. It considered that the existing terms of appointment letters of the executive Directors and INEDs are fair and reasonable.

Nomination Committee

The Company established the Nomination Committee in September 2005.

During FY2015, the Nomination Committee comprised two INEDs, namely Mr. Kwok Siu Man (appointed as the chairman of the Nomination Committee on 5 February 2015) and Mr. Huang Shao Ru; and one executive Director, Mr. Tse Kam Fow (appointed as a member of the Nomination Committee on 5 February 2015). Mr. Tsang Wai Sum and Mr. Mak Shiu Chung, Godfrey resigned as the chairman and a member of the Nomination Committee respectively with effect from 5 February 2015.

Mr. Kwok Siu Man and Mr. Tse Kam Fow resigned as the chairman and a member of the Nomination Committee respectively with effect from 1 March 2016. Mr. Huang Shao Ru was re-designated as the chairman of the Nomination Committee and Mr. Xu Bin was appointed as a member of the Nomination Committee on the same day. Mr. Chang Xuejun was appointed as a member of the Nomination Committee on 17 March 2016. Up to the date of this annual report, Mr. Huang Shao Ru, an INED, is the chairman of the Nomination Committee and Mr. Xu Bin, an executive Director, and Mr. Chang Xuejun, an INED, are the members of the Nomination Committee.

The role and function of the Nomination Committee include reviewing the structure, size and composition of the Board at least annually, assessing the independence of INEDs and the selection and recommendation of Directors for appointment and removal. In doing so, the Nomination Committee would consider the past performance, the individual's qualification and, for INEDs, independence, as well as the general market conditions in selecting and recommending candidates for directorship.

During FY2015, two meetings were held by the Nomination Committee to review the structure, size and composition of the Board and make recommendation to the Board on appointment of Directors. The attendance record of each member of the Nomination Committee is as follows:

	Attendance	Attendance percentage
Mr. Huang Shao Ru (1)	2/2	100%
Mr. Xu Bin (2)	N/A	N/A
Mr. Chang Xuejun (3)	N/A	N/A
Mr. Kwok Siu Man (4)	1/1	100%
Mr. Tse Kam Fow (4)	1/1	100%
Mr. Tsang Wai Sum (5)	1/1	100%
Mr. Mak Shiu Chung, Godfrey (5)	1/1	100%

Notes:

(1) Mr. Huang Shao Ru was re-designated as the chairman of the Nomination Committee on 1 March 2016.

(2) Mr. Xu Bin was appointed as a member of the Nomination Committee on 1 March 2016.

(3) Mr. Chang Xuejun was appointed as a member of the Nomination Committee on 17 March 2016.

(4) Mr. Kwok Siu Man and Mr. Tse Kam Fow were appointed as the chairman and a member of the Nomination Committee respectively on 5 February 2015 and have tendered their resignations with effect from 1 March 2016.

(5) Mr. Tsang Wai Sum and Mr. Mak Shiu Chung, Godfrey resigned as the chairman and a member of the Nomination Committee respectively with effect from 5 February 2015.

Audit Committee

The Company established the Audit Committee with written terms of reference in compliance with the CG Code. The primary duties of the Audit Committee are to review the financial information of the Group, to oversee 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.

During FY2015, the Audit Committee comprised all the three INEDs, namely Mr. Kwok Chi Shing, Mr. Kwok Siu Man (appointed as a member of the Audit Committee on 5 February 2015) and Mr. Huang Shao Ru. The chairman of the Audit Committee is Mr. Kwok Chi Shing. Mr. Tsang Wai Sum resigned as a member of the Audit Committee with effect from 5 February 2015.

Mr. Kwok Siu Man resigned as a member of the Audit Committee with effect from 1 March 2016. Mr. Chang Xuejun was appointed as a member of the Audit Committee on 17 March 2016. Up to the date of this annual report, Mr. Kwok Chi Shing, an INED, is the chairman of the Audit Committee and Mr. Huang Shao Ru and Mr. Chang Xuejun, both being INEDs, are the members of the Audit Committee.

The Audit Committee held three meetings during FY2015 to review interim and annual financial results and reports, significant issues on the financial reporting and compliance procedures, internal control and risk management systems, the effectiveness of the Group's internal audit function and scope of work and appointment of external auditors. Details of the attendance of the Audit Committee meetings are as follows:

	Attendance	**Attendance percentage**
Mr. Kwok Chi Shing	3/3	100%
Mr. Huang Shao Ru	3/3	100%
Mr. Chang Xuejun (1)	N/A	N/A
Mr. Kwok Siu Man (2)	3/3	100%
Mr. Tsang Wai Sum (3)	N/A	N/A

Notes:

(1) Mr. Chang Xuejun was appointed as a member of the Audit Committee on 17 March 2016.

(2) Mr. Kwok Siu Man was appointed as a member of the Audit Committee on 5 February 2015 and resigned with effect from 1 March 2016.

(3) Mr. Tsang Wai Sum resigned as a member of the Audit Committee with effect from 5 February 2015.

During FY2015, the Group's unaudited interim results for the six months ended 30 June 2015 and annual audited results for FY2015 had been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure had been made.

Directors' Training

Pursuant to A.6.5 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. The Directors are regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. From time to time, the Directors are provided with written materials to develop and refresh their professional skills. The Directors had fulfilled the relevant requirements under A.6.5 of the CG Code during FY2015.

Company Secretary's Training

Pursuant to Rule 3.29 of the Listing Rules, the company secretary of the Company (the "**Company Secretary**") must take no less than 15 hours of relevant professional training in each financial year. The Company Secretary (who was appointed on 9 February 2015) provided her training records to the Company, indicating more than 15 hours of relevant professional development by means of attending seminars and reading relevant guideline materials during FY2015.

Independent Auditor's Remuneration

The Audit Committee is responsible for considering the appointment of the external auditor and reviewing any non-audit functions performed by the external auditor, including whether such non-audit functions could lead to any potential material adverse effect on the Company. The fees received and receivable by the independent auditor of the Company in respect of audit services and non-audit services for FY2015 amounted to approximately HK$1,000,000 (FY2014: HK$972,000) and HK$123,000 (including review the disclosure of 2015 interim report according to the agreed-upon procedures and continuing connected transactions of the Group for FY2015) (FY2014: HK$27,000) respectively.

Board Diversity Policy

The Board has adopted a policy of the Board diversity (the "**Board Diversity Policy**") and discussed all measurable objectives set for implementing the same. A summary of the Board Diversity Policy is set out below:

The Company recognises and embraces the benefits of a diversity of Board members. It endeavours to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. All Board appointments will continue to be made on a merit basis with due regard for the benefits of diversity of the Board members. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, race, language, cultural background, educational background, industry experience and professional experience.

Remuneration of Directors and Senior Management

Particulars of the Directors' remuneration for FY2015 are set out in Note 14 to the consolidated financial statements.

Pursuant to code provision B.1.5 of the CG Code, the remuneration of the members of the senior management (other than the Directors) whose particulars are contained in the section headed "Profile of Directors and Senior Management" in this annual report for FY2015 by band is set out below:

Remuneration band	Number of individuals
Nil – HK$1,000,000	2
HK$1,000,001 – HK$2,000,000	1
HK$4,000,001 – HK$5,000,000	1
	4

Directors' and Independent Auditor's Responsibilities for Financial Statements

The Directors acknowledge their responsibility for the preparation of the consolidated financial statements of the Group for FY2015.

As disclosed in Note 2 to the consolidated financial statements, 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 and accordingly the Directors were not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

In addition, RSM Hong Kong has stated in the independent auditor's report its reporting responsibilities on the Company's consolidated financial statements for FY2015.

Internal Controls

The Company has conducted a review of its system of risk management and internal controls periodically to ensure an effective and adequate risk management and internal control system. The Company convenes meetings periodically to discuss financial, operational and risk management control. In order to strengthen the risk management and internal control system of the Group, the Company will engage a professional company to perform a risk management and internal control review occasionally.

Shareholders' Rights

Convening of EGM and putting forward proposals

Under the articles of association of the Company (the "**Articles**"), any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth (1/10) of the paid up capital of the Company, which carries the right of voting at general meeting, can require an EGM to be called for the transaction of any business specified in such requisition. The procedures for the Shareholders to convene and put forward proposals at an EGM are stated as follows:

(1) The requisitionist(s) should sign a written request stating the objects of the meeting to be convened, and deposit the same at the principal place of business of the Company in Hong Kong, presently situated at Suite 3103, Sino Plaza, 255-257 Gloucester Road, Hong Kong for the attention of the Company Secretary.

(2) Where, within 21 days from the date of deposit of the requisition, the Directors do not proceed to convene an EGM, the requisitionist(s) himself (themselves) may convene the general meeting in the same manner, as that in which meetings may be convened by the Board, and all reasonable expenses incurred by the requisitionist(s) as a result of such failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Investors' Relations

The Company has disclosed all necessary information to the Shareholders in compliance with the Listing Rules. Meetings are held with media and investors periodically. The Company also replies to enquiries from the Shareholders timely. The Directors host an AGM each year to meet with the Shareholders and answer their enquiries.

For putting forward any enquiries to the Board, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Constitutional Documents

There were no changes in the constitutional documents of the Company during FY2015.

DIRECTORS' REPORT

The Directors are pleased to present their report and the audited consolidated financial statements of the Group for FY2015.

Principal Activities

The Company is an investment holding company. The principal activities of the subsidiaries of the Company and other related information are set out in Note 1 to the consolidated financial statements.

Details of the segment information are set out in Note 9 to the consolidated financial statements.

Business Review

A fair review of the business of the Group as well as discussion and analysis of the Group's performance during FY2015 and the material factors underlying its financial performance are set out in the section headed "Management's Discussion and Analysis" on pages 8 to 17 of this annual report.

To the Company's knowledge, the Company has complied with all the relevant laws and regulations that have a significant impact on the Company. The Company will seek professional legal advice from legal advisers, where necessary, to ensure transactions and business to be performed by the Company are in compliance with the applicable laws and regulations.

Results and Dividend

The results of the Group for FY2015 are set out in the consolidated statement of profit or loss and consolidated statement of profit and loss and other comprehensive income on pages 51 to 52.

The Directors do not recommend the payment of a final dividend for FY2015 (FY2014: Nil).

Share Capital

Details of the movements in the share capital of the Company are set out in Note 31 to the consolidated financial statements.

Reserves

Details of the movements in the reserves of the Group and the Company during FY2015 are set out in consolidated statement of changes in equity and Note 34 to the consolidated financial statements respectively.

Distributable Reserves

As at 31 December 2015, the Company had reserves available for distribution, calculated in accordance with the provisions of the Cayman Islands Companies Law, amounting to approximately HK$1,578,000. The share premium account of the Company of approximately HK$293,461,000 as at 31 December 2015 is distributable to the Shareholders provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business. The share premium account may also be distributed in the form of fully paid bonus shares.

Property, Plant and Equipment

Details of the movements in the property, plant and equipment of the Group are set out in Note 17 to the consolidated financial statements.

Directors

The Directors during FY2015 and up to the date of this annual report were:

Executive Directors

Mr. Xu Bin	
Mr. Zhang Fusheng	
Mr. Ng Ying Kit	(appointed on 5 February 2015)
Ms. Huo Lijie	(appointed on 11 January 2016)
Mr. Tse Kam Fow	(appointed on 5 February 2015 and resigned with effect from 1 March 2016)
Mr. Wang Hon Chen	(removed on 30 September 2015)
Mr. Mak Shiu Chung, Godfrey	(resigned with effect from 5 February 2015)

INEDs

Mr. Kwok Chi Shing	
Mr. Huang Shao Ru	
Mr. Chang Xuejun	(appointed on 17 March 2016)
Mr. Kwok Siu Man	(appointed on 5 February 2015 and resigned with effect from 1 March 2016)
Mr. Tsang Wai Sum	(resigned with effect from 5 February 2015)

In accordance with article 86(3) of the Articles, Ms. Huo Lijie and Mr. Chang Xuejun, appointed as an executive Director and an INED on 11 January 2016 and 17 March 2016 respectively, will retire from office at the forthcoming AGM and, being eligible, will offer themselves for re-election.

In accordance with articles 87(1) and 87(2) of the Articles, Mr. Kwok Chi Shing will retire from office by rotation at the forthcoming AGM and, being eligible, will offer himself for re-election.

Pursuant to code provision A.4.3 of the CG Code (Appendix 14 to the Listing Rules), any further appointment of independent non-executive director serving more than nine years should be subject to a separate resolution to be approved by shareholders. Mr. Kwok Chi Shing is an INED serving the Company for more than nine years. The Board considered that Mr. Kwok Chi Shing continues to be independent as he has satisfied all the criteria for independence set out in Rule 3.13 of the Listing Rules. During his tenure as an INED, he has made positive contributions to the Company's strategies and policies with independent judgement from his areas of expertise. The Board considered that his continued tenure with the Company will continue to bring wide range of valuable insights and expertises to the Board. A separate resolution will be proposed for his re-election at the AGM.

All the Directors (including INEDs) are subject to retirement by rotation in accordance with the Articles.

Directors' Service Contracts

Executive Directors

Mr. Zhang Fusheng entered into a service agreement with the Company for a three-year term commencing on 28 June 2013. Each of Mr. Tse Kam Fow and Mr. Ng Ying Kit entered into a service agreement with the Company for a three-year term commencing on 5 February 2015 and Mr. Tse Kam Fow resigned with effect from 1 March 2016. Ms. Huo Lijie was appointed as an executive Director on 11 January 2016 and entered into a service contract with the Company for a term of three years commencing on 11 January 2016.

Saved as disclosed above, neither Mr. Xu Bin nor Mr. Wang Hon Chen entered into any service contract with the Company, each of them entered into a director's appointment letter with no fixed term of appointment as an executive Director. Mr. Wang Hon Chen was removed on 30 September 2015 on the grounds that he has failed to report his duties as a Director to the Company and failed to attend any board meetings or general meetings of the Company for a consecutive period of more than six months since the beginning of FY2015 without any special leave of absence granted by the Board.

INEDs

Mr. Kwok Chi Shing and Mr. Huang Shao Ru entered into respective appointment letters with the Company for a term of three years commencing on 28 August 2015. Mr. Chang Xuejun was appointed as an INED on 17 March 2016 and entered into an appointment letter with the Company for a term of three years commencing on 17 March 2016.

Mr. Kwok Siu Man entered into a letter of appointment with the Company for a term of three years commencing on 5 February 2015 and resigned with effect from 1 March 2016.

None of the Directors proposed for re-election at the forthcoming AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

Confirmation of Independence of Independent Non-Executive Directors

The Company has received from each of the INEDs, who acted in such capacities during FY2015, an annual confirmation of independence. The Company considered that each of its INEDs as at the date of this annual report to be independent pursuant to the criteria set out in the Listing Rules.

Biographical Details of Directors and Senior Management

The profiles of the Directors and senior management are set out on pages 18 to 20 of this annual report.

Five-Year Financial Summary

A summary of the results of the Group for the last five financial years and of its assets and liabilities as at the end of the last five financial years is set out on pages 6 and 7 of this annual report.

Directors' Material Interests in Transactions, Arrangements or Contracts

Save as disclosed in the paragraph headed "Connected transactions and continuing connected transactions" below, no other transactions, arrangements or contracts of significance to which the Company or its subsidiaries was a party subsisted at the end of FY2015 or at any time during FY2015 in which any Director, whether directly or indirectly, had a material interest.

Directors' Interest in Competing Business

None of the Directors or any of their respective associates had any material interest in business which competed or may compete with the business of the Group.

Directors' and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company or Any Associated Corporations

As at 31 December 2015, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 under the laws of Hong Kong (the "**SFO**")), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") contained in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Directors' and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company or Any Associated Corporations (Continued)

	Capacity and nature of interest in Shares			Capacity and nature of interest in underlying Shares pursuant to share options				
Name	Personal Interests	Corporate Interests	Total Interests	Personal Interests	Family Interests	Total Interests	Aggregate Interests	Approximate percentage of issued share capital of the Company
Mr. Xu Bin ("**Mr. Xu**")	24,365,629	131,788,686 (Note 1)	156,154,315	4,500,000	–	4,500,000	160,654,315	31.91%
Mr. Tse Kam Fow ("**Mr. Tse**")	28,317,081	99,210 (Note 2)	28,416,291	4,500,000 (Note 2)	2,250,000 (Note 3)	6,750,000	35,166,291	6.98%
Mr. Ng Ying Kit	–	–	–	2,250,000	–	2,250,000	2,250,000	0.45%
Mr. Kwok Chi Shing	–	–	–	225,000	–	225,000	225,000	0.04%
Mr. Kwok Siu Man ("**Mr. Kwok**") (Note 4)	–	–	–	225,000	–	225,000	225,000	0.04%
Mr. Huang Shao Ru	–	–	–	225,000	–	225,000	225,000	0.04%

Notes:

(1) These Shares are beneficially owned by Hong Kong Hang Kei Company Limited ("**HK Hang Kei**"), a company incorporated in the British Virgin Islands (the "**BVI**") with limited liability and is wholly owned by Mr. Xu, the Chairman of the Company and executive Director. By virtue of the SFO, Mr. Xu is deemed to be interested in the 131,788,686 Shares owned by HK Hang Kei.

(2) 99,210 Shares were beneficially owned by Kellyton Assets Limited ("**Kellyton Assets**"), a company incorporated in the BVI with limited liability and is owned as to 50% by Mr. Tse. By virtue of the SFO, Mr. Tse is deemed to be interested in the 99,210 Shares owned by Kellyton Assets. Mr. Tse resigned as an executive Director with effect from 1 March 2016 and 4,500,000 share options owned by him lapsed on the same day.

(3) These underlying Shares were relating to 2,250,000 share options and registered in the name of Ms. Ng Tsui Ha Shirley, the wife of Mr. Tse. Ms. Ng Tsui Ha Shirley was no longer being the general manager of the Group with effect on 1 March 2016 and 2,250,000 share options owned by her lapsed on the same day.

(4) Mr. Kwok resigned as an INED with effect from 1 March 2016 and 225,000 share options owned by him lapsed on the same day.

(5) Details of share options held by the Directors are set out under the heading "Share Option Scheme".

Save as disclosed above, as at 31 December 2015, none of the Directors and chief executives of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have taken under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Share Option Scheme

At an extraordinary general meeting of the Company held on 20 August 2009, a share option scheme (the "**2009 Scheme**") was adopted by the Company. The purpose of the 2009 Scheme is to enable the Company to grant options to any employee (whether full-time or part-time, including any executive Director but excluding any non-executive Director) of the Company or any of its subsidiaries or an entity in which the Group holds any equity interest (the "**Invested Entity**"); any non-executive Director (including independent non-executive Director) of the Company, any of its subsidiaries or any Invested Entity; any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued or proposed to be issued by any member of the Group or any Invested Entity; and any other person (including any consultant, adviser, distributor, contractor, supplier, agent, customer, business partner, joint venture business partner, promoter or service provider of any member of the Group) whom the Board considers, in its sole discretion, has contributed or will contribute to the Group (the "**Eligible Participants**") as incentives or rewards for their contribution to the Group and/or to recruit and retain high caliber employees and attract human resources that are valuable to the Group and any Invested Entity.

The 2009 Scheme was adopted for a period of 10 years commencing on 20 August 2009 and will remain in force until 19 August 2019, after which period no further options will be offered or granted but the provisions of the 2009 Scheme shall remain in full force and effect in all other respects with regard to the share options granted during the life of the 2009 Scheme. The subscription price for the Shares in respect of any share option granted shall be such price as determined by the Board in its absolute discretion at the time of the grant of the relevant share option but in any case, the subscription price for Shares shall be at least not lower than the highest of: (a) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheet on the date of grant, which must be a business day; (b) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five (5) trading days immediately preceding the date of grant; and (c) the nominal value of a Share.

On 30 April 2015 (the "**First Date of Grant**"), the Company granted certain share options comprising 14,400,000 underlying Shares, which represented approximately 3.14% of the total issued share capital of the Company as at that date, to certain Directors, employees and other Eligible Participants. Such share options were vested immediately and exercisable for a ten-year period from 30 April 2015 to 29 April 2025 (both days inclusive). The exercise price of the share options granted was HK$0.710 per Share, which was higher than (i) closing price per Share of HK$0.700 on the First Date of Grant; (ii) the average closing price of HK$0.708 per Share as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the First Date of Grant; and (iii) the nominal value of HK$0.50 per Share.

On 28 July 2015 (the "**Second Date of Grant**"), the Company granted certain share options comprising 11,250,000 underlying Shares, which represented approximately 2.23% of the total issued share capital of the Company as at that date, to certain Directors and employees. Such share options were vested immediately and exercisable for a ten-year period from 28 July 2015 to 27 July 2025 (both days inclusive). The exercise price of the share options granted HK$0.530 per Share, which was the highest of (i) the closing price per Share of HK$0.465 on the Second Date of Grant; (ii) the average closing price of HK$0.530 per Share as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the Second Date of Grant; and (iii) the nominal value of HK$0.50 per Share.

Share Option Scheme (Continued)

Particulars of the share options under the 2009 Scheme outstanding during FY2015 were as follows:

(a) Movement of share options granted to the Directors was as follows:

Name of Directors	Date of Grant	Exercisable Period	Number of underlying Shares comprised in share options Balance as at 1 Jan 2015	Granted during 2015	Exercised during 2015	Cancelled/ Lapsed during 2015	Balance as at 31 Dec 2015	Exercise Price Per Share (HK$)
Executive Directors								
Mr. Xu Bin	28 July 2015	28 July 2015 to 27 July 2025	–	4,500,000	–	–	4,500,000	0.530
Mr. Ng Ying Kit	30 April 2015	30 April 2015 to 29 April 2025	–	2,250,000	–	–	2,250,000	0.710
Ms. Huo Lijie (Note 1)	28 July 2015	28 July 2015 to 27 July 2025	–	2,250,000	–	–	2,250,000	0.530
Mr. Tse Kam Fow (Note 2)	28 July 2015	28 July 2015 to 27 July 2025	–	4,500,000	–	–	4,500,000	0.530
			–	13,500,000	–	–	13,500,000	
Independent Non-executive Directors								
Mr. Kwok Chi Shing	30 April 2015	30 April 2015 to 29 April 2025	–	225,000	–	–	225,000	0.710
Mr. Huang Shao Ru	30 April 2015	30 April 2015 to 29 April 2025	–	225,000	–	–	225,000	0.710
Mr. Kwok Siu Man (Note 3)	30 April 2015	30 April 2015 to 29 April 2025	–	225,000	–	–	225,000	0.710
			–	675,000	–	–	675,000	
Total			–	14,175,000	–	–	14,175,000	

Notes:

(1) Ms. Huo Lijie was the financial director of the Group's indirect wholly owned subsidiary, Xilinhaote City Guochuan Energy Technology Development Co. Ltd during FY2015 and was appointed as an executive Director on 11 January 2016.

(2) Mr. Tse Kam Fow resigned as an executive Director with effect from 1 March 2016 and 4,500,000 share options granted to him lapsed on 1 March 2016.

(3) Mr. Kwok Siu Man resigned as an INED with effect from 1 March 2016 and 225,000 share options granted to him lapsed on 1 March 2016.

Share Option Scheme (Continued)

Particulars of the share options under the 2009 Scheme outstanding during FY2015 were as follows: (Continued)

(b) Movement of share options granted to the employees and other Eligible Participants under the 2009 Scheme was as follows:

		Number of underlying Shares comprised in share options					
Date of Grant	Exercisable Period	Balance as at 1 Jan 2015	Granted during 2015	Exercised during 2015	Lapsed during 2015	Balance as at 31 Dec 2015	Exercise Price Per Share (HK$)
30 April 2015	30 April 2015 to 29 April 2025	–	11,475,000	–	–	11,475,000	0.710

The maximum number of Shares to be issued upon exercise of all share options to be granted under the 2009 Scheme was refreshed to 50,347,716 shares (the "**Scheme Mandate**") on 15 June 2015, being 10% of the total issued share capital of the Company as at the passing of an ordinary resolution by the Shareholders to approve the refreshment of the Scheme Mandate. As at 31 December 2015, the number of Shares to be issued upon the exercise of the outstanding options under the 2009 Scheme was 50,347,716 Shares, representing 10% of the total issued share capital of the Company as at 31 December 2015.

The fair value of the share options comprising 14,400,000 underlying Shares granted on 30 April 2015 of approximately HK$5,438,000 was valued by using the Binominal pricing model. Values are estimated based on the risk-free rate 1.52% per annum by reference to the yield rate of the Hong Kong government bills and bonds with similar duration, a ten-year period historical volatility 78.26%, assuming a dividend yield of 1.12% and an expected option life of 10 years.

The fair value of the share options comprising 11,250,000 underlying Shares granted on 28 July 2015 of approximately HK$3,071,000 was valued by using the Binominal pricing model. Values are estimated based on the risk-free rate 1.72% per annum by reference to the yield rate of the Hong Kong government bills and bonds with similar duration, a ten-year period historical volatility 81.34%, assuming a dividend yield of 0.76% and an expected option life of 10 years.

The Binomial pricing model required input of subjective assumptions such as the expected stock price volatility. Change in the subjective input may materially affect the fair value estimates.

Directors' and Chief Executive's Rights to Acquire Shares or Debt Securities

Neither the Company nor any its subsidiaries was a party to any arrangements to enable the Directors and chief executives of the Company to acquire benefits by means of the acquisition of Shares in, or debt securities, including debentures, of the Company or any other body corporate, and none of the Directors and chief executives of the Company or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such rights.

Substantial Shareholders

As at 31 December 2015, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO shows that the Company has been notified of the following persons or corporations (other than the Directors or chief executives of the Company) being interested in 5% or more of the issued share capital of the Company:

Name	Capacity/ Nature of interest	Number of Shares or Underlying Shares	Approximately percentage of the total issued share capital of the Company as at 31 December 2015
HK Hang Kei	Beneficial owner	131,788,686 (Note 1)	26.18%
Shao Ze Yun ("**Ms. Shao**")	Interest of spouse	160,654,315 (Note 2)	31.91%
Ng Tsui Ha Shirley ("**Ms. Ng**")	Beneficial owner, Interest of spouse And interest Of controlled corporation	35,166,291 (Note 3)	6.98%

Notes:

1. HK Hang Kei is a company incorporated in the BVI with limited liability, which was wholly owned by Mr. Xu Bin, the chairman and an executive Director of the Company.

2. Ms. Shao is the wife of Mr. Xu Bin. She is deemed or taken to be interested in the Shares in which Mr. Xu Bin is interested.

3. These 35,166,291 Shares or underlying Shares included 32,817,081 Shares owned by Mr. Tse Kam Fow, 99,210 Shares owned by Kellyton Assets and 2,250,000 share options owned by Ms. Ng. Ms. Ng is the wife of Mr. Tse Kam Fow. She is deemed or taken to be interested in the Shares owned by Mr. Tse Kam Fow. By virtue of her 50% shareholding in Kellyton Assets, she is deemed or taken to be interested in the Shares owned by Kellyton Assets. Mr. Tse Kam Fow resigned as an executive Director with effect from 1 March 2016 and 4,500,000 share options owned by him lapsed on the same day. Ms. Ng was no longer being the general manager of the Group with effect from 1 March 2016 and 2,250,000 share options owned by her lapsed on the same day.

Saved as disclosed above, as at 31 December 2015, the Company has not been notified by any person (other than the Directors or the chief executives of the Company) who had interests and/or short positions in the Shares or underlying Shares which were recorded in the register required to be kept by the Company under section 336 of the SFO.

Connected Transactions and Continuing Connected Transactions

During FY2015, the Group had the following connected transactions, details of which have been disclosed in compliance with the requirements in accordance with the Listing Rules:

(a) On 1 December 2015, the Company entered into a non-legally binding memorandum of understanding (the "**MOU**") with Mr. Xu Bin, the chairman and an executive Director of the Company ("**Mr. Xu**") as the vendor in relation to the potential acquisition (the "**Potential Acquisition**") by the Company of five registered patents in the PRC regarding low-rank coal upgrading methodologies and manufacturing of steam digesters (the "**Proprietary Technology**") and a license agreement (the "**License Agreement**") with Mr. Xu and Gouden Kolen Company Limited ("**Gouden Kolen**"), a company incorporated in the British Virgin Islands with limited liability wholly owned by Mr. Xu, in relation to the licensing of the Proprietary Technology.

Pursuant to the MOU, subject to the terms and conditions of the formal sale and purchase agreement, Mr. Xu shall or shall procure Gouden Kolen or any company or entity which is wholly controlled by Mr. Xu (the "**Vendor's Nominee**") (if the Proprietary Technology is transferred to the Vendor's Nominee) to sell as the legal and beneficial owner of the Proprietary Technology and the Company shall or shall procure its nominee to purchase the Proprietary Technology free from encumbrances and with all rights attaching thereto with effect from the date of the completion of the Potential Acquisition. Pursuant to the MOU, the Company and Mr. Xu shall negotiate in good faith towards each other for entering into a formal sale and purchase agreement not later than 31 December 2016 or such later date as the Company and Mr. Xu may agree. Pursuant to the License Agreement, Mr. Xu, as the licensor of the Proprietary Technology, shall grant the Group a non-exclusive right to use the Proprietary Technology in the PRC to produce up to 500,000 tonnes of upgraded coal for each calendar year during the term of the License Agreement and the Company shall pay a nominal license fee of HK$1.00 to Mr. Xu. The MOU does not constitute any legally-binding commitment in respect of the Potential Acquisition. Unless terminated earlier, the License Agreement shall be valid until 31 December 2016, or such later date as may be agreed by the licensor of the Proprietary Technology and the Company. The Potential Acquisition is subject to, among others, the execution and completion of the formal sale and purchase agreement. In the event that the Potential Acquisition materialises, it may constitute a notifiable transaction of the Company pursuant to Chapter 14 of the Listing Rules and will constitute a connected transaction of the Company pursuant to Chapter 14A of the Listing Rules. As the relevant applicable percentage ratios set out in Rule 14.07 of the Listing Rules (the "**Percentage Ratios**") in respect of the transactions contemplated under the License Agreement are less than 5% and the annual consideration is less than HK$3,000,000, the License Agreement and the transactions contemplated thereunder constitute a de minimis continuing connected transaction for the Company, which are exempted from the reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Please refer to the announcement of the Company dated 1 December 2015 for details.

Connected Transactions and Continuing Connected Transactions (Continued)

(b) On 23 January 2013, 內蒙古源源能源集團有限責任公司 (Inner Mongolia Yuan Yuan Energy Resources Company Limited*) ("**Yuan Yuan**") which owned 43.8% of the registered capital of Inner Mongolia Jinyuanli, an indirect non-wholly owned subsidiary of the Company, entered into an agreement (the "**Logistics Agreement**") for (1) the leasing of a station platform from Yuan Yuan for the transportation of coal, and (2) the supply of coal loading and unloading services to the Group, at the designated station platform located at Huolinguole City, Inner Mongolia, the PRC with a term ended on 31 December 2015. As the applicable percentage ratios in relation to the transaction amount under the Logistics Agreement on an annual basis are more than 0.1% but less than 5%, the transactions are subject to the reporting and announcement requirements, the annual review requirements by INEDs and the applicable independent auditors of the Company, but are exempt from independent Shareholders' approval requirement under Chapter 14A of the Listing Rules. Please refer to the announcement of the Company dated 23 January 2013 for details.

The FY2015 annual cap for the (1) leasing of a station platform, and (2) provision of coal loading and unloading services at the designated station platform under the Logistics Agreement for the Year was RMB19,200,000 (approximately HK$24,000,000) and the actual amount paid by Inner Mongolia Jinyuanli during the year was RMB10,847,000 (approximately HK$13,343,000).

(c) On 18 May 2012, Mr. Xu and 北京國傳新能源開發有限公司 (Beijing Guochuan New Energy Development Co., Ltd*) ("**Beijing Guochuan**"), entered into a licensing agreement (the "**Licensing Agreement**"), pursuant to which Mr. Xu agreed to grant Beijing Guochuan and its affiliates the right to use the technologies (including (1) the method of upgrading the quality of lignite (PRC patent application number: 201010604379.9); (2) method of upgrading the quality of lignite with the use of fixed-bed setting under a single set equipment (PRC patent application number: 201110030702.0); (3) method that increases dehydration efficiency in a digester and implementing assembly units (PRC patent application number: 201110050055.X); (4) digester for solid material (PRC patent application number: 201110004082.3); (5) multi-effect evaporation dehydration method on solid materials (PRC patent application number: 201110022014.X); and (6) solid material evaporation dehydration digester (PRC patent application number: 201110042722.X)) and sub-licence the technologies, for a period of three years from the date of the Licensing Agreement at a consideration of RMB800,000 (approximately HK$1,000,000) per annum. As the relevant applicable percentage ratios in respect of the transactions contemplated under the Licensing Agreement are less than 5% and the annual consideration is less than HK$3,000,000, the transactions contemplated under the Licensing Agreement constitute a de minimis continuing connected transaction of the Company which are exempted from the reporting, announcement and independent Shareholders' approval requirements pursuant to under chapter 14A of the Listing Rules. The amount incurred by Beijing Guochuan to Mr. Xu for the year ended 31 December 2015 pursuant to the Licensing Agreement was RMB333,000 (approximately HK$410,000). Please refer to the announcement of the Company dated 18 May 2012 for details.

The related party transactions set out in Note 39 to the consolidated financial statements constitute connected transactions of the Company under Chapter 14A of the Listing Rules but are exempted from the requirements for reporting, announcement and independent Shareholders' approval.

* *for identification purposes only*

Connected Transactions and Continuing Connected Transactions (Continued)

The Company's independent auditor was engaged to report on the Group's continuing connected transaction in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits of Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The independent auditor has issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions. A copy of the independent auditor's letter has been provided by the Company to the Stock Exchange.

Pursuant to Rule 14A.55 of the Listing Rules, all the INEDs, being Messers, Kwok Chi Shing, Huang Shao Ru and Chang Xuejun, have reviewed the continuing connected transactions stipulated in paragraph (a) above and confirmed that they were entered into/carried out:

(i) in the ordinary and usual course of business of the Group;
(ii) on normal commercial terms; and
(iii) in accordance with the Logistics Agreement governing them on terms that were fair and reasonable and in the interests of the Shareholders as a whole.

In the opinion of the Board, the continuing connected transactions stipulated in paragraph (b) above were entered into in the manners stated above.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during FY2015.

Equity-linked Agreements

Saved for the share option scheme described above, the Group has not entered into any equity-linked agreements during FY2015.

Convertible Securities, Options, Warrants or Other Similar Rights

Apart from the share options described above, the Company had no other outstanding convertible securities, options, warrants or other similar rights as at 31 December 2015. There had been no exercise of any convertible securities, options, warrants or other similar rights during FY2015.

Issue of New Shares

The Company entered into the Placing Agreement dated 4 June 2015 with a placing agent, pursuant to which the placing agent had conditionally agreed to place up to an aggregate of 45,000,000 new Shares on a best effort basis, to not less than six placees who are independent third parties at a placing price of HK$0.82 per Share.

The placing price represented (i) a discount of approximately 8.89% to the closing price of HK$0.900 per Share as quoted on the Stock Exchange on 3 June 2015; and (ii) a discount of approximately 3.76% to the average closing price of HK$0.852 per Share as quoted on the Stock Exchange for the last five trading days of the Shares immediately prior to the date of the Placing Agreement.

On 11 June 2015, 45,000,000 new ordinary Shares were placed at HK$0.82 per Share to not less than six placees who were independent third parties. The net proceeds from the Placing were approximately HK$35.48 million, which has been used as general working capital of the Group. Further details of the Placing were set out in the Company's announcements dated 4 June 2015 and 11 June 2015 respectively.

Major Customers and Suppliers

Information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during FY2015 are as follows:

	Percentage of the Group's total	
	Sales 2015	**Purchase 2015**
The largest customer	**16%**	
Five largest customers in aggregate	**43%**	
The largest supplier		**2%**
Five largest suppliers in aggregate		**7%**

None of the Directors, their associates or any Shareholders (which to the knowledge of the Directors, own more than 5% of the Company's issued share capital) had any material interest in the major customers and suppliers disclosed above.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Articles or the laws of the Cayman Islands where the Company was incorporated.

Purchase, Sale or Redemption of the Company's Listed Securities

During FY2015, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Permitted Indemnity Provision

Pursuant to the Articles, every Director or other officers of the Company shall be indemnified out of the assets of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto, and no Director or other officers shall be liable for any loss, damages or misfortune which may happen to be incurred by the Company in the execution of the duties of his/her office or in relation thereto provided that the indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of the said persons. The Company has arranged appropriate Directors' and officers' liability insurance coverage for the Directors and officers of the Company during FY2015.

Change of Company Name

Pursuant to a special resolution passed at the annual general meeting of the Company held on 15 June 2015, the Certificate of Incorporation on Change of Name of the Company issued by the Registrar of Companies in the Cayman Islands on 16 June 2015 and the Certificate of Registration of Alteration of Name of Registered Non-Hong Kong Company issued by the Registrar of Companies in Hong Kong on 9 July 2015, the English name of the Company was changed from "DeTeam Company Limited" to "Grand Ocean Advanced Resources Company Limited" and the Chinese name of the Company was changed from "弘海有限公司" (for identification purpose only) to "弘海高新資源有限公司" as its dual foreign name in Chinese.

Update on Directors Information under Rule 13.51B(1) of the Listing Rules

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of the Directors since the date of the Company's 2015 interim report are set out below:

On 28 July 2015, the remuneration package of Mr. Xu Bin was approved to be increased from HK$165,000 per month (HK$1,980,000 per year) to HK$200,000 per month (HK$2,400,000 per year) for the period of 3 years with effect from 1 July 2015 to 30 June 2018.

On 30 September 2015, Mr. Wang Hon Chen was removed as an executive Director of the Company.

On 11 January 2016, an one-off performance bonus of HK$2,400,000 was approved to be given to each of Mr. Xu Bin and Mr. Tse Kam Fow respectively and the one-off performance bonus of HK$600,000 was approved to be given to Mr. Ng Ying Kit.

On 11 January 2016, Ms. Huo Lijie was appointed as an executive Director of the Company and subsequently holds directorships in various subsidiary companies of the Group.

Mr. Tse Kam Fow resigned as an executive Director, the deputy chairman of the Board, a member of the Nomination Committee and the Remuneration Committee, an authorised representative of the Company under the Listing Rules and an authorised representative of the Company under the Companies Ordinance with effect from 1 March 2016 ("**the Resignation of Mr. Tse**"). 10 months' salaries in the amount of HK$2 million was paid to Mr. Tse Kam Fow as compensation in accordance with an agreement entered into by the Company and Mr. Tse Kam Fow in relation to the Resignation of Mr. Tse. Mr. Kwok Siu Man resigned as an INED, a member of the Audit Committee and the chairmen of the Nomination Committee and the Remuneration Committee with effect from 1 March 2016.

Update on Directors Information under Rule 13.51B(1) of the Listing Rules (Continued)

On 1 March 2016, Mr. Xu Bin was appointed as a member of each of the Nomination Committee and the Remuneration Committee. Mr. Ng Ying Kit, was appointed as an authorised representative of the Company under the Listing Rules and Mr. Huang Shao Ru was re-designated as the chairmen of the Nomination Committee and the Remuneration Committee on 1 March 2016.

On 17 March 2016, Mr. Chang Xuejun was appointed as an INED and a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee.

Employees and Retirement Schemes

The Group participates in several defined contribution retirement schemes which cover the Group's eligible employees in the PRC, and a Mandatory Provident Fund Scheme for the employees in Hong Kong. Particulars of these retirement schemes are set out in note 13 to the consolidated financial statements.

Relationships with Employees, Customers and Suppliers

The Company is committed to maintaining, and has maintained good relationships with, its employees, customers and suppliers with a view to fostering better mutual understanding and/or a sense of belonging towards the Company. This is conducive to implementing the Group's strategies and business objectives, as well as the Group's business development and sustainability in the long term.

Environmental Policies and Performance

As a responsible corporation, the Company is committed to protecting the environment in the areas where we operate. To ensure our business development and sustainability, the Company endeavors to comply with the laws and regulations regarding environmental protection and to adopt effective measures to achieve efficient use of resources, energy saving and waste reduction.

Sufficiency of Public Float

Based on the information available to the Company and within the knowledge of the Directors, as at the date of this annual report, the Company has maintained the public float required by the Listing Rules.

Independent Auditor

The consolidated financial statements for FY2015 have been audited by RSM Hong Kong who will retire and being eligible, will offer themselves for re-appointment at the forthcoming AGM.

By order of the Board

Xu Bin
Chairman

Hong Kong, 30 March 2016

RSM

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
GRAND OCEAN ADVANCED RESOURCES COMPANY LIMITED
(FORMERLY KNOWN AS DETEAM COMPANY LIMITED)
(Incorporated in the Cayman Islands with limited liability)

We were engaged to audit the consolidated financial statements of Grand Ocean Advanced Resources Company Limited (the "**Company**") and its subsidiaries set out on pages 51 to 116, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Except for the inability to obtain sufficient appropriate audit evidence as explained below, we conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

Because of the matters as described in the basis for disclaimer of opinion paragraphs, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for disclaimer of opinion

(a) Impairment of property, plant and equipment, goodwill and deposits under non-current assets for the coal upgrading cash generating unit

Since April 2013, the Group has been in progress to construct a new coal upgrading plant at Xilinhaote City, Inner Mongolia, the People's Republic of China (the "**PRC**") with a maximum annual capacity of two million tonnes of upgraded coal output. The first phase of coal upgrading facilities with annual output of 500,000 tonnes had been substantially completed by the end of December 2015. At 31 December 2015, the carrying amounts of the Group's property, plant and equipment included plant and machinery and construction in progress of approximately HK$11,215,000 and HK$172,452,000 respectively, and the goodwill and deposits under non-current assets of approximately HK$2,907,000 and HK$1,226,000 respectively belonged to the coal upgrading cash-generating unit (the "**Coal Upgrading CGU**").

As described in note 19 to the consolidated financial statements, at 31 December 2015, the management estimated the recoverable amount of the Coal Upgrading CGU, by using fair value less costs of disposal approach, for impairment assessment on the above mentioned non-current assets. The Group's management prepared cash flow forecast based on the assumptions that (i) the Group will be able to obtain the legal land use rights certificate in 2016 by payment of the land use right premium of approximately HK$18.5 million; (ii) the Group will complete the remaining phases of the coal upgrading plant to increase its annual capacity from 500,000 tonnes to 2,000,000 tonnes of upgraded coal output by the end of 2018 with additional funding requirement of approximately HK$234 million, which will be financed by the proceeds of HK$71 million arising from the disposal of prepaid land lease and property, plant and equipment located at Changchun City, the PRC in 2016 and the cash flows generated from the coal mining cash-generating unit (the "**Coal CGU**") and Coal Upgrading CGU or from the Group's fund raising activities with aggregate amount of HK$163 million; (iii) the Coal Upgrading CGU will implement the business plan to commence coal upgrading production from April 2016 at its maximum capacity and will be able to generate income by selling all of its upgraded coal at a competitive selling price including value-add tax of RMB300 per tonne.

Basis for disclaimer of opinion (Continued)

(a) **Impairment of property, plant and equipment, goodwill and deposits under non-current assets for the coal upgrading cash generating unit** (Continued)

We were unable to obtain sufficient appropriate audit evidence to assess the availability of adequate funds to finance the payment of land premium and the construction costs of coal upgrading plant because no formal real estate sale and purchase agreement for disposal of the land and buildings has ever been entered by the Group up to the date of this report. Furthermore, based on the cash flow forecasts of Coal CGU and Coal Upgrading CGU prepared by the management, the estimated cash flows to be generated from the operations will not be sufficient to finance the construction of the coal upgrading plant. A substantial shareholder of the Company has agreed to provide unsecured financial assistance of HK$100 million to the Group up to 31 December 2017, however we were unable to obtain sufficient appropriate evidence that the substantial shareholder has sufficient liquid funds available as no audited financial information was provided to us in this regard.

We were unable to assess whether the production line is currently capable to process low-rank coal into upgraded coal at stable quality by the end of April 2016 because we have not observed any production process up to date of this report and no reliable coal quality-check report was provided as evidence.

As a result, we were unable to determine whether the recoverable amount of the Coal Upgrading CGU has been materially overstated or any impairment on the carrying amounts of the CGU assets is required. There were no other alternative audit procedures that we could perform to satisfy ourselves as to the recoverable amounts of the plant and machinery, construction in progress, goodwill and deposits under non-current assets approximately of HK$11,215,000, HK$172,452,000, HK$2,907,000 and HK$1,226,000 respectively. Any adjustments to these figures might have a significant consequential effect on the results for the year and net assets as at 31 December 2015.

Basis for disclaimer of opinion (Continued)

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

The Group operates an underground coal mine 958 for the production and sale of coal through a subsidiary, Inner Mongolia Yuan Yuan Energy Group Jinyuanli Underground Mining Company Limited ("**Inner Mongolia Jinyuanli**"), for which the assets employed are allocated to the Coal CGU. At 31 December 2015, the carrying amounts of the Group's property, plant and equipment and intangible asset approximately of HK$252,570,000 and HK$60,146,000 respectively belonged to the Coal CGU.

As described in Notes 17(e) and 20 to the consolidated financial statements, the carrying amount of the CGU was assessed for impairment by management as at 31 December 2015 on the basis of its value in use. Management prepared cash flow forecasts based on the assumption that Inner Mongolia Jinyuanli will successfully obtain approval from Department of Land and Resources of China to increase its annual production capacity from 1.2 million tonnes to 1.8 million tonnes from 2016 onward. The forecasted turnover was derived from the assumption that coal could be sold at price with value-added tax of RMB115 per tonne for the three years up to 2018, which has taken into account of a 4% discount on the current market price of similar coal in Huolinguole city, the PRC sourced from the China Coal Trading Center Web and this price could be increased to RMB120 per tonne in the period from 2019 to 2021 and further increased to RMB125 per tonne from 2022 and kept constant in the remaining license period. Management also assumed that the Group could continue to operate the underground coal mine at the capacity above the allowed level until the above approval is obtained and this will not lead to the local authority to impose a penalty nor order the termination of mining operations.

The permit to increase annual production capacity has not yet granted to Inner Mongolia Jinyuanli up to the date of this report because an accident occurred in June 2015. Besides, based on the latest guidance announced by the State Council of the PRC in February 2016, no approval for the increase of production capacity shall be provided within 3 years. The coal selling price with value-added tax included in the cash flow forecasts was significantly higher than the latest average selling prices achieved. Moreover, coal prices in the PRC faced significant downward pressure due to persisting oversupply which is inconsistent with management assumption that coal prices will increase by 2016.

Therefore, we were unable to obtain sufficient appropriate audit evidence to support the reasonableness of the revenue stated in the forecast. As a result, we were unable to determine whether the recoverable amount of the Coal CGU has been overstated or any further impairment on the carrying amounts of the CGU is required. There were no other alternative audit procedures that we could perform to satisfy ourselves as to the recoverable amounts of the property, plant and equipment and intangible asset approximately of HK$252,570,000 and HK$60,146,000 respectively. Any adjustments to these figures might have a significant consequential effect on the results for the year and net assets as at 31 December 2015.

Basis for disclaimer of opinion (Continued)

(c) Recoverability of deferred tax assets

As at 31 December 2015, the Group recorded deferred tax assets of approximately HK$17,842,000 (note 30) which mainly related to the coal mining operation. Because of the matters as detailed in paragraph (b) above regarding the assumptions adopted in the profit forecast for the Coal CGU, we were unable to determine whether it was probable that there would be sufficient taxable profits available against which the deferred tax assets can be utilised and therefore whether the carrying amount of the deferred tax assets has been fairly stated at the end of the reporting period.

(d) Impairment of the amounts due from subsidiaries

As the aforesaid assets at (a) to (c) above were held by various subsidiaries, any impairment loss on these assets found to be necessary would also affect the carrying amount of the Company's amounts due from those subsidiaries which amounted to approximately HK$170,659,000 as at 31 December 2015 and the Company's accumulated losses as at 31 December 2015 as presented in the statement of financial position of the Company in note 33 to the consolidated financial statements.

(e) Material uncertainties relating to the going concern

As disclosed in note 2 to the consolidated financial statements, the Group incurred a loss of HK$203,589,000 for the year ended 31 December 2015 and as at 31 December 2015 the Group had net current liabilities of approximately HK$127,941,000. At 31 December 2015, the bank and cash balances included two bank accounts of approximately HK$13,000 frozen by the local tax authority of Huolinguole City, the PRC due to overdue of other taxes liabilities of approximately HK$27 million which has not yet been discharged up to date of this report. Besides, additional funds are also required to implement the business plan of Coal Upgrading CGU in the coming year. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

The consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon (i) whether operating cash flows will be generated from the Coal CGU and Coal Upgrading CGU at a level sufficient to finance the working capital requirements of the Group; (ii) whether the Group is able to raise funds by disposal of the prepaid land lease payments and the property, plant and equipment located at Changchun City, the PRC in 2016; and (iii) the availability of additional sources of financing, including those to finance the development of the low-rank coal upgrading business. The consolidated financial statements do not include any adjustments that would result from the failure to obtain the financial support and to implement the business plans mentioned above.

Basis for disclaimer of opinion (Continued)

(e) Material uncertainties relating to the going concern (Continued)

We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the adequacy of operating cash flows to be generated from the Coal CGU and Coal Upgrading CGU in the next twelve months because of the limitations on the scope of our work on the key assumptions adopted by management in determining the forecast revenue as discussed above. Furthermore, we were also unable to assess whether the Coal CGU can avoid the suspension of operation by government authorities in foreseeable future if the Group operates the underground coal mine at the level above the annual allowed production capacity as according to its published policies, the PRC government aims to further tighten overall inspection on coal mines with focus on safety and will set stricter conditions for coal mines not to exceed approved capacity output. Up to the date of this report, no formal real estate sales and purchase agreement has yet been entered into. A substantial shareholder of the Company has agreed to provide unsecured financial assistance of HK$100 million to the Group up to 31 December 2017, however we are unable to obtain evidence that the substantial shareholder has sufficient liquid funds available as no audited financial information was provided to us in this regard.

There were no other satisfactory audit procedures that we could adopt to determine whether there will be sufficient financial resources available to the Group, and to assess the Group's ability to generate adequate operating cash flows and to obtain financing necessary to implement its business plan.

Accordingly, we are unable to determine whether the directors' use of the going concern assumption in preparing the consolidated financial statements is appropriate in the circumstances. Should the Group be unable to continue as a going concern, adjustments would have to be made to the consolidated financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

Disclaimer of Opinion

Because of the significance of the matters described in the basis for disclaimer of opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

RSM Hong Kong
Certified Public Accountants
Hong Kong

30 March 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2015

	Note	2015 HK$'000	2014 HK$'000
Revenue	7	**245,838**	342,943
Cost of sales		**(153,614)**	(236,611)
Gross profit		**92,224**	106,332
Other income	8	**3,429**	7,065
Selling and distribution expenses		**(29,884)**	(21,966)
Administrative expenses		**(109,941)**	(78,585)
Impairment loss on intangible asset	20	**(15,739)**	–
Impairment loss on property, plant and equipment	17	**(87,687)**	(16,193)
Impairment loss on trade and other receivables		**(50,297)**	(73,393)
Other operating expenses		**(6,915)**	(719)
Loss from operations		**(204,810)**	(77,459)
Finance costs	10	**(4,532)**	(11,866)
Loss before tax		**(209,342)**	(89,325)
Income tax credit/(expense)	11	**5,753**	(20,649)
Loss for the year	12	**(203,589)**	(109,974)
Attributable to:			
Owners of the Company		**(170,849)**	(113,109)
Non-controlling interests		**(32,740)**	3,135
		(203,589)	(109,974)
Loss per share	16		
– Basic		**HK(35.34) cents**	HK(40.98) cents
– Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	2015 HK$'000	2014 HK$'000
Loss for the year	**(203,589)**	(109,974)
Other comprehensive income after tax:		
Item that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**(24,775)**	(9,008)
Other comprehensive income for the year, net of tax	**(24,775)**	(9,008)
Total comprehensive income for the year	**(228,364)**	(118,982)
Attributable to:		
Owners of the Company	**(191,782)**	(120,738)
Non-controlling interests	**(36,582)**	1,756
	(228,364)	(118,982)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Note	2015 HK$'000	2014 HK$'000
Non-current assets			
Property, plant and equipment	17	**493,093**	582,488
Prepaid land lease payments	18	**2,481**	2,708
Goodwill	19	**2,907**	2,907
Intangible asset	20	**60,146**	87,696
Deferred tax assets	30	**17,842**	23,708
Deposits		**1,226**	1,303
Total non-current assets		**577,695**	700,810
Current assets			
Prepaid land lease payments	18	**67**	71
Inventories	21	**17,723**	30,122
Trade and bill receivables	22	**56,939**	55,073
Deposits, prepayments and other receivables		**15,779**	6,434
Current tax assets		**–**	933
Restricted bank deposits	23	**7,493**	7,938
Bank and cash balances	24	**48,189**	105,358
Total current assets		**146,190**	205,929
Current liabilities			
Due to a director	25	**9,338**	6,611
Due to non-controlling shareholders	26	**24,866**	21,827
Other loans	27	**–**	6,350
Trade payables	28	**3,346**	6,501
Accrued charges and other payables		**236,549**	212,828
Current tax liabilities		**32**	–
Total current liabilities		**274,131**	254,117
Net current liabilities		**(127,941)**	(48,188)
Total assets less current liabilities		**449,754**	652,622

	Note	2015 HK$'000	2014 HK$'000
Non-current liabilities			
Due to a director	25	**29,888**	25,193
Due to non-controlling shareholders	26	**3,508**	3,518
Other loans	27	**50,845**	59,041
Other payable	29	**–**	4,351
Deferred tax liabilities	30	**1,429**	12,064
Total non-current liabilities		**85,670**	104,167
NET ASSETS		**364,084**	548,455
Capital and reserves			
Share capital	31	**251,739**	229,239
Other reserves	34(b)	**59,340**	229,629
Equity attributable to owners of the Company		**311,079**	458,868
Non-controlling interests		**53,005**	89,587
TOTAL EQUITY		**364,084**	548,455

Approved by the Board of Directors on 30 March 2016 and are signed on its behalf by:

Xu Bin
Director

Zhang Fusheng
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

		Attributable to owners of the Company											
	Note	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	Future development fund HK$'000	Safety Fund HK$'000	Foreign currency translation reserve HK$'000	Share-based payment reserve HK$'000	Warrants Reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2014		114,619	283,228	(1,628)	11,996	13,801	67,061	14,892	820	(37,052)	467,737	87,831	555,568
Total comprehensive income for the year		–	–	–	–	–	(7,629)	–	–	(113,109)	(120,738)	1,756	(118,982)
Issue of shares	31(b)	114,620	(2,751)	–	–	–	–	–	–	–	111,869	–	111,869
Expiry of share options		–	–	–	–	–	–	(14,892)	–	14,892	–	–	–
Expiry of warrants		–	–	–	–	–	–	–	(820)	820	–	–	–
Net appropriations		–	–	–	2,124	9,429	–	–	–	(11,553)	–	–	–
Changes in equity for the year		114,620	(2,751)	–	2,124	9,429	(7,629)	(14,892)	(820)	(108,950)	(8,869)	1,756	(7,113)
At 31 December 2014		229,239	280,477	(1,628)	14,120	23,230	59,432	–	–	(146,002)	458,868	89,587	548,455
At 1 January 2015		**229,239**	**280,477**	**(1,628)**	**14,120**	**23,230**	**59,432**	**-**	**-**	**(146,002)**	**458,868**	**89,587**	**548,455**
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**-**	**(20,933)**	**-**	**-**	**(170,849)**	**(191,782)**	**(36,582)**	**(228,364)**
Recognition of share-based payments	32	**-**	**-**	**-**	**-**	**-**	**-**	**8,509**	**-**	**-**	**8,509**	**-**	**8,509**
Issue of shares	31(c)	**22,500**	**12,984**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**35,484**	**-**	**35,484**
Net appropriations		**-**	**-**	**-**	**6,042**	**20,149**	**-**	**-**	**-**	**(26,191)**	**-**	**-**	**-**
Changes in equity for the year		**22,500**	**12,984**	**-**	**6,042**	**20,149**	**(20,933)**	**8,509**	**-**	**(197,040)**	**(147,789)**	**(36,582)**	**(184,371)**
At 31 December 2015		**251,739**	**293,461**	**(1,628)**	**20,162**	**43,379**	**38,499**	**8,509**	**-**	**(343,042)**	**311,079**	**53,005**	**364,084**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	2015 HK$'000	2014 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	**(209,342)**	(89,325)
Adjustments for:		
Finance costs	**4,532**	11,866
Interest income	**(61)**	(192)
Depreciation and amortisation	**59,895**	62,145
Allowance for inventories	**5,705**	7,777
Equity-settled share-based payments	**8,509**	–
Fair value gains on initial recognition of financial liabilities	**–**	(5,436)
Gain on disposal of investment properties	**–**	(330)
(Gain)/loss on disposals of property, plant and equipment	**(1,030)**	603
Impairment loss on intangible asset	**15,739**	–
Impairment loss on property, plant and equipment	**87,687**	16,193
Impairment loss on trade and other receivables	**50,297**	73,393
Operating profit before working capital changes	**21,931**	76,694
Decrease in inventories	**7,751**	8,065
(Increase)/decrease in trade and bill receivables	**(43,485)**	10,616
(Increase)/decrease in deposits, prepayments and other receivables	**(11,322)**	4,567
Increase in amounts due to a director	**716**	975
Increase/(decrease) in amounts due to non-controlling shareholders	**4,528**	(1,360)
Decrease in trade payables	**(3,155)**	(7,705)
Increase/(decrease) in accrued charges and other payables	**17,408**	(49,836)
Cash (used in)/generated from operations	**(5,628)**	42,016
Income taxes refunded/(paid)	**947**	(7,282)
Withholding tax paid	**(209)**	(330)
Interest paid	**(285)**	(1,698)
Bank charges paid	**(81)**	(480)
Net cash (used in)/generated from operating activities	**(5,256)**	32,226
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	**61**	192
Purchases of property, plant and equipment	**(81,432)**	(19,036)
Proceeds from disposals of property, plant and equipment	**139**	335
Proceeds from disposal of investment properties	**–**	8,689
Decrease in restricted bank deposits	**445**	179
Net cash used in investing activities	**(80,787)**	(9,641)

	2015 HK$'000	2014 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of loans from non-controlling shareholders	**–**	(63,499)
Repayment of other loans	**(11,482)**	(34,728)
Loans from a director	**6,516**	33,000
Other loans raised	**–**	17,300
Proceeds from issue of shares	**35,484**	111,869
Net cash generated from financing activities	**30,518**	63,942
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(55,525)**	86,527
Effect of foreign exchange rate changes	**(1,644)**	1,979
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**105,358**	16,852
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	**48,189**	105,358
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	**48,189**	105,358

1. General Information

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

The Company is an investment holding company. The principal activities of its subsidiaries are manufacture and sale of plastic woven bags, paper bags and plastic barrels, production and sale of coal and provision of low-rank coal upgrading services.

2. Basis of Preparation

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

The Group incurred a loss of approximately HK$203,589,000 (2014: HK$109,974,000) for the year ended 31 December 2015 and as at 31 December 2015 the Group had net current liabilities of approximately HK$127,941,000 (2014: HK$48,188,000). As at 31 December 2015, the bank and cash balances included two bank accounts with total bank balances of approximately HK$13,000 frozen by the local tax authority of Huolinguole City, the People's Republic of China (the "**PRC**"), due to overdue of other taxes liabilities of approximately HK$27 million included in accrued charges and other payables in the consolidated statement of financial position which have not yet been fully discharged up to the date of this report. According to the business plan of coal upgrading segment, additional funds of approximately HK$234 million will be required to complete the remaining phases of the coal upgrading plant in Xilinhaote, the PRC, of which the capital expenditure of approximately HK$77 million will be incurred in the next 18 months to obtain the land use rights certificate and to construct the second phase of the coal upgrading plant for increase the annual capacity from 500,000 tonnes to 1,000,000 tonnes of upgraded coal output. The bank and cash balances of the Group as at 31 December 2015 were approximately HK$48,189,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

2. Basis of Preparation (Continued)

In preparing the consolidated financial statements, the directors have given careful consideration to the current and anticipated future liquidity of the Group and the ability of the Group to attain profitable and positive cash flows from operations in immediate and long terms. The directors have prepared cash flow forecasts for the period up to June 2017 after taking into account of the measures below. In order to strengthen the Group's capital base and liquidity in foreseeable future, the directors of the Company have taken the following measures:

- The directors have implemented the production and sales strategies to enhance the revenue and profitability of coal segment and coal upgrading segment so as to generate sufficient operating cash flows to finance its working capital requirements.

- In early March 2016, the directors decided to dispose of the land and buildings located at Changchun City, the PRC, at consideration of approximately HK$71 million to finance the working capital requirement of coal upgrading business in 2016.

- The Group has entered into agreements with its major constructors of underground coal mine and coal upgrading plant in March 2016 to extend the repayment periods for 1.5 to 3.5 years in respect of other payables of HK$12,615,000 which are presented in current liabilities as at the end of the reporting period.

- The substantial shareholder, Mr. Xu Bin, who is also the chairman and director of the Company, has agreed not to demand for repayment of the loans and advance due to a director as at 31 December 2015 of approximately HK$39,226,000 (note 25) in aggregate until such time as the Group has sufficient funds to repay its other financial obligations, including the loans and advance due to non-controlling shareholders and other third parties.

- The substantial shareholder has further provided an undertaking for an unsecured financial facility with maximum amount of HK$100 million to the Company for the period from 30 March 2016 to 31 December 2017, in the event of a shortage in working capital of the Company or its subsidiaries and at request of the Company. Up to the date of this report, no such facility has yet been used by the Group.

Based on the Group's cash flow forecasts and the current status of the disposal of the land and buildings in Changchun City as disclosed in note 19, together with the ongoing financial support from the substantial shareholder of the Company, the directors are of the opinion that the Group will be able to meet its financial obligations as they fall due for the foreseeable future and accordingly the consolidated financial statements have been prepared on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to the consolidated financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

3. Adoption of New and Revised Hong Kong Financial Reporting Standards and Requirements

(a) Application of new and revised HKFRSs

In the current year, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2015:

Amendment to HKFRS 8 (Annual Improvements to HKFRSs 2010–2012 Cycle)

The amendment requires disclosure of the judgements made by management in applying the aggregation criteria to operating segments, and clarifies that reconciliations of the total of the reportable segments' assets to the entity's assets are required only if the segment assets are reported regularly. These clarifications had no effect on the Group's consolidated financial statements.

(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 on 1 January 2015. The directors anticipate that the new and revised HKFRSs will be adopted in the Group's consolidated financial statements when they become effective. The Group is in the process of assessing, where applicable, the potential effect of all new and revised HKFRSs that will be effective in future periods but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

List of new and revised HKFRSs in issue that are not yet effective but relevant to the Group's operation

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKAS 1	Disclosure Initiative[2]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle[2]

1 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

2 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

(c) New Hong Kong Companies Ordinance (Cap. 622)

The requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year. Although the Company is not incorporated in Hong Kong, the Listing Rules require the Company to follow the disclosure requirements of the new Hong Kong Companies Ordinance. As a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

3. Adoption of New and Revised Hong Kong Financial Reporting Standards and Requirements (Continued)

(d) Amendments to the Listing Rules

The Stock Exchange in April 2015 released revised Appendix 16 of the Listing Rules in relation to disclosure of financial information in annual reports that are applicable for accounting periods ending on or after 31 December 2015, with earlier application permitted. The Company has adopted the amendments resulting in changes to the presentation and disclosures of certain information in the consolidated financial statements.

4. Significant Accounting Policies

These consolidated financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill and any accumulated foreign currency translation reserve relating to that subsidiary.

4. Significant Accounting Policies (Continued)

(a) Consolidation (Continued)

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

(b) Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The consideration transferred in a business combination is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and any contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the sum of the consideration transferred over the Group's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the sum of the consideration transferred is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Group.

4. Significant Accounting Policies (Continued)

(b) Business combination and goodwill (Continued)

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the sum of the consideration transferred in a business combination to calculate the goodwill.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

After initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("**CGUs**") or groups of CGUs that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. Goodwill impairment reviews are undertaken annually, or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to its recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair value in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

4. Significant Accounting Policies (Continued)

(c) Foreign currency translation (Continued)

(ii) Transactions and balances in each entity's financial statements (Continued)

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

– Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

– Income and expenses are translated at average exchange rates for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

– All resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of monetary items that form part of the net investment in foreign entities are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are reclassified to consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

4. Significant Accounting Policies (Continued)

(d) Property, plant and equipment

Property, plant and equipment, including buildings, held for use in the production or supply of goods or services, or for administrative purpose, are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Mining structures (including the main and auxiliary mine shafts underground tunnels) are depreciated at a units-of-production method over the estimated volume of underground coal that is entitled to the Group.

Depreciation of property, plant and equipment other than mining structures, is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Buildings	4% – 5%
Leasehold improvements	Over lease term
Plant and machinery	10% – 33%
Furniture, fixtures and equipment	19% – 33%
Motor vehicles	13% – 25%

The residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at the end of each reporting period.

Construction in progress represents buildings under construction and plant and equipment pending installation, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

4. Significant Accounting Policies (Continued)

(e) Operating leases

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

Prepaid land lease payments are stated at cost and subsequently amortised on the straight-line basis over the remaining term of the lease.

(f) Intangible asset

Mining right is measured initially at purchase cost and is amortised at a units-of-production method over the estimated volume of underground coal that is entitled to the Group.

(g) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(h) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

4. Significant Accounting Policies (Continued)

(i) Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an financial asset is under a contract whose terms require delivery of the financial assets within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs except in the case of financial assets at fair value through profit or loss.

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are carried at amortised cost using the effective interest method (except for short-term receivables where interest is immaterial) minus any reduction for impairment or uncollectibility. Typically trade and other receivables, bank balances and cash are classified in this category.

(j) Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

(k) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

(l) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out in (m) to (o) below.

4. Significant Accounting Policies (Continued)

(m) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

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

(n) Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(o) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(p) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Revenue from the sales of coal and manufactured goods and trading of goods are recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

Coal upgrading income is recognised when the coal upgrading services are rendered.

Interest income is recognised on a time-proportion basis using the effective interest method.

(q) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

4. Significant Accounting Policies (Continued)

(q) Employee benefits (Continued)

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

(iii) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits, and when the Group recognises restructuring cost and involves the payment of termination benefits.

(r) Share-based payments

The Group issues equity-settled share-based payments to eligible participants in accordance with its share option scheme.

Equity-settled share-based payments to directors and employees are measured at the fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

Equity-settled share-based payments to consultants are measured at the fair value of the services rendered or, if the fair value of the services rendered cannot be reliably measured, at the fair value of the equity instruments granted. The fair value is measured at the date the Group receives the services and is recognised as an expense.

(s) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

4. Significant Accounting Policies (Continued)

(t) Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

(u) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

4. Significant Accounting Policies (Continued)

(u) Taxation (Continued)

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(v) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the consolidated statement of profit or loss to its estimated recoverable amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the CGU to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the CGU.

Value in use is the present value of the estimated future cash flows of the asset/CGU. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset/CGU whose impairment is being measured.

Impairment losses for CGU are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the CGU. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment.

(w) Impairment of financial assets

At the end of each reporting period, the Group assesses whether its financial assets are impaired, based on objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows of the (group of) financial asset(s) have been affected.

For trade receivables that are assessed not to be impaired individually, the Group assesses them collectively for impairment, based on the Group's past experience of collecting payments, an increase in the delayed payments in the portfolio, observable changes in economic conditions that correlate with default on receivables, etc.

Only for trade receivables, the carrying amount is reduced through the use of an allowance account and subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

4. Significant Accounting Policies (Continued)

(w) Impairment of financial assets (Continued)

For all other financial assets, the carrying amount is directly reduced by the impairment loss.

For financial assets measured at amortised cost, if the amount of the impairment loss decreases in a subsequent period and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed (either directly or by adjusting the allowance account for trade receivables) through profit or loss. However, the reversal must not result in a carrying amount that exceeds what the amortised cost of the financial asset would have been had the impairment not been recognised at the date the impairment is reversed.

(x) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

4. Significant Accounting Policies (Continued)

(y) Related parties

A related party is a person or entity that is related to the Group.

(A) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Company or of a parent of the Company.

(B) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Company are members of the some group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or on associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (A).

(vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(z) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

5. Critical Judgements and Key Estimates

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the consolidated financial statements (apart from those involving estimations which are dealt with below).

(a) Going concern basis

These consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the ability of the Group to attain profitable and positive cash flows from operations in the immediate and longer terms, the ability of the Group to raise fund by disposal of the land and building and the ongoing availability of funds to the Group, including loan from a substantial shareholder, Mr. Xu Bin, who is also the chairman and director of the Company. If the funds is not available, the Group would be unable to meet its financial obligations as and when they fall due. Details are explained in note 2 to the consolidated financial statements.

(b) Legal titles of certain buildings

As stated in note 17(a) to the consolidated financial statements, the legal titles of certain buildings were not yet obtained as at 31 December 2015. Despite the fact that the Group has not obtained the relevant legal titles, the directors determine to recognise those buildings as property, plant and equipment on the grounds that they expect the legal titles being obtained in future should have no major difficulties and the Group is in substance controlling those buildings.

Key sources of estimation uncertainty

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

(a) Property, plant and equipment and depreciation

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

The carrying amount of property, plant and equipment as at 31 December 2015 was approximately HK$493,093,000 (2014: HK$582,488,000). An impairment loss on property, plant and equipment of approximately HK$87,687,000 (2014: HK$16,193,000) was recognised for the year ended 31 December 2015 and details are disclosed in note 17.

5. Critical Judgements and Key Estimates (Continued)

Key sources of estimation uncertainty (Continued)

(b) Impairment of property, plant and equipment

Determining whether the property, plant and equipment are impaired requires an estimation of the recoverable amount of the 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 arise from the CGU and a suitable discount rate in order to calculate the present value. Where the future cash flows are less than expected, or there are changes in facts and circumstances which result in revisions of the estimated future cash flows, further impairment on the property, plant and equipment may arise.

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

As at 31 December 2015, the carrying amount of the Group's property, plant and equipment allocated to the Coal CGU is approximately HK$252,570,000 (2014: HK$373,772,000). An impairment loss of approximately HK$66,750,000 (2014: HK$Nil) was recognised for the year ended 31 December 2015. Details of the key assumptions used are disclosed in note 17.

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

As at 31 December 2015, the carrying amount of the Group's property, plant and equipment includes plant and machinery of approximately HK$11,215,000 (2014: HK$13,642,000) and construction in progress of approximately HK$172,452,000 (2014: HK$104,955,000) which belong to the Coal Upgrading CGU. The directors of the Company were of the view that there was no impairment loss considered necessary to be made in respect of those property, plant and equipment in both years. The key assumptions that management made when performing impairment assessment of this CGU at the end of the reporting period are disclosed in note 19.

(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 2015 was approximately HK$17,842,000 (2014: HK$23,708,000).

5. Critical Judgements and Key Estimates (Continued)

Key sources of estimation uncertainty (Continued)

(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, income tax credit of approximately HK$5,753,000 (2014: income tax expense of HK$20,649,000) was credited/charged to profit or loss based on the estimated profit from operations.

(e) Impairment of goodwill

As at 31 December 2015, the carrying amount of goodwill was approximately HK$2,907,000 (2014: HK$2,907,000) which had been allocated to the Coal Upgrading CGU. Determining whether goodwill is impaired requires an estimation of recoverable amount of the CGU to which the goodwill has been allocated, by the value in use and fair value less costs of disposal approaches. The Group estimates the future cash flows expected to arise from the Coal Upgrading CGU and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. No impairment loss was made for the years ended 31 December 2014 and 2015.

Details of the key assumptions that management made when determining the fair value less costs of disposal of the Coal Upgrading CGU as at the end of the period are disclosed in note 19 to the consolidated financial statements.

(f) Impairment of 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 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 20 to the consolidated financial statements. The carrying amount of intangible asset at the end of reporting period was approximately HK$60,146,000 (2014: HK$87,696,000).

5. Critical Judgements and Key Estimates (Continued)

Key sources of estimation uncertainty (Continued)

(g) Impairment loss on trade receivables

The Group makes impairment loss on trade receivables based on assessment of the recoverability of the trade receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment loss on trade receivables requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade receivables and allowance for trade receivables in the year in which such estimate has been changed. If the financial conditions of the debtors were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. As at 31 December 2015, accumulated impairment loss on trade receivables amounted to approximately HK$116,502,000 (2014: HK$74,883,000) (note 22).

(h) Allowance for slow-moving inventories

Allowance for slow-moving inventories is made based on the ageing and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement 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 for slow-moving inventories of approximately HK$5,705,000 (2014: HK$7,777,000) was made for the year ended 31 December 2015.

6. Financial Risk Management

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Group entities. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

6. Financial Risk Management (Continued)

(b) Credit risk

The Group's credit risk is primarily attributable to its trade and bills receivables and other receivables.

The Group is exposed to a relatively high concentration of credit risk in terms of trade receivables because 30% (2014: 96%) of the Group's trade receivables at the end of the reporting period was due from the Group's largest customer. The Group has policies and procedures to monitor the collection of trade receivables on an ongoing basis to limit the exposure to irrecoverability of the receivables. Further credit risk arising from trade receivables are disclosed in note 22 to the consolidated financial statements.

The Group has policies in place to trade with customers with an appropriate credit history.

The credit risk on bank and cash balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's liabilities, based on undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay.

The maturity analysis for the amounts due to a director and non-controlling shareholders and other loans is prepared based on the scheduled repayment dates.

	2015 Maturity Analysis – Undiscounted cash outflows				
	On demand HK$'000	Within 1 year HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	Total undiscounted cash outflows HK$'000
Due to a director	9,338	–	33,075	–	42,413
Due to non-controlling shareholders	14,074	10,792	3,923	–	28,789
Other loans	–	–	56,340	–	56,340
Trade payables	–	3,346	–	–	3,346
Accrued charges and other payables	–	158,364	–	–	158,364
	23,412	172,502	93,338	–	289,252

6. Financial Risk Management (Continued)

(c) Liquidity risk (Continued)

	2014 Maturity Analysis – Undiscounted cash outflows				
	On demand HK$'000	Within 1 year HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	Total undiscounted cash outflows HK$'000
Due to a director	2,611	4,200	4,287	25,000	36,098
Due to non-controlling shareholders	5,583	16,841	–	4,170	26,594
Other loans	–	6,350	5,850	62,956	75,156
Trade payables	–	6,501	–	–	6,501
Accrued charges and other payables	–	165,657	4,135	640	170,432
	8,194	199,549	14,272	92,766	314,781

(d) Interest rate risk

As disclosed in notes 25 and 27 to the consolidated financial statements, certain loans from a director and the other loans of the Group bear interests at fixed interest rates and therefore are subject to fair value interest rate risk.

The Group's exposure to interest-rate risk arises from its bank deposits which bear interests at variable rates that vary with the then prevailing market condition.

Except as stated above, the Group has no other significant interest-bearing assets and liabilities, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

(e) Categories of financial instruments at 31 December

	2015 HK$'000	2014 HK$'000
Financial assets:		
Loans and receivables (including cash and cash equivalents)	**118,058**	170,383
Financial liabilities:		
Financial liabilities at amortised cost	**280,155**	299,049

6. Financial Risk Management (Continued)

(f) Fair values

Except as disclosed in notes 25, 26 and 27 to the consolidated financial statements, the carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

7. Revenue

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

	2015 HK$'000	2014 HK$'000
Sales of bags and barrels	**5,710**	97,126
Sales of coal	**240,128**	241,175
Coal upgrading income	**–**	4,642
	245,838	342,943

8. Other Income

	2015 HK$'000	2014 HK$'000
Consultancy service income	**–**	375
Fair value gains on initial recognition of financial liabilities	**–**	5,436
Gain on disposal of investment properties	**–**	330
Gain on disposals of property, plant and equipment	**1,030**	–
Government grant (note)	**1,328**	663
Interest income	**61**	192
Net foreign exchange gains	**1,005**	–
Sundry income	**5**	69
	3,429	7,065

Note: Government grant was received as an incentive for development of coal upgrading technology. There are no unfulfilled conditions or contingencies attached to the grant.

9. Segment Information

The Group has three operating segments as follows:

Bags	–	Manufacture and sale of plastic woven bags, paper bags and plastic barrels;
Coal	–	Production and sale of coal; and
Coal upgrading	–	Provision of low-rank coal upgrading services.

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.

The accounting policies of the operating segments are the same as those described in note 4 to the consolidated financial statements. 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.

9. Segment Information (Continued)

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

	Bags HK$'000	Coal HK$'000	Coal upgrading HK$'000	Total HK$'000
Year ended 31 December 2015				
Revenue from external customers	5,710	240,128	–	245,838
Segment loss	(74,941)	(70,525)	(16,887)	(162,353)
Interest revenue	3	44	1	48
Interest expense	(81)	(416)	(536)	(1,033)
Income tax credit/(expense)	10,631	(4,669)	–	5,962
Depreciation and amortisation	(7,322)	(49,199)	(2,288)	(58,809)
Allowance for inventories	(5,705)	–	–	(5,705)
Gain/(loss) on disposals of property, plant and equipment	–	1,070	(9)	1,061
Impairment loss on property, plant and equipment	(20,937)	(66,750)	–	(87,687)
Impairment loss on intangible asset	–	(15,739)	–	(15,739)
Impairment loss on receivables				
– Trade receivables	(48,160)	–	–	(48,160)
– Other receivables	(236)	(1,901)	–	(2,137)
Additions to segment non-current assets	–	(4,179)	(76,175)	(80,354)
At 31 December 2015				
Segment assets	171,000	469,724	202,491	843,215
Segment liabilities	16,266	363,073	150,747	530,086

9. Segment Information (Continued)

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

	Bags HK$'000	Coal HK$'000	Coal upgrading HK$'000	Total HK$'000
Year ended 31 December 2014				
Revenue from external customers	97,126	241,175	4,642	342,943
Segment (loss)/profit	(75,771)	21,774	(32,213)	(86,210)
Interest revenue	28	137	5	170
Interest expense	(481)	(6,112)	(376)	(6,969)
Income tax expense	(2,784)	(17,529)	(6)	(20,319)
Depreciation and amortisation	(8,341)	(48,423)	(4,303)	(61,067)
Allowance for inventories	(7,777)	–	–	(7,777)
Loss on disposals of property, plant and equipment	(352)	(251)	–	(603)
Gain on disposal of investment properties	330	–	–	330
Impairment loss on property, plant and equipment	–	–	(16,193)	(16,193)
Impairment loss on receivables				
– Trade receivables	(72,883)	–	–	(72,883)
– Other receivables	–	(510)	–	(510)
Additions to segment non-current assets	(1,643)	(8,816)	(15,003)	(25,462)
At 31 December 2014				
Segment assets	272,292	569,241	132,941	974,474
Segment liabilities	20,873	386,929	122,800	530,602

9. Segment Information (Continued)

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

	2015 HK$'000	2014 HK$'000
Revenue	**245,838**	342,943
Profit or loss		
Total loss of reportable segments	**(162,353)**	(86,210)
Unallocated corporate income	**1,766**	5,833
Unallocated corporate expenses	**(43,002)**	(29,597)
Consolidated loss for the year	**(203,589)**	(109,974)
Assets		
Total assets of reportable segments	**843,215**	974,474
Corporate assets	**31,149**	88,604
Deferred tax assets	**17,842**	23,708
Goodwill	**2,907**	2,907
Elimination of intersegment assets	**(171,228)**	(182,954)
Consolidated total assets	**723,885**	906,739
Liabilities		
Total liabilities of reportable segments	**530,086**	530,602
Corporate liabilities	**73,424**	70,621
Deferred tax liabilities	**1,429**	12,064
Elimination of intersegment liabilities	**(245,138)**	(255,003)
Consolidated total liabilities	**359,801**	358,284

9. Segment Information (Continued)

Geographical information:

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

	Revenue		Non-current assets	
	2015	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**–**	–	**1,224**	1,971
The PRC except Hong Kong	**245,838**	342,943	**558,629**	675,131
Consolidated total	**245,838**	342,943	**559,853**	677,102

Revenue from major customers:

	2015	2014
	HK$'000	HK$'000
Bags segment and Coal upgrading segment		
Customer a	**–**	101,768
Coal segment		
Customer b	**38,627**	–
Customer c	**31,805**	–

10. Finance Costs

	2015	2014
	HK$'000	HK$'000
Interest on other loans – wholly repayable within five years	**3,312**	6,449
Interest on loan from a director	**400**	324
Interest on loan from a non-controlling shareholder	**–**	3,793
Imputed interest expenses	**2,187**	4,245
Bank charges	**81**	480
Total borrowing costs	**5,980**	15,291
Amount capitalised	**(1,448)**	(3,425)
	4,532	11,866

11. Income Tax (Credit)/Expense

Income tax (credit)/expense has been recognised in profit or loss as follows:

	2015 HK$'000	2014 HK$'000
Current tax – Overseas		
Provision for the year	**–**	2,565
Under-provision in prior year	**4**	225
	4	2,790
Deferred tax (note 30)	**(5,966)**	17,529
PRC interest withholding tax	**209**	330
	(5,753)	20,649

(a) No provision for Hong Kong Profits Tax has been made for the year ended 31 December 2015 as the Group did not generate any assessable profits arising in Hong Kong during the year (2014: HK$Nil).

PRC Enterprise Income Tax has been provided at a rate of 25% (2014: 25%).

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

	2015 HK$'000	2014 HK$'000
Loss before tax	**(209,342)**	(89,325)
Tax at the PRC Enterprise Income Tax rate of 25% (2014: 25%)	**(52,335)**	(22,331)
Tax effect of expenses that are not deductible	**12,441**	4,865
Tax effect of temporary differences not recognised	**40,594**	27,508
Tax effect of tax losses not recognised	**2,871**	2,307
(Reversal of previous write-down)/write-down of tax losses previously recognised	**(2,017)**	6,041
Under-provision in prior year	**4**	225
Reversal of deferred tax on undistributed earnings of a PRC subsidiary	**(10,635)**	–
PRC interest withholding tax	**209**	330
Effect of different tax rates	**3,115**	1,704
Income tax (credit)/expense	**(5,753)**	20,649

12. Loss for the Year

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

	2015 HK$'000	2014 HK$'000
Auditor's remuneration	**1,000**	972
Allowance for inventories (included in cost of sales)	**5,705**	7,777
Amortisation of mining right (included in cost of sales)	**7,653**	4,755
Cost of inventories sold	**153,614**	236,611
Depreciation of property, plant and equipment and investment properties	**52,172**	57,319
(Gain)/loss on disposals of property, plant and equipment	**(1,030)**	603
Impairment loss on intangible asset (note 20)	**15,739**	–
Impairment loss on property, plant and equipment (note 17)	**87,687**	16,193
Impairment loss on receivables		
– Trade receivables (note 22)	**48,160**	72,883
– Other receivables	**2,137**	510
	50,297	73,393
Operating lease charges		
– Land and buildings	**3,397**	3,583
– Machinery	**439**	–

Cost of inventories sold includes staff costs, allowance for inventories, operating lease charges, amortisation of mining right and depreciation of approximately HK$90,047,000 (2014: HK$118,441,000) which are included in the amounts disclosed separately.

13. Employee Benefits Expense (Including Directors' Emoluments)

	2015 HK$'000	2014 HK$'000
Employee benefits expense:		
Salaries, bonuses and allowances	**94,276**	92,433
Equity-settled share-based payments	**6,147**	–
Retirement benefit scheme contributions	**6,951**	7,357
	107,374	99,790

13. Employee Benefits Expense (Including Directors' Emoluments) (Continued)

Five highest paid individuals

The five highest paid individuals in the Group during the year included three (2014: two) directors whose emoluments are reflected in the analysis presented in note 14. The emoluments of the remaining two (2014: three) individuals are set out below:

	2015 **HK$'000**	2014 HK$'000
Basic salaries and allowances	**5,463**	5,281
Discretionary bonus	**480**	–
Retirement benefit scheme contributions	**–**	17
	5,943	5,298

The emoluments fell within the following bands:

	Number of individuals	
	2015	2014
HK$1,000,001 – HK$1,500,000	**–**	2
HK$1,500,001 – HK$2,000,000	**1**	–
HK$2,500,001 – HK$3,000,000	**–**	1
HK$4,000,001 – HK$4,500,000	**1**	–
	2	3

14. Benefits and Interests of Directors

(a) Directors' emoluments

The emoluments of each director is set out below:

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking					
Name of director	Fees HK$'000	Salaries and allowances HK$'000	Discretionary bonus HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Estimated money value of share options HK$'000	Total HK$'000
Mr. Xu Bin ("**Mr. Xu**")	–	2,190	2,400	18	1,256	5,864
Mr. Tse Kam Fow (note (i))	–	2,171	2,400	16	1,256	5,843
Mr. Ng Ying Kit (note (ii))	–	1,086	600	16	913	2,615
Mr. Mak Shiu Chung, Godfrey (note (iii))	–	29	–	1	–	30
Mr. Zhang Fusheng (Chief executive)	–	484	–	69	–	553
Mr. Wang Hon Chen (note (iv))	144	–	–	–	–	144
Mr. Kwok Chi Shing	240	–	–	–	91	331
Mr. Tsang Wai Sum (note (iii))	23	–	–	–	–	23
Mr. Huang Shaoru	120	–	–	–	91	211
Mr. Kwok Siu Man (note (i))	217	–	–	–	91	308
Total for 2015	744	5,960	5,400	120	3,698	15,922
Mr. Xu Bin	–	1,980	–	17	–	1,997
Mr. Mak Shiu Chung, Godfrey (note (iii))	–	720	–	16	–	736
Mr. Zhang Fusheng (Chief executive)	–	1,160	–	106	–	1,266
Mr. Wang Hon Chen (note (iv))	192	–	–	–	–	192
Mr. Kwok Chi Shing	240	–	–	–	–	240
Mr. Tsang Wai Sum (note (iii))	240	–	–	–	–	240
Mr. Huang Shaoru	120	–	–	–	–	120
Total for 2014	792	3,860	–	139	–	4,791

Notes:

(i) Appointed on 5 February 2015 and resigned on 1 March 2016

(ii) Appointed on 5 February 2015

(iii) Resigned on 5 February 2015

(iv) Removed on 30 September 2015

Neither the chief executive nor any of the directors waived any emoluments during the year (2014: HK$Nil).

14. Benefits and Interests of Directors (Continued)

(b) Directors' material interests in transactions, arrangements or contracts

Pursuant to agreements dated 2 January 2014, 5 May 2014 and 7 May 2014 (collectively refer to as the "**Loan Agreements**") made between the Company and Mr. Xu, the Company agreed to pay interest expense to Mr. Xu for loans granted to the Company in accordance with the terms of the Loan Agreements. Mr. Xu was paid an interest expense of HK$400,000 for the year ended 31 December 2015 (2014: HK$324,000).

Pursuant to an agreement dated 18 May 2012 (the "**License Agreement**") made between Beijing Guochuan New Energy and Technology Development Company Limited ("**Beijing Guochuan**", a wholly-owned subsidiary of the Company) and Mr. Xu, Beijing Guochuan agreed pay license fee to Mr. Xu for the right to use the technologies (including the method of upgrading the quality of lignite) and sub-licence the technologies granted to Beijing Guochuan and its affiliates in accordance with the terms of the License Agreement. Mr. Xu was paid license fee of HK$410,000 for the year ended 31 December 2015 (2014: HK$1,000,000).

Mr. Xu is an executive director of the Company and is directly interested in these transactions.

Save for contracts amongst group companies and the aforementioned transactions, no other significant transactions, arrangements and contracts to which the Company was a party and in which a director of the Company and other director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

15. DIVIDENDS

The directors do not recommend the payment of any dividend for the year ended 31 December 2015 (2014: HK$Nil).

16. LOSS PER SHARE

Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of approximately HK$170,849,000 (2014: HK$113,109,000) and the weighted average number of ordinary shares of 483,504,563 (2014: 276,010,979) in issue during the year.

Diluted loss per share

The effect of all potential ordinary shares are anti-dilutive for the year ended 31 December 2015. No diluted loss per share is presented as the Company did not have any dilutive potential ordinary shares during the year ended 31 December 2014.

17. Property, Plant and Equipment

	Buildings HK$'000	Leasehold improvements HK$'000	Mining structures HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
Cost								
At 1 January 2014	211,988	3,007	194,796	315,934	36,489	8,105	94,199	864,518
Additions	1,643	–	1,384	6,495	132	3,345	12,469	25,468
Disposals/write off	(1,402)	–	(50,125)	(23,585)	(2,075)	(1,135)	–	(78,322)
Exchange differences	(3,338)	(12)	(3,068)	(4,975)	(551)	(128)	(1,484)	(13,556)
At 31 December 2014	208,891	2,995	142,987	293,869	33,995	10,187	105,184	798,108
At 1 January 2015	**208,891**	**2,995**	**142,987**	**293,869**	**33,995**	**10,187**	**105,184**	**798,108**
Additions	**15**	**–**	**–**	**2,455**	**411**	**2,914**	**77,085**	**82,880**
Disposals/write off	**–**	**(152)**	**–**	**(10,473)**	**(3,341)**	**(2,351)**	**(225)**	**(16,542)**
Exchange differences	**(12,350)**	**(43)**	**(8,453)**	**(17,022)**	**(1,786)**	**(627)**	**(9,592)**	**(49,873)**
At 31 December 2015	**196,556**	**2,800**	**134,534**	**268,829**	**29,279**	**10,123**	**172,452**	**814,573**
Accumulated depreciation and impairment								
At 1 January 2014	43,988	617	61,162	98,733	14,243	3,969	–	222,712
Charge for the year	10,445	726	8,092	30,184	6,053	1,566	–	57,066
Disposals/write off	(1,402)	–	(50,126)	(23,012)	(1,462)	(855)	–	(76,857)
Impairment (note (c))	–	–	–	13,523	2,441	–	229	16,193
Exchange differences	(692)	(2)	(963)	(1,554)	(221)	(62)	–	(3,494)
At 31 December 2014	52,339	1,341	18,165	117,874	21,054	4,618	229	215,620
At 1 January 2015	**52,339**	**1,341**	**18,165**	**117,874**	**21,054**	**4,618**	**229**	**215,620**
Charge for the year	**9,919**	**725**	**9,653**	**24,832**	**5,523**	**1,520**	**–**	**52,172**
Disposals/write off	**–**	**(152)**	**–**	**(10,473)**	**(3,310)**	**(1,791)**	**(225)**	**(15,951)**
Impairment (notes (d) and (e))	**17,927**	**–**	**22,651**	**44,012**	**1,368**	**1,729**	**–**	**87,687**
Exchange differences	**(4,317)**	**(6)**	**(2,491)**	**(9,531)**	**(1,362)**	**(337)**	**(4)**	**(18,048)**
At 31 December 2015	**75,868**	**1,908**	**47,978**	**166,714**	**23,273**	**5,739**	**–**	**321,480**
Carrying amount								
At 31 December 2015	**120,688**	**892**	**86,556**	**102,115**	**6,006**	**4,384**	**172,452**	**493,093**
At 31 December 2014	156,552	1,654	124,822	175,995	12,941	5,569	104,955	582,488

17. Property, Plant and Equipment (Continued)

Notes:

(a) At 31 December 2015, the carrying amount of certain buildings amounted to approximately HK$42,119,000 (2014: HK$59,523,000) for which relevant legal titles have not yet been obtained. At the date of approval of these consolidated financial statements, the application for obtaining the aforesaid legal titles is still in progress.

(b) At 31 December 2015, the construction in progress of approximately HK$172,452,000 (2014: HK$104,955,000) represents a low-rank coal upgrading plant in Xilinhaote City, Inner Mongolia, the PRC, which has been constructed on a piece of land of which the Group entered into a Grant Contract for State-owned Land Use Right but the legal land use right title has not been obtained.

(c) In 2014, the coal upgrading plant in Changchun had been running at a relatively low utilisation rate due to slow-down of production suffering from geographical disadvantages resulting in higher logistic costs for transporting coal from a distance. As a result, the Group's management relocated the operation and partial equipment in Changchun Plant to the new coal upgrading plant in Xilinhaote City, Inner Mongolia, the PRC, in 2015. An assessment was performed by the Group's management for the purpose of determining any impairment indication on the assets that obviously cannot be reinstalled or reused under the relocation plan and full impairment was made on those assets. Impairment losses of approximately HK$13,523,000, HK$2,441,000 and HK$229,000 had been recognised in respect of plant and machinery, furniture, fixtures and equipment and construction in progress respectively at 31 December 2014.

(d) Suffered from further reduction in orders from major customers, the production plant for the manufacture and sale of plastic woven bags, paper bags and plastic barrels segment ("**Bag CGU**") had been running at a relatively low utilisation rate during 2015. Despite certain remedial steps were taken by directors to recover the business, no new sale agreement was entered up to the date of this report. The production lines have been idle since May 2015. Therefore, the directors performed an assessment to determine any impairment on the property, plant and equipment belonging to Bag CGU that were obsolete and full impairment has been made on those assets. Impairment losses of approximately HK$20,501,000 and HK$436,000 have been made for plant and machinery and motor vehicles respectively for the year ended 31 December 2015.

(e) The coal prices in the PRC market continued to decline during the second half of 2015 which indicated a potential impairment loss on the property, plant and equipment belonging to the Coal CGU. As at 31 December 2015, the Group carried out reviews of the recoverable amount of the assets, including the property, plant and equipment and the intangible asset (note 20), allocated to the Coal CGU, having regard to the market conditions of coal in the PRC. The review led to the recognition of an impairment loss on property, plant and equipment under the Coal CGU of approximately HK$66,750,000 that has been recognised in profit or loss.

The recoverable amount of the assets of Coal CGU of approximately HK$312,716,000 has been determined by the directors based on the value in use approach by reference to the discounted cash flow forecasts of the Coal CGU for the remaining license period approved by the directors.

17. Property, Plant and Equipment (Continued)

Notes: (Continued)

(e) Key assumptions adopted by management in the cash flow forecasts of Coal CGU are disclosed as below:

(i) Inner Mongolia Yuan Yuan Energy Group Jinyuanli Underground Mining Company Limited ("**Inner Mongolia Jinyuanli**", a subsidiary of the Company) will continue to operate the coal mine at annual production capacity of 1.8 million tonnes throughout the remaining license period up to July 2037, on the basis that Inner Mongolia Jinyuanli submitted the application in May 2015 to increase its annual production capacity from 1.2 million tonnes to 1.8 million tonnes. After consulting with an independent legal advisor, management did not factor the possible penalty nor the circumstance that suspension of the coal mining operation will be imposed by relevant government authority in the PRC for the production of coal in excess of the pre-approved limit under the current business license.

(ii) The coal from the Inner Mongolia Mine 958 (the "**Mine 958**") with 3,500kcal/kg will be sold at the average selling price of RMB115 per tonne (with value-added tax of 17%) for the period from 2016 to 2018 which is after a 4% discount on the current market price of similar coal in Huolinguole City, the PRC, sourced from the China Coal Trading Center Web to promote the business. This price will be increased to RMB120 per tonne in the period from 2019 to 2021 and further increased to RMB125 per tonne from 2022 and thereafter kept constant in the remaining license period.

(iii) Inflation rate of 2% per annum is applied in the cash flow forecasts for the remaining licensed period. The inflation rate does not exceed the average inflation rate for the relevant market in the PRC.

(iv) Pre-tax discount rate of 13.2% is adopted based on the assessment of the discount rate analysis independently performed by an independent valuer.

Up to date of this report, the application submitted to the Department of the Land and Resources of China to increase the annual production limit of Inner Mongolia Jinyuanli is still under the examination period and is subject to overall safety condition and history of accidents in the underground coal mine.

18. Prepaid Land Lease Payments

The Group's interests in prepaid land lease payments represent prepaid operating lease payments and their carrying amounts are analysed as follows:

	2015 **HK$'000**	2014 HK$'000
At 1 January	**2,779**	2,895
Amortisation for the year	**(70)**	(71)
Exchange differences	**(161)**	(45)
At 31 December	**2,548**	2,779
Current portion	**(67)**	(71)
Non-current portion	**2,481**	2,708

19. GOODWILL

	2015 **HK$'000**	2014 HK$'000
Cost		
At 1 January and 31 December	**2,907**	2,907

Goodwill acquired in a business combination is allocated, at acquisition, to the CGU that is expected to benefit from that business combination. The carrying amount of goodwill had been allocated to the Coal Upgrading CGU.

As at 31 December 2015, the recoverable amount of the CGU has been determined by the directors based on the fair value less costs of disposal approach by reference to the discounted cash flow forecasts of the Coal Upgrading CGU for the next 5 years approved by the management (level 3 fair value measurements). Key assumptions adopted by management in the valuation model are as follows:

(i) The Group will commit to the terms within the Grant Contract for State-owned Land Use Right ("**Land Use Right Contract**") entered between the Xilinhaote Municipal Land Resources Bureau and a subsidiary, Xilinhaote City Guochuan Energy Technology Development Co., Ltd. ("**Xilinhaote Guochuan**"), and will obtain the legal land use rights certificate in 2016 by payment of the land use right premium of approximately HK$18.5 million.

19. Goodwill (Continued)

(ii) The first phase of coal upgrading plant with annual capacity of 500,000 tonnes of upgraded coal output will commence production from April 2016 and generate sufficient revenue to fund the coal upgrading operations. The Group will successfully implement its business plan to raise sufficient funds to finance the construction of the remaining phases of low-rank coal upgrading facilities in Xilinhaote City, Inner Mongolia, the PRC. Construction of the second and third phases of the coal upgrading plant will be completed on schedule and the CGU will be able to increase its aggregated annual capacity from 500,000 tonnes to 1,000,000 tonnes of upgraded coal output by the end of 2016 and from 1,000,000 tonnes to 2,000,000 tonnes of upgraded coal output by the end of 2018. The additional funding requirement of approximately HK$234 million will be financed by the proceeds of HK$71 million from the disposal of prepaid land lease and property, plant and equipment located at Changchun City, the PRC, in 2016 and the cash flows generated from coal mining and coal upgrading operations or the Group's fund raising activities with aggregate amount of HK$163 million.

(iii) The technology and equipment of the CGU is able to process the low-rank coal into upgraded coal with 5,000kcal/kg (the "**Upgraded Coal**"). All the Upgraded Coal will be sold at average selling price with value-added tax of RMB300 per tonne during the 5-year forecast period.

(iv) Inflation rate applied in the 5-year cash flow forecasts is 3% per annum and no inflation rate assumed in the residual period. The inflation rate does not exceed the average inflation rate for the relevant market in the PRC.

(v) Discount rate of 12.5% is adopted based on the assessment of the discount rate analysis independently performed by an independent valuer.

As at 31 December 2014, the recoverable amount of the CGU was determined on the basis of its value in use using discounted cash flow method. The Group prepared the cash flow forecasts for the next five years with the residual period using the inflation rate of 0%. The pre-tax rate used to discount the forecast cash flows from the Group's coal upgrading income was 19.4%.

19. Goodwill (Continued)

In early March 2016, management decided to close the operation of Changchun Yicheng Packing Company Limited ("**Changchun Yicheng**"), a wholly owned subsidiary of the Group, and dispose of the prepaid land lease and property, plant and equipment to finance the construction of second phase of coal upgrading plant in the forth quarter of 2016. Changchun Yicheng has identified some potential buyers for the land and buildings who have already made several site visits to the plant. Management targets to complete such disposal in mid of 2016 and the initial selling price quotation provided to the potential buyers was approximately HK$71 million. No formal sale and purchase agreement has yet been signed with any potential buyer up to date of this report.

Up to the date of this report, the application to obtain the land use right by Xilinhaote Guochuan is subject to the payment of land premium in according to the Land Use Right Contract of approximately HK$18.5 million. Management planned to make the payment in 2016.

20. Intangible Asset

	Mining right	
	2015	2014
	HK$'000	HK$'000
Cost		
At 1 January	**97,500**	99,060
Exchange differences	**(5,764)**	(1,560)
At 31 December	**91,736**	97,500
Accumulated amortisation and impairment		
At 1 January	**9,804**	5,130
Amortisation for the year	**7,653**	4,755
Impairment for the year	**15,739**	–
Exchange differences	**(1,606)**	(81)
At 31 December	**31,590**	9,804
Carrying amount		
At 31 December	**60,146**	87,696

20. Intangible Asset (Continued)

The mining right represents the purchase cost of the exclusive right for certain volume of underground coal at the Mine 958 which expires on 4 July 2037.

The average remaining amortisation period of the mining right is 21.52 years (2014: 22.52 years).

The coal prices in the PRC market continued to decline during the second half of 2015 which indicated a potential impairment loss on the assets, including the intangible asset, used under the Coal CGU. As at 31 December 2015, the Group carried out reviews of the recoverable amount of the assets, including the intangible asset and the property, plant and equipment (note 17(e)) allocated to the Coal CGU, having regard to the market conditions of coal in the PRC. The review led to the recognition of an impairment loss on intangible asset of approximately HK$15,739,000 that has been recognised in profit or loss.

The recoverable amount of the assets of Coal CGU of approximately HK$312,716,000 has been determined by the directors based on the value in use approach by reference to the discounted cash flow forecasts of the Coal CGU for the remaining license period approved by the directors. Key assumptions adopted by management in the cash flow forecasts are disclosed in note 17(e) to the consolidated financial statements.

21. Inventories

	2015 **HK$'000**	2014 HK$'000
Raw materials	**13,853**	19,129
Work in progress	**–**	1,489
Finished goods	**3,870**	9,504
	17,723	30,122

22. Trade and Bill Receivables

	2015 HK$'000	2014 HK$'000
Trade receivables	**172,098**	126,418
Impairment loss on trade receivables	**(116,502)**	(74,883)
	55,596	51,535
Bill receivables	**1,343**	3,538
	56,939	55,073

The general credit terms of sales of bags and barrels and coal upgrading business are 30 days. For sales of coal, payment in advance is required but credit terms of 90 days are granted to certain key customers. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the senior management.

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

	2015 HK$'000	2014 HK$'000
0 to 90 days	**34,762**	18,571
91 to 180 days	**9,450**	5,182
181 to 365 days	**10,876**	27,459
Over 365 days	**508**	323
	55,596	51,535

22. Trade and Bill Receivables (Continued)

As of 31 December 2015, an impairment loss of approximately HK$116,502,000 (2014: HK$74,883,000) was made for estimated irrecoverable trade receivables which relate to customers that were in financial difficulties. It was assessed that these receivables are expected to be irrecoverable.

Reconciliation of impairment loss on trade receivables:

	2015 **HK$'000**	2014 HK$'000
At 1 January	**74,883**	2,000
Impairment loss for the year	**48,160**	72,883
Exchange differences	**(6,541)**	–
At 31 December	**116,502**	74,883

As of 31 December 2015, trade receivables of approximately HK$20,834,000 (2014: HK$45,617,000) were past due but not impaired. These relate to several independent customers that have good track record with the Group. The ageing analysis of these trade receivables is as follows:

	2015 **HK$'000**	2014 HK$'000
Up to 90 days	**–**	12,653
91 to 180 days	**9,450**	5,182
181 to 365 days	**10,876**	27,459
Over 365 days	**508**	323
	20,834	45,617

Subsequent to 31 December 2015, the Group entered into agreements with its customers and creditors to set off the past due but not impaired amount of approximately HK$15,904,000. For the remaining overdue balances, these relate to several independent customers that have good track record with the Group. Based on past experience, management believes that no impairment loss is necessary in respect of these balances as there has not been significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

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

23. Restricted Bank Deposits

The Group's restricted bank deposits of approximately HK$7,493,000 (2014: HK$7,938,000) are the deposits kept for the coal mining business, which are required by related coal mining regulation in the PRC. The aforesaid deposits are in RMB and at market interest rate.

24. Bank And Cash Balances

At 31 December 2015, the Group's bank and cash balances denominated in RMB and kept in the PRC amounted to approximately HK$19,555,000 (2014: HK$19,980,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

25. Due to a Director

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

	Note	**2015** **HK$'000**	2014 HK$'000
Current liabilities			
Other payables	(a)	**2,822**	2,611
Loans	(b)	**6,516**	4,000
		9,338	6,611
Non-current liabilities			
Loans and other payables	(b)	**29,888**	25,193
		39,226	31,804

Notes:

(a) The other payables, including licence fees payable of approximately HK$2,822,000 (2014: HK$2,583,000), are unsecured, interest-free and repayable on demand.

25. Due to a Director (Continued)

Notes: (Continued)

(b) The balance included interest payables of approximately HK$752,000, which are unsecured, interest-free and repayable on 31 December 2017. The remaining balance are loans from a director and set out as below:

Fully repayable:	Interest rate	Security	**2015 HK$'000**	2014 HK$'000
On demand	Nil	Nil	**6,516**	–
On 31 October 2017	Nil	Nil	**21,136**	21,193
On 31 December 2017 (2014: on 31 December 2015)	5%	Nil	**4,000**	4,000
On 31 December 2017 (2014: on 31 March 2016)	5%	Nil	**3,000**	3,000
On 31 December 2017 (2014: on 30 June 2016)	5%	Nil	**1,000**	1,000
			35,652	29,193

Loans from a director repayable after one year are included in non-current liabilities and are recognised based on the effective interest method using discount rate of 6% (2014: 6%). As at 31 December 2015, the principle amounts of these loans from a director are approximately HK$38,038,000 (2014: HK$33,000,000).

Loans from a director of approximately HK$8,000,000 (2014: HK$8,000,000) are arranged at fixed rates, thus exposing the Group to fair value interest rate risk.

The carrying amounts are denominated in the following currencies:

	Hong Kong dollar HK$'000	RMB HK$'000	Total HK$'000
2015			
Other payables	**752**	**2,822**	**3,574**
Loans	**8,000**	**27,652**	**35,652**
	8,752	**30,474**	**39,226**
2014			
Other payables	28	2,583	2,611
Loans	8,000	21,193	29,193
	8,028	23,776	31,804

25. Due to a Director (Continued)

The directors estimate the fair value of amounts due to a director, by discounting their future cash flows at the market rate, to be as follows:

	2015 HK$'000	2014 HK$'000
Other payables	**3,504**	2,611
Loans	**36,117**	29,193
	39,621	31,804

26. Due to Non-Controlling Shareholders

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

	Note	2015 HK$'000	2014 HK$'000
Current liabilities			
Advances	(a)	**5,253**	5,583
Other payables	(b)	**10,792**	6,869
Loans	(c)	**8,821**	9,375
		24,866	21,827
Non-current liabilities			
Loans	(c)	**3,508**	3,518
		28,374	25,345

Notes:

(a) The advances are unsecured, interest-free and repayable on demand.

(b) The other payables are unsecured, interest-free and repayable at normal business term.

26. Due to Non-Controlling Shareholders (Continued)

Notes: (Continued)

(c) Details of the loans from non-controlling shareholders are set out as below:

Fully repayable:	Interest rate	Security	**2015 HK$'000**	2014 HK$'000
On demand	Nil	Nil	**8,821**	9,375
(2014: on 16 August 2015)	(2014: 10.2% p.a.)			
On 30 November 2017	Nil	Nil	**3,508**	3,518
			12,329	12,893

Loans from non-controlling shareholders that repayable after one year are included in non-current liabilities and are recognised based on the effective interest method using discount rate of 6% (2014: 6%). At 31 December 2015, the principle amounts of these loans from non-controlling shareholders are approximately HK$12,744,000 (2014: HK$13,545,000).

At 31 December 2014, loan from a non-controlling shareholder of approximately HK$9,375,000 is arranged at floating rate, thus exposing the Group to cash flow interest rate risk.

Subsequent to the reporting period, the Group voluntarily repaid the loan from a non-controlling shareholder under non-current liabilities with principal amount of approximately HK$3,923,000.

The carrying amounts of the amounts due to non-controlling shareholders are denominated in RMB.

The directors estimate the fair value of the amounts due to non-controlling shareholders, by discounting their future cash flows at the market rate, to be as follows:

	2015 HK$'000	2014 HK$'000
Advances	**5,253**	5,583
Other payables	**10,792**	6,869
Loans	**12,410**	12,893
	28,455	25,345

27. Other Loans

Other loans are repayable as follows:

	2015 HK$'000	2014 HK$'000
Within one year	–	6,350
In the second year	50,845	5,318
In the third to fifth years, inclusive	–	53,723
	50,845	65,391
Less: Amount due for settlement within 12 months (shown under current liabilities)	–	(6,350)
Amount due for settlement after 12 months	50,845	59,041

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

The average interest rate at 31 December 2015 was 5.7% (2014: 6.4%) per annum.

Other loans of approximately HK$45,586,000 (2014: HK$60,118,000) are arranged at fixed interest rates and expose the Group to fair value interest rate risk.

The directors estimate the fair value of the Group's other loans, by discounting their future cash flows at the market rate, to be approximately of HK$52,043,000 (2014: HK$65,391,000).

Subsequent to the reporting period, the Group voluntarily repaid other loans with principal amount of approximately HK$10,247,000.

28. Trade Payables

The ageing analysis of trade payables, based on the date of receipt of goods, is as follows:

	2015 HK$'000	2014 HK$'000
0 to 90 days	–	1,135
91 to 180 days	–	1,514
181 to 365 days	592	1,730
Over 365 days	2,754	2,122
	3,346	6,501

The carrying amounts of the Group's trade payables are denominated in RMB.

29. Other Payable

At 31 December 2014, amount due to a coal mine constructor of approximately HK$4,351,000, which is unsecured, non-interest bearing and with terms of due for repayment within two years, are shown under the non-current liabilities in the consolidated statement of financial position.

This non-current portion of other payable is carried at amortised cost using an effective interest rate of 6% per annum. Fair value adjustment upon the initial recognition of such other payable had been recognised in the profit or loss for the year ended 31 December 2013.

30. Deferred Tax

The following are the deferred tax assets/(liabilities) recognised by the Group:

	Decelerated tax depreciation HK$'000	Future deductible expenses/ (taxable amounts) HK$'000	Tax losses HK$'000	Undistributed earnings of the PRC subsidiaries HK$'000	Total HK$'000
At 1 January 2014	15,327	379	26,191	(12,064)	29,833
Charge to profit or loss for the year (note 11)	(360)	(3,819)	(13,350)	–	(17,529)
Exchange differences	(240)	(6)	(414)	–	(660)
At 31 December 2014 and 1 January 2015	**14,727**	**(3,446)**	**12,427**	**(12,064)**	**11,644**
Credit/(charge) to profit or loss for the year (note 11)	**1,070**	**(4,008)**	**(1,731)**	**10,635**	**5,966**
Exchange differences	**(918)**	**380**	**(659)**	**–**	**(1,197)**
At 31 December 2015	**14,879**	**(7,074)**	**10,037**	**(1,429)**	**16,413**

The following is the analysis of the deferred tax balances (after offset) for statement of financial position purposes:

	2015 HK$'000	2014 HK$'000
Deferred tax assets	**17,842**	23,708
Deferred tax liabilities	**(1,429)**	(12,064)
	16,413	11,644

30. Deferred Tax (Continued)

At the end of the reporting period the Group has unused tax losses of approximately HK$180,598,000 (2014: HK$207,454,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK$40,146,000 (2014: HK$49,708,000) of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses of approximately HK$140,452,000 (2014: HK$157,746,000) due to the unpredictability of future profit streams. These unrecognised tax losses are available for offsetting against future taxable profits in one to five years.

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of a subsidiary for which deferred tax liabilities have not been recognised is HK$10,276,000 (2014: HK$8,983,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

31. Share Capital

		2015		2014	
	Note	**Number of shares '000**	**Amount HK$'000**	Number of shares '000	Amount HK$'000
Authorised:					
Ordinary shares of HK$0.50 (2014: HK$0.50) each	(a)	**2,000,000**	**1,000,000**	2,000,000	1,000,000
Ordinary shares, issued and fully paid:					
At 1 January		**458,478**	**229,239**	1,146,193	114,619
Share consolidation	(a)	**–**	**–**	(916,954)	–
Issue of shares on open offer	(b)	**–**	**–**	229,239	114,620
Issue of shares pursuant to a placing agreement	(c)	**45,000**	**22,500**	–	–
At 31 December		**503,478**	**251,739**	458,478	229,239

31. Share Capital (Continued)

Notes:

(a) Pursuant to an ordinary resolution passed on 20 October 2014, every 5 ordinary shares of HK$0.10 each in the issued and unissued share capital of the Company were consolidated into one consolidated share of HK$0.50 each in the issued and unissued share capital of the Company.

(b) On 4 December 2014, 229,238,583 ordinary shares of HK$0.50 each were issued at par by way of an open offer on the basis of one offer shares for every one share held. The net proceed of approximately HK$111,869,000 was used to finance the construction of production plant, repayment of loans and as general working capital of the Group. The shares rank pari passu in all respects with the ordinary shares of the Company in issue on that date.

(c) On 11 June 2015, 45,000,000 ordinary shares of HK$0.50 each were issued by way of placing at a price of HK$0.82 per share for cash consideration of HK$36,900,000. The premium on issue of shares approximately HK$12,984,000, which was net of share issue expenses of approximately HK$1,416,000, was credited to the share premium account.

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance. Capital comprises all components of equity (i.e. share capital, accumulated losses and other reserves) except for non-controlling interests, which remains unchanged from prior year. As at 31 December 2015, total equity of approximately HK$311,079,000 (2014: HK$458,868,000) was managed by the Group as capital.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy-back shares, raise new debts, redeem existing debts or sell assets to reduce debts.

The only externally imposed capital requirement is that, for the Group to maintain its listing on the Stock Exchange, it has to have a public float of at least 25% of the shares. The Group receives a report from the share registrars quarterly on substantial share interests showing the non-public float and it demonstrates continuing compliance with the 25% limit throughout the year. At 31 December 2015, 63.34% (2014: 59.63%) of the shares were in public hands.

32. Share-Based Payments

Equity-settled share option scheme

The Company's share option scheme (the "**Scheme**") was adopted on 20 August 2009 for a period of 10 years. A summary of the principal terms of the Scheme is set out in the circular of the Company dated 4 August 2009.

Under the Scheme, the directors may, at their discretion, offer options to Participants (as defined in the circular of the Company dated 4 August 2009) to subscribe for shares in the Company subject to the terms and conditions stipulated therein.

Details of the specific categories of options are as follows:

	Date of grant	Vesting period	Exercise period	Exercise price HK$
Directors, employees and consultants	30 April 2015	Nil	30 April 2015 to 29 April 2025	0.71
Directors and employees	28 July 2015	Nil	28 July 2015 to 27 July 2025	0.53

If the options remain unexercised after a period of 10 years from the date of grant, the options expire. Options are forfeited if the employee leaves the Group.

Subsequent to the reporting period, options granted to Mr. Tse Kam Fow and Mr. Kwok Siu Man lapsed upon their resignation as executive director and independent non-executive director of the Company respectively.

Details of the movement of share options during the year are as follows:

	2015		2014	
	Number of share options	**Weighted average exercise price HK$**	Number of share options	Weighted average exercise price HK$
Outstanding at 1 January	**–**	**–**	105,120,000	0.563
Granted during the year	**25,650,000**	**0.631**	–	–
Expired during the year	**–**	**–**	(105,120,000)	0.563
Outstanding at 31 December	**25,650,000**	**0.631**	–	–
Exercisable at 31 December	**25,650,000**	**0.631**	–	–

32. Share-Based Payments (Continued)

Equity-settled share option scheme (Continued)

The options outstanding at the end of the year have a weighted average remaining contractual life of 9.44 years and the exercise prices range from HK$0.53 to HK$0.71. In 2015, options were granted on 30 April 2015 and 28 July 2015. The estimated fair values of the options granted on those dates are HK$5,438,000 and HK$3,071,000 respectively.

These fair values were calculated using the Binomial option pricing model. The inputs into the model are as follows:

Share options granted on	30 April 2015	28 July 2015
Share price	HK$0.700	HK$0.465
Exercise price	HK$0.710	HK$0.530
Expected volatility	78.26%	81.34%
Expected life	10 years	10 years
Risk free rate	1.52%	1.72%
Expected dividend yield	1.12%	0.76%

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous 10 years. The expected life used in the model has been adjusted, based on the Group's best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations.

Share options granted to consultants were incentives for helping the Group expand its business network, acquire and explore new business projects and opportunities. The fair value of such benefit could not be estimated reliably and as a result, the fair value is measured by reference to the fair value of share options granted.

The Group recorded total expenses of approximately HK$8,509,000 (2014: HK$Nil) during the year in respect of the Scheme.

33. Statement of Financial Position of the Company

	Note	As at 31 December 2015 HK$'000	2014 HK$'000
Non-current assets			
Investments in subsidiaries		**22**	12
Current assets			
Due from subsidiaries		**255,083**	365,941
Prepayments		**96**	–
Bank and cash balances		**20,835**	84,990
Total current assets		**276,014**	450,931
Current liabilities			
Due to subsidiaries		**198**	36,813
Due to a director		**–**	4,000
Accrued charges and other payables		**1,343**	2,812
Total current liabilities		**1,541**	43,625
Net current assets		**274,473**	407,306
Total assets less current liabilities		**274,495**	407,318
Non-current liabilities			
Due to a director		**8,752**	4,000
NET ASSETS		**265,743**	403,318
Capital and reserves			
Share capital		**251,739**	229,239
Reserves	34(a)	**14,004**	174,079
TOTAL EQUITY		**265,743**	403,318

Approved by the Board of Directors on 30 March 2016 and is signed on its behalf by:

Xu Bin
Director

Zhang Fusheng
Director

34. Other Reserves

(a) Company

	Note	Share premium HK$'000	Capital reserve HK$'000	Share-based payment reserve HK$'000	Warrants reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2014		283,228	3,917	14,892	820	(110,907)	191,950
Total comprehensive income for the year		–	–	–	–	(15,120)	(15,120)
Issue of shares	31(b)	(2,751)	–	–	–	–	(2,751)
Expiry of share options		–	–	(14,892)	–	14,892	–
Expiry of warrants		–	–	–	(820)	820	–
At 31 December 2014		280,477	3,917	–	–	(110,315)	174,079
At 1 January 2015		**280,477**	**3,917**	**–**	**–**	**(110,315)**	**174,079**
Total comprehensive income for the year		**–**	**–**	**–**	**–**	**(181,568)**	**(181,568)**
Recognition of share-based payments	32	**–**	**–**	**8,509**	**–**	**–**	**8,509**
Issue of shares	31(c)	**12,984**	**–**	**–**	**–**	**–**	**12,984**
At 31 December 2015		**293,461**	**3,917**	**8,509**	**–**	**(291,883)**	**14,004**

(b) Nature and purpose of reserves

(i) Share premium account

Under the Companies Law of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) Capital reserve

The capital reserve of the Group arose as a result of the Group reorganisation implemented in preparation for the listing of the Company's shares in 2001 and represented the difference between the nominal value of the aggregate share capital of the subsidiaries acquired under the reorganisation scheme, over the nominal value of the share capital of the Company issued in exchange therefore.

34. Other Reserves (Continued)

(b) Nature and purpose of reserves (Continued)

(iii) Future development fund

Pursuant to the relevant PRC regulations, the Group is required to set aside an amount to a future development fund at RMB9.5 (2014: RMB9.5) per tonne of raw coal mined. The fund can be used for future development of the coal mining operations, and is not available for distribution to shareholders. Upon incurring qualifying development expenditure, an equivalent amount is transferred from future development fund to retained earnings.

(iv) Safety fund

Pursuant to certain regulations issued by the State Administration of Work Safety of the PRC, the Group is required to set aside an amount to a safety fund at RMB15 (2014: RMB15) per tonne of raw coal mined. The fund can be used for improvements of safety at the mines, and is not available for distribution to shareholders. Upon incurring qualifying safety expenditure, an equivalent amount is transferred from safety fund to retained earnings.

(v) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 4(c)(iii) to the consolidated financial statements.

(vi) Share-based payment reserve

The share-based payment reserve represents the fair value of the actual or estimated number of unexercised share options granted to the Participants of the Group recognised in accordance with the accounting policy adapted for equity-settled share-based payments in note 4(r) to the consolidated financial statements.

(vii) Warrants reserve

Warrants reserve represents the net proceeds received from the issue of warrants of the Company. Warrants reserve will be transferred to share premium account upon the exercise of the warrants or released to retained profits if the warrants remain unexercised at the expiry date.

35. Notes to the Consolidated Statement of Cash Flows

Major non-cash transaction

During the year, the Group sold certain motor vehicles for settlement of its payables of approximately HK$1,482,000 (2014: HK$527,000).

36. Contingent Liabilities

Based on relevant coal mining regulations in the PRC (中華人民共和國國務院令第446號《國務院關於預防煤礦生產安全事故的特別規定》及發改電[2014]226號《關於遏制煤礦超能力生產規範企業生產行為的通知》), the over-production of Inner Mongolia Jinyuanli for the year ended 31 December 2015 may result in a maximum penalty of RMB2,000,000 (equivalent to HK$2,352,000) and, consideration of possible to bring its operations to a halt. Inner Mongolia Jinyuanli made an application to relevant authorities to increase its annual production capacity in May 2015 (the "**Application**") and is now subject to an examination period.

Inner Mongolia Jinyuanli obtained the legal opinion from an independent legal advisor that it is very unlikely that Inner Mongolia Jinyuanli will be penalised or suspended the operations and it could maintain its operations of current production output before there are any further development of the Application. The directors relied on the above mentioned legal opinion to conduct the coal mining operations. Up to the date of this report, Inner Mongolia Jinyuanli does not receive any penalty notice nor any order to suspend its operation from government authorities concerning the above matter. Nevertheless, directors consider that the Group has a potential contingent liability arisen from the over-production of coal with a maximum amount of HK$ 2,352,000 as at 31 December 2015.

Apart from the above, the Group did not have any significant contingent liabilities as at 31 December 2015 (2014: HK$Nil).

37. Capital Commitments

Capital commitments contracted for at the end of the reporting period but not yet incurred are as follows:

	2015 **HK$'000**	2014 HK$'000
Property, plant and equipment	**39,734**	45,426
Prepaid land lease payments	**18,486**	19,647
	58,220	65,073

38. Lease Commitments

At 31 December 2015, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2015 **HK$'000**	2014 HK$'000
Within one year	**1,324**	3,017
In the second to fifth years inclusive	**2,352**	3,236
After five years	**147**	781
	3,823	7,034

Operating lease payments represent rental payables by the Group for certain of its offices, factory and staff quarter. Leases are negotiated for terms ranging from one to nine years and rental are fixed over the lease terms and do not include contingent rentals.

39. Related Party Transactions

In addition to those related party transactions and balances disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with its related parties during the year:

	2015 **HK$'000**	2014 HK$'000
License fee to a director	**410**	1,000
Loan interest to a director	**400**	324

Compensation of key management personnel

The key management personnel of the Company comprises all directors, details of their remuneration are disclosed in note 14 to the consolidated financial statements.

40. Principal Subsidiaries

Particulars of the principal subsidiaries as at 31 December 2015 are as follow:

Name	Place of registration and operation	Paid up capital	Percentage of ownership interest/ voting power/ profit sharing	Principal activities
Changchun Yicheng [1]	The PRC	RMB60,000,000	100%	Manufacture and sale of plastic woven bags, paper bags and plastic barrels and became inactive since May 2015
Changchun Guochuan Energy and Technology Development Company Limited [2]	The PRC	RMB5,000,000	80%	Inactive
Inner Mongolia Jinyuanli [2]	The PRC	USD45,000,000	56.2%	Production and sale of coal
Jilin Province De Feng Commodity Economics and Trading Co., Limited (“**Jilin De Feng**”) [2]	The PRC	RMB20,000,000	51%	Coal trading and became inactive since February 2015
Xilinhaote Guochuan [2]	The PRC	RMB80,000,000 (2014: RMB30,000,000)	100%	Coal upgrading [3]

(1) Wholly-owned foreign enterprise

(2) Sino-foreign equity joint venture

(3) As at 31 December 2015, the coal upgrading structure was still under construction and its business has not yet commenced.

The above list contains the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group.

40. Principal Subsidiaries (Continued)

The following table shows information of subsidiaries that have non-controlling interests ("**NCI**") material to the Group. The summarised financial information represents amounts before inter-company elimination.

Name	Jilin De Feng		Inner Mongolia Jinyuanli	
	2015	2014	**2015**	2014
Principal place of business/country of incorporation	**PRC/PRC**		**PRC/PRC**	
% of ownership interests/voting rights held by NCI	**49%/49%**	49%/49%	**43.8%/43.8%**	43.8%/43.8%
	HK$'000	HK$'000	**HK$'000**	HK$'000
At 31 December:				
Non-current assets	**720**	1,655	**330,557**	485,175
Current assets	**62,752**	70,430	**93,535**	35,688
Non-current liabilities	**–**	–	**–**	(4,351)
Current liabilities	**(15,215)**	(18,534)	**(347,858)**	(364,043)
Net assets	**48,257**	53,551	**76,234**	152,469
Accumulated NCI	**23,638**	26,232	**33,669**	67,059
Year ended 31 December:				
Revenue	**2,601**	–	**237,527**	241,175
(Loss)/profit	**(2,226)**	(1,242)	**(70,307)**	20,709
Total comprehensive income	**(5,294)**	(2,118)	**(76,235)**	18,601
(Loss)/profit allocated to NCI	**(2,594)**	(1,038)	**(33,391)**	8,146
Dividends paid to NCI	**–**	–	**–**	–
Net cash generated from operating activities	**4,183**	10,489	**4,365**	5,171
Net cash generated from/(used) in investing activities	**6**	(1,500)	**(3,972)**	(6,561)
Net increase/(decrease) in cash and cash equivalents	**4,189**	8,989	**393**	(1,390)