弘海

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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

2019
ANNUAL REPORT

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CORPORATE PROFILE

Board of Directors

Executive Directors

Mr. NG Ying Kit
Mr. REN Hang
Ms. HUO Lijie *(resigned on 30 April 2019)*

Independent Non-Executive Directors

Mr. KWOK Chi Shing
Mr. CHANG Xuejun
Mr. HO Man *(appointed on 22 January 2020)*
Mr. HUANG Shao Ru *(resigned on 31 October 2019)*

Company Secretary

Ms. WAN Shui Wah

Authorised Representatives

Mr. NG Ying Kit
Ms. WAN Shui Wah

Audit Committee

Mr. KWOK Chi Shing *(Chairman)*
Mr. CHANG Xuejun
Mr. HO Man *(appointed on 22 January 2020)*
Mr. HUANG Shao Ru *(resigned on 31 October 2019)*

Remuneration Committee

Mr. CHANG Xuejun *(Chairman)*
(re-designated on 22 January 2020)
Mr. NG Ying Kit
Mr. HO Man *(appointed on 22 January 2020)*
Mr. HUANG Shao Ru *(resigned on 31 October 2019)*

Nomination Committee

Mr. CHANG Xuejun *(Chairman)*
(re-designated on 22 January 2020)
Mr. NG Ying Kit
Mr. HO Man *(appointed on 22 January 2020)*
Mr. HUANG Shao Ru *(resigned on 31 October 2019)*

Registered Office

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Corporate Website

www.grandocean65.com

Head Office and Principal Place of Business in Hong Kong

Suite 3103
Sino Plaza
255-257 Gloucester Road
Hong Kong

Principal Share Registrar and Transfer Office

SMP Partners (Cayman) Limited
Royal Bank House – 3rd Floor
24 Shedden Road, P.O. Box 1586
Grand Cayman KY1-1110
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Tricor Abacus Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

Principal Banker

Hang Seng Bank Limited
Standard Chartered Bank

Independent Auditor

BDO Limited
Certified Public Accountants

Legal Advisers

As to Hong Kong Law:
Michael Li & Co.

As to Cayman Islands Law:
Conyers Dill & Pearman

Stock Code

65

DEFINITIONS

In this annual report, unless the context otherwise requires, the following expressions shall have the following meanings:

"2009 Scheme"	a share option scheme adopted at an extraordinary general meeting of the Company held on 20 August 2009;
"2018 AGM"	an annual general meeting held by the Company on 17 June 2019;
"Amended and Restated Memorandum and Articles"	the memorandum and the articles of association of the Company adopted in an extraordinary general meeting held on 14 December 2016, and "Article" shall mean an article of the Articles of Association;
"Audit Committee"	the audit committee of the Company;
"Board"	the board of Directors of the Company;
"CG Code"	the Corporate Governance Code set out in Appendix 14 to the Listing Rules;
"Coal Mining Business"	production and sale of coal;
"Coal Upgrading Business"	provision of low-rank coal upgrading services;
"Company"	Grand Ocean Advanced Resources Company Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed and traded on the Main Board of the Stock Exchange (Stock Code: 65);
"Director(s)"	the directors of the Company from time to time;
"Group"	the Company and all of its subsidiaries from time to time;
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong;
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;
"INED(s)"	an independent non-executive Director(s) of the Company;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time;
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules;
"New Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended or supplemented from time to time;

"Nomination Committee"	the nomination committee of the Company;
"PRC" or "China"	the People's Republic of China;
"Remuneration Committee"	the remuneration committee of the Company;
"RMB"	Renminbi, the lawful currency of the PRC;
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time;
"Share(s)"	ordinary share(s) with par value of HK$0.01 each in the share capital of the Company;
"Shareholder(s)"	holder(s) of issued Share(s) from time to time;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited; and
"%"	percent.

CHAIRMAN'S STATEMENT

Over the past few years, the Group experienced major business cycles of the coal industry in the PRC. The management has realised the limitation of the growth potential of its existing coal mining operations due to the constraint of the production capacity and the risks associated with the changes in industry policies. With efforts and supports from the management of the Group, the overall business operations and performance of our coal mining operations remained stable in year 2019.

In view of the Chinese Government's affirmative policies on environment protection, the Group formed a joint venture in Qingdao, the PRC for the purpose of developing environmental-friendly tyres recycling plants in the PRC by end of 2019. This movement would provide the Company the opportunity to tap into the green technology market as a new business opportunity to the Group.

Due to the recent outbreak of coronavirus disease and fluctuations in oil price, the management will carry on its business operations and development and adopt adequate measures with respect to the changing public health and economic environment from time to time.

Last but not least, on behalf of the Board, we would like to express our sincere gratitude to our staff for their faiths in and devotion to the Group, and the Shareholders as well as our business partners for their continued supports. The Group will stay focused on enhancing its operation and capital efficiencies, as well as identifying new business opportunities, with an aim to maximising shareholders' value for the Group in long term.

The Board of Directors of the Company

20 March 2020

FINANCIAL HIGHLIGHTS

Financial Highlights

	2019 **HK$'000**	2018 HK$'000	Change
Operating Results			
From continuing operations			
Revenue	**178,301**	194,109	8.1%
Gross profit	**78,657**	73,533	7.0%
Other operating expenses	**–**	42,842	(100.0)%
Finance costs	**630**	717	(12.1)%
Loss for the year attributable to owners of the Company	**10,629**	27,018	(60.7)%
Loss per share from continuing operations – Basic	**HK0.71 cents**	HK1.8 cents	(60.6)%
Financial Position			
Total assets	**320,076**	368,498	(13.1)%
Total liabilities	**83,818**	165,159	(49.3)%
Bank and cash balances	**121,644**	155,635	(21.8)%
Equity attributable to owners of the Company	**141,823**	153,568	(7.6)%
Financial Ratios			
Current ratio	**2.47**	1.32	87.1%
Gearing ratio	**–**	6.7%	N/A

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, restated and represented as follows:

Results

	Year ended 31 December				
	2019 HK$'000	2018 HK$'000	2017 HK$'000 (Restated and represented)	2016 HK$'000 (Restated and represented)	2015 HK$'000 (Restated and represented)
Revenue					
From continuing operations	**178,301**	194,109	111,842	264,392	240,128
From discontinued operation	**–**	–	–	–	5,710
	178,301	194,109	111,842	264,392	245,838
Loss from operations	**(2,645)**	(29,644)	(48,775)	(25,783)	(92,208)
Finance costs	**(630)**	(717)	(715)	(1,156)	(1,515)
Loss before tax	**(3,275)**	(30,361)	(49,490)	(26,939)	(93,723)
Income tax credit/(expense)	**86**	17,267	(2,415)	(32,726)	(4,878)
Loss for the year from continuing operations	**(3,189)**	(13,094)	(51,905)	(59,665)	(98,601)
Profit/(loss) for the year from discontinued operation	**–**	7,758	(108,268)	(66,276)	(105,375)
Loss for the year	**(3,189)**	(5,336)	(160,173)	(125,941)	(203,976)
Attributable to:					
Owners of the Company	**(10,629)**	(18,933)	(143,604)	(120,645)	(171,236)
Non-controlling interests	**7,440**	13,597	(16,569)	(5,296)	(32,740)
	(3,189)	(5,336)	(160,173)	(125,941)	(203,976)

Five-Year Financial Summary (Continued)

Assets, Liabilities and Equity

	As at 31 December				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000 (Restated and represented)	HK$'000 (Restated and represented)	HK$'000 (Restated and represented)
Non-current assets	**162,598**	176,608	265,138	363,803	594,948
Current assets	**157,478**	191,890	155,271	124,942	146,560
TOTAL ASSETS	**320,076**	368,498	420,409	488,745	741,508
Non-current liabilities	**19,978**	20,322	68,435	60,159	85,670
Current liabilities	**63,840**	144,837	194,023	226,868	292,617
TOTAL LIABILITIES	**83,818**	165,159	262,458	287,027	378,287
NET ASSETS	**236,258**	203,339	157,951	201,718	363,221
Attributable to:					
Owners of the Company	**141,823**	153,568	126,487	156,459	310,216
Non-controlling interests	**94,435**	49,771	31,464	45,259	53,005
TOTAL EQUITY	**236,258**	203,339	157,951	201,718	363,221

Notes:

The results of the Group for the years ended 31 December 2017, 2016 and 2015 and of the assets, liabilities and equity of the Group as at these dates have been restated as a results of the prior year adjustments made in previous years.

The results of the Group for the year ended 31 December 2015 to 2017 have been restated and represented as a results of the reclassification of the Bags Business and Coal Upgrading Business to discontinued operation in 2016 and 2018, respectively as well as the prior year adjustments made in previous years.

The results of the Group for the year ended 31 December 2019 and of the assets, liabilities and equity of the Group as at 31 December 2019 are those set out on pages 69 to 75 of the audited financial statements respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

Business and financial review

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

The Coal Mining Business

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

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

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

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

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

Business and financial review (Continued)

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

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

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

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

Note:

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

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

Business and financial review (Continued)

Selling and distribution expenses

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

Administrative expenses

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

Finance costs

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

Loss for the year

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

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

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

Business and financial review (Continued)

Other loans under the current liabilities

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

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

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

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

Business and financial review (Continued)

Use of proceeds from the placing

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

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

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

Liquidity and financial resources

As at 31 December 2019,

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

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

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

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

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

Pledge of assets

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

Foreign currency risk

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

Acquisition and disposal of material subsidiaries and associates

Apart from the formation of Qingdao Xinghua Resources Holding Company Limited (青島星華資源控股有限公司) ("**Qingdao Xinghua**"), a joint venture company established in the PRC in December 2019, the equity interest of which is owned as to 51% by an indirect wholly-owned subsidiary of the Company and as to the remaining 49% are owned by two independent third parties, in relation to the development of environmental-friendly tyres recycling plants in the PRC, the Group did not acquire or dispose of any material subsidiaries and associates during the year ended 31 December 2019.

Significant investment

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

Contingent liabilities

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

Capital commitment

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

Employees

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

PROSPECTS

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

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

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

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

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

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Ng Ying Kit

Aged 42, joined the Company as the vice president of the business development and corporate finance division in June 2014, and was appointed as an executive Director and the compliance officer of the Company in February 2015. He is a member of the Nomination Committee and the Remuneration Committee. 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.

Mr. Ren Hang

Aged 36, was appointed as an executive Director of the Company in July 2018. He obtained a Bachelor's degree of Business Administration from Yang-En University in Quanzhou City, Fujian Province, the People's Republic of China in 2006. Mr. Ren has more than 10 years of experience in corporate management and project investment analysis. He worked as Assistant General Manager in Lianhe (Fujian) Enterprise Management Co Ltd from December 2006 to September 2011. Mr. Ren then served as Vice President in a PRC real estate development company established in Hong Kong overseeing investment analysis from September 2011 until present.

Independent Non-executive Directors

Mr. Kwok Chi Shing
Aged 58, has been appointed as an independent non-executive Director of the Company since January 2006. He is the chairman of 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 in Hong Kong.

Mr. Chang Xuejun
Aged 49, 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 was re-designated as Chairman of the Remuneration Committee and the Nomination Committee on 22 January 2020. 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 partner of LI & PARTNERS Attorneys at Law in Shenzhen, the PRC.

Mr. Ho Man
Aged 50, 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 in January 2020. Mr. Ho is a Chartered Financial Analyst. He was awarded an Executive Master of Business Administration degree from Tsinghua University in the PRC in July 2008 and a Master of Science in Finance degree from the London Business School in the United Kingdom in November 1997. Mr. Ho has more than 20 years of working experience in private equity investment and finance. Mr. Ho is currently the managing director of an investment holding company.

Senior Management

Ms. Wan Shui Wah
Aged 40, the group financial controller and company secretary of the Company. She joined the Company and was appointed to the positions in February 2015. Ms. Wan received a Bachelor's degree in Accounting from the Hong Kong Polytechnic University and is a fellow member of the Hong Kong Institute of Certified Public Accountants. She has extensive experience in the auditing, accounting and finance fields.

Mr. Wang Yun Lung
Aged 56, the financial director of Inner Mongolia Yuan Yuan Energy Group Jinyuanli Underground Mining Company Limited, the Group's indirect non-wholly owned subsidiary. Mr. Wang graduated from the Jilin Radio and TV University in the PRC in 1989 with 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 REPORT

Corporate Governance

The Company's corporate governance practices are based on the principles and code provisions as set out in the 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 during the year ended 31 December 2019 except for the following deviations:

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

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

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

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

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

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code as the required standard governing securities transactions by the Directors. The Company made specific enquires to all the Directors and all the Directors have confirmed that they had complied with the required standards set out in the Model Code during the year ended 31 December 2019.

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

During the year 2019 and up to the date of annual report, the Board comprised five Directors, including two executive Directors and three INEDs.

Executive Directors

Mr. Ng Ying Kit
Mr. Ren Hang
Ms. Huo Lijie *(resigned on 30 April 2019)*

Independent Non-Executive Directors

Mr. Kwok Chi Shing
Mr. Chang Xuejun
Mr. Ho Man *(appointed on 22 January 2020)*
Mr. Huang Shao Ru *(resigned on 31 October 2019)*

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

Details of the qualifications and experience of the 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 or her duties effectively and efficiently.

The Board is responsible for the leadership and control of the Company and overseeing the Group's business, strategic decisions and performances. The Board delegates its authority and responsibilities to the senior management for the day-to-day management and operations of the Group. Approval has been obtained from the Board prior to any significant transactions being entered into by the senior management. Besides, the Board has established Board Committees and has delegated to these Board Committees various responsibilities as set out in their respective terms of reference.

During 2019, the Company had INEDs who have appropriate and sufficient experience and qualifications to carry out their duties so as to protect the interests of the Shareholders. The Company has received an annual confirmation from each of the INEDs, who acted in such capacities during 2019, on their respective independence pursuant to Rule 3.13 of the Listing Rules and the Company considered each of them to be independent. Mr. Kwok Chi Shing, Mr. Chang Xuejun and Mr. Ho Man are currently the INEDs.

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	2018 AGM Attended/held	2018 AGM Attendance percentage
Mr. Ng Ying Kit	4/4	100%	1/1	100%
Mr. Ren Hang	4/4	100%	1/1	100%
Mr. Kwok Chi Shing (1)	4/4	100%	1/1	100%
Mr. Chang Xuejun (1)	4/4	100%	1/1	100%
Mr. Ho Man (2)	N/A	N/A	N/A	N/A
Ms. Huo Lijie (3)	1/1	100%	N/A	N/A
Mr. Huang Shao Ru (1), (3)	4/4	100%	1/1	100%

Notes:

(1) Mr. Kwok Chi Shing, Mr. Huang Shao Ru and Mr. Chang Xuejun attended the 2018 AGM by telephone conference call.

(2) Mr. Ho Man was appointed as an independent non-executive Director on 22 January 2020.

(3) Ms. Huo Lijie resigned as an executive Director being effective on 30 April 2019.

(4) Mr. Huang Shao Ru resigned as independent non-executive Director being effective on 31 October 2019.

(5) The 2018 AGM was held on 17 June 2019 and no other shareholder meeting held during the year 2019.

Apart from four regular Board meetings each year, the Board met on 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.

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 code provisions set out in the relevant section of the CG Code. During 2019, the Remuneration Committee comprised two INEDs, namely Mr. Huang Shao Ru (the chairman) (resigned on 31 October 2019) and Mr. Chang Xuejun, and one executive Director, Mr. Ng Ying Kit. On 22 January 2020, Mr. Chang Xuejun was re-designated as Chairman of the Remuneration Committee and Mr. Ho Man was appointed as an independent non-executive director and a member of the Remuneration Committee on 22 January 2020.

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, contributions and responsibilities of the Directors, employment conditions and desirability of performance-based remuneration.

During 2019, two meetings were held by the Remuneration Committee which the following works were performed:

(i) discussed and reviewed the existing policy and structure of the remuneration for the Directors and senior management of the Company;

(ii) reviewed and recommended to the Board the proposal for salary adjustments for the executive Directors and senior management of the Company;

(iii) reviewed the performance bonus of the board and senior management; and

(iv) made recommendations on the remuneration of non-executive Directors to the Board and approved the terms of the service agreements for executive Directors.

The attendance record of each member of the Remuneration Committee is as follows:

	Number of the Remuneration Committee meeting attended/held	**Attendance percentage**
Mr. Huang Shao Ru (1)	2/2	100%
Mr. Chang Xuejun (2)	2/2	100%
Mr. Ng Ying Kit	2/2	100%
Mr. Ho Man (3)	N/A	N/A

Notes:

(1) Mr. Huang Shao Ru resigned as a chairman of the Remuneration Committee on 31 October 2019.

(2) Mr. Chang Xuejun was re-designed as a chairman of the Remuneration Committee on 22 January 2020.

(3) Mr. Ho Man was appointed as a member of the Remuneration Committee on 22 January 2020.

The Remuneration Committee had 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 were fair and reasonable.

Nomination Committee

The Company established the Nomination Committee in September 2005. As at 31 December 2019, the Nomination Committee comprised two INEDs, namely Mr. Huang Shao Ru (the chairman) (resigned on 31 October 2019) and Mr. Chang Xuejun, and one executive Director, Mr. Ng Ying Kit. On 22 January 2020, Mr. Chang Xuejun was re-designated as the Chairman of the Nomination Committee and Mr. Ho Man was appointed as independent non-executive director and a member of the Nomination Committee.

The role and function of the Nomination Committee include, among others, 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 considered 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.

Director Nomination Policy

The Board has delegated its responsibilities and authority for selection and appointment of Directors to the Nomination Committee of the Company. The Company has adopted a Director Nomination Policy which sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of Directors of the Company and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

The Director Nomination Policy sets out the factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- Character and integrity;
- Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;
- Diversity in all aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service;
- Requirements of Independent Non-executive Directors on the Board and independence of the proposed Independent Non-executive Directors in accordance with the Listing Rules; and
- Commitment in respect of available time and relevant interest to discharge duties as a member of the Board and/or Board committee(s) of the Company.

During 2019, one meeting was held by the Nomination Committee which the following works were preformed:

(i) reviewed the structure, size and composition of the Board; and

(ii) assessed the independence of independent non-executive Directors.

The attendance record of each member of the Nomination Committee is as follows:

	Number of the Nomination Committee meeting attended/held	Attendance percentage
Mr. Huang Shao Ru (1)	1/1	100%
Mr. Chang Xuejun (2)	1/1	100%
Mr. Ng Ying Kit	1/1	100%
Mr. Ho Man (3)	N/A	N/A

Notes:

(1) Mr. Huang Shao Ru resigned as a chairman of the Nomination Committee on 31 October 2019.

(2) Mr. Chang Xuejun was re-designated as a chairman of the Nomination Committee on 22 January 2020.

(3) Mr. Ho Man was appointed as a member of the Nomination Committee on 22 January 2020.

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 2019, the Audit Committee comprised three INEDs, namely Mr. Kwok Chi Shing (the chairman), Mr. Huang Shao Ru (resigned on 31 October 2019) and Mr. Chang Xuejun. On 22 January 2020, Mr. Ho Man was appointed as an independent non-executive Director and a member of the Audit Committee. Among the Committees, Mr. Kwok Chi Shing possessed appropriate professional accounting and related financial management expertise in compliance with the requirements set out in Rules 3.10(2) of the Listing Rules.

The Audit Committee held three meetings during 2019 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:

	Number of the Audit Committee meeting attended/held	Attendance percentage
Mr. Kwok Chi Shing	3/3	100%
Mr. Huang Shao Ru	3/3	100%
Mr. Chang Xuejun	3/3	100%
Mr. Ho Man	N/A	N/A

During 2019, the Group's unaudited interim results for the six months ended 30 June 2019 and annual audited results for 2019 had been reviewed by the Audit Committee, which was of the opinion that the preparation of such results had complied with the applicable accounting standards and requirements and 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 2019.

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, Ms. Wan Shui Wah, provided her training records to the Company, indicating that she had taken no less than 15 hours of relevant professional training by means of attending seminars and reading relevant guideline materials during 2019.

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 2019 amounted to approximately HK$1,300,000 (2018: HK$1,380,000) and HK$150,000 for reviewing 2019 interim report) (2018: HK$130,000, included the reviewing of 2018 interim report and continuing connected transactions of the Group for 2018) 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.

As at the date of this annual report, the current Board composition under diversified perspectives is set out as follows:

	Number of Directors	Proportion of the Board
Educational Background		
Accounting or finance	2	40%
Business administration	1	20%
E&E Engineering	1	20%
Legal	1	20%
Gender Diversity		
Male	5	100%
Female	–	0%
Age Group		
36 – 40	1	20%
41 – 45	1	20%
46 – 50	2	40%
51 – 55	–	0%
56 – 60	1	20%
Length of Service		
1 – 5 years	2	40%
6 – 10 years	2	40%
11 – 15 years	1	20%

Remuneration of Directors and Senior Management

Particulars of the Directors' remuneration for 2019 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 "Profiles of Directors and Senior Management" in this annual report for 2019 by band is set out below:

Remuneration band	Number of individuals
Nil – HK$1,000,000	–
HK$1,000,001 – HK$1,500,000	1
HK$1,500,001 – HK$2,000,000	1
	2

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 2019.

As disclosed in Note 2(b) 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 in 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, BDO Limited has stated in the independent auditor's report its reporting responsibilities on the Company's consolidated financial statements for the year ended 31 December 2019.

Risk Management and Internal Controls

The Board has overall responsibility for maintaining sound and effective risk management and internal control systems in order to manage rather than eliminate the risk of failure to achieve business objectives, and to provide reasonable and not absolute assurance against material misstatement or loss.

The Company has not established an internal audit department and the Directors are of the view that given the size, nature and complexity of the business of the Group, it would be more cost effective to appoint external independent professional firms to perform the internal audit function for the Group as the need arises.

The Board conducted a review and assessment of the effectiveness of the Group's risk management and internal control systems and procedures in 2019 through the discussions with all the business segments heads, the management of the Group and members of the Audit Committee. The review covered financial, operational and compliance controls, which include fixed assets management, purchasing and payment cycle, inventory management, credit risk management and payroll handling, to ensure the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting functions. The management of each business segment was responsible for its daily operations and operational risks and implementation of mitigation measures. The Board considers that the risk management and internal control systems are effective and adequate and that the Company has complied with the code provisions relating to risk management and internal control of the CG Code.

The Company is aware of its obligation under the SFO, the Listing Rules and the overriding principle that inside information should be announced on a timely manner and conducts its affairs in strict compliance with the applicable laws and regulations prevailing in Hong Kong. The Company has established disclosure mechanism regarding the procedures of identifying inside information and preserving its confidentiality until proper dissemination with the Board's approval through the electronic publication systems operated by the Stock Exchange and the Company.

Constitutional Documents

There were no changes in the constitutional documents of the Company during 2019.

Dividend

The Company had a dividend policy. The Board has the discretion to declare and distribute dividends to the shareholders of the Company after taking into account factors such as financial performance, working requirement and external economic conditions. The Directors do not recommend any dividend for the year ended 31 December 2019 (2018:Nil).

Shareholders' Rights

Convening EGM and putting forward proposals

Under the Amended and Restated Memorandum and 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 carrying the right of voting at general meetings of the Company, can require an extraordinary general meeting 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 extraordinary general meeting 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 Board or the Company Secretary.

(2) Where, within 21 days from the date of deposit of the requisition, if the Board fails to proceed to convene an extraordinary general meeting, 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 in due course. The Company also replies to enquiries from the Shareholders timely. The Directors host an annual general meeting each year to meet with the Shareholders and answer their enquiries.

For putting forward any enquiries to the Board, the Shareholders may send written enquiries to the Company to our principal of business at Suite 3103, Sino Plaza, 255-257 Gloucester Road, Hong Kong. The Company will not normally deal with verbal or anonymous enquiries.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

About this Report

The Group is committed to building an environmentally-friendly corporation, while maintaining high quality standards in production and sale of coal. The Group's coal related operations are based in a strategic location, Inner Mongolia, which possesses one of the richest low-rank coal reserves in the People's Republic of China (referred to as the "**PRC**"). Given the ongoing trends of industrialisation and urbanisation, the PRC is the largest producer and consumer of coal in the world; hence, it is important that the Group helps raise awareness about the increasing industrial pollution, climate change and social injustice. The Group considers social and environmental responsibilities as one of the core values in its business operations, the Group strives for greater sustainability and transparency, as well as creating products that foster a sustainable environment for future generation.

This report summarises several subjects of the Group's business practice for the Environment Social Governance (referred to as the "**ESG**") report (referred to as the "**Report**") and its relevant implemented policies and strategies in relation to the Group's operational practices and environmental protection.

The Report covers the period from 1 January 2019 to 31 December 2019 (the "**Reporting Period**" or the "**FY2019**").

Report Compilation Basis

The Report is prepared according to the "Environmental, Social and Governance Reporting Guide" (the "**ESG Reporting Guide**") under Appendix 27 to the Listing Rules of The Stock Exchanges of Hong Kong Limited ("**Stock Exchange**"). With reference to the definition stated in the ESG Reporting Guide, the presentation of our Report will divide those aspects and key performance indicators ("**KPI**"), which are considered to be relevant and material to the Group's businesses and operations, into five subject areas: Environmental Protection, Social Responsibility, Operating Practices, Sustainability and Corporate Governance.

Certain data of the ESG Report is extracted from the audited financial statements of the Company for the year ended 31 December 2019 (prepared in accordance with the applicable Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards and Interpretations), whilst other data comes from internal database of the Company and other relevant statistics.

Scope of this Report

The Report describes the Group's environmental, social and governance management approach, strategy, priorities and objectives covering various main areas including Environmental Protection, Social Responsibility, Operating Practices and Sustainability. For corporate governance of the Group, please refer to pages 18 to 27 of the Corporate Governance Report in the 2019 Annual Report of the Company.

The Report covers the Group's headquarter in Hong Kong and its operation sites in the PRC in the operation of the Group's core business i.e. coal mining. The Group's PRC operation represents the majority of the Group's environmental and social impacts, and the impacts from its headquarter office in Hong Kong is minimal. Thus, this Report content focus mainly on the mining site of coal mining business in Inner Mongolia, the PRC, unless stated otherwise.

There were no significant changes in the scope of this Report from that of the 2018 Report published on 25 April 2019.

Stakeholder Engagement

The Group believes that understanding the views of the stakeholders lays a solid foundation to the longterm growth and success of the Group. The Group has a wide network of stakeholders, including employees, customers, suppliers and business partners, investors, government and local community.

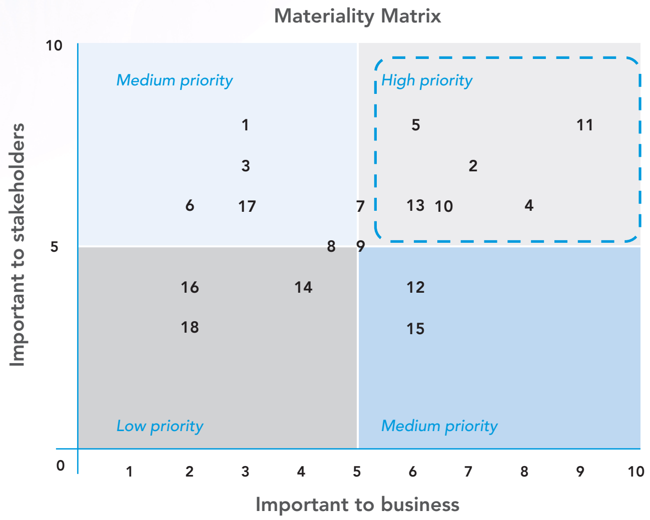
The Group develops multiple channels to the stakeholders which summarised in the following table which provide them with the opportunities to express their views on the Group's sustainability performance and future strategies. To reinforce mutual trust and respect, the Group is committed to maintaining enduring communication channels, both formally and informally, with stakeholders to enable the Group to better shape its business strategies in order to respond to their needs and expectations, anticipate risks and strengthen key relationships. The information collected through different communication processes serves as an underlying basis for the structure of this Report.

Stakeholder Groups	Engagement Channels	Possible concerned
Investors	• General meetings • Regular corporate publications including financial reports • Circulars and announcements • Corporate website • Direct communication • Meetings and responses to phone and written enquiries	• Business strategies and sustainability • Financial performance • Corporate governance
Customers	• Direct communication • Emails • Business meetings	• Service quality and reliability • Customers information security • Business ethics
Employees	• Appraisals • On-the-job coaching • Trainings • Internal memorandum • Human resources manual • Exit interview	• Training and development • Employee remuneration • Rights and benefits • Working hours • Occupational health and safety • Equal opportunities
Suppliers and business partners	• Business meetings • Tendering for procurement of products or services	• Fair competition • Fulfillment of promises • Payment schedule
Government and other regulatory authorities	• Statutory filings and notification • Regulatory or voluntary disclosures	• Compliance with law and regulations • Treatment of inside information • Co-operation with enquiries
Local community	• Community activities • Donations	• Environmental protection • Fair employment opportunities

Materiality Assessment

The Group has maintained close communication with the stakeholders since the Group listed in the Stock Exchange. Through ongoing discussions and direct communications with the stakeholders, the Group understands the main concerns and material issues that matter most to the stakeholders. The main concerns and material issues are listed below:

ESG aspects as set out in ESG Reporting Guide		Material ESG issues for the Group
A. Environmental	A1 Emissions	1. Air Emission 2. Greenhouse Gas Emission 3. Waste Management
	A2 Use of Resources	4. Energy Consumption 5. Water Consumption 6. Paper consumption
	A3 The Environment and Natural Resources	7. Environmental Risk Management
B. Social	B1 Employment	8. Human Resources Practices 9. Employment and Remuneration Policies 10. Equal Opportunity
	B2 Health and Safety	11. Employees' Health and Workplace Safety
	B3 Development and Training	12. Employee Development
	B4 Labour Standards	13. Anti-child and Forced Labour
	B5 Supply Chain Management	14. Supplier Practices
	B6 Product Responsibility	15. Product quality and Customers Satisfaction 16. Protection of Customers Privacy
	B7 Anti-corruption	17. Anti-corruption and Anti-money Laundering
	B8 Community Investment	18. Community Investment



Pursuant to environmental and social issues based on the ESG Reporting Guide within the scope of sustainability and the information collected from the stakeholders and the assessments of their importance on business, the Group built a two-dimensional materiality matrix and identified the following issues that are in high priority to the stakeholders and the Group. The priorities are set based on the management's view as well as stakeholders' feedback.

Number	Topics
2	Greenhouse Gas Emission
4	Energy Consumption
5	Water Consumption
10	Equal Opportunity
11	Employees' Health and Workplace Safety
13	Anti-Child and Forced Labour

Reporting Period

The information published in the Report covers the period from 1 January 2019 to 31 December 2019, which is the same as the financial year as reported in the 2019 Annual Report of the Company.

Environmental Responsibility

Coal mining operation is closely related to the ecological environment. Coal mining, in nature, is a kind of exploration of natural resources. Coal production process requires a lot of water and energy. Moreover, plenty of coal dust and noise will be generated during the coal mining operation. Coal mining business significantly influences the surroundings ecologically throughout the coal mining operation from exploration and development, mining, processing, loading and transportation to rehabilitation.

Being aware of the environmental impact arisen from the coal mining processes, the Group is highly responsible to the environment. In addition to the compliance with all appropriate laws and regulations of the Ministry of Environmental Protection of the PRC, the Group strives to achieve sustainable development in the coal mining operation.

The Group is committed to endorsing a green environmental protection enterprise culture in the business development. Geological and mining specialists are involved in the decision making and planning process that help to achieve the goal in a much greener and environmental-friendly manner. With a series of environmental policies established, the Group takes measures to minimise the potential adverse impact on the environment and preserve natural resources arising from the operation and activities.

Owing to the nature of the business, the Group's commitment to the environment focuses on the reduction of emission, the efficiency of energy and water usage, as well as the conservation of ecological environment.

Comments and Feedback

The Group welcomes stakeholders to share their enquiry or opinion on the Group's sustainability issues via:

Address: Suite 3103, Sino Plaza, 255-257 Gloucester Road, Hong Kong
Telephone: (852) 2831 9905
Fax: (852) 2838 0866
E-mail address: ir@grandocean65.com

Going forward, the Group will endeavor to improve its current policies, strengthen communications with the stakeholders, strive to enhance the stakeholders' value and achieve a mutual beneficial outcome.

A. Environmental Protection

The implementation of environmental management could result in having higher resources recovery efficiency, more clean coal and improving the operating industrial efficiency, profitability, company reputation and competitiveness.

The Group strives to ensure the product safety for consumers and protect environment and local communities where the coal production takes place. The Group understands and acknowledges that in order to maintain the coal production process as environmental friendly as possible, the environmental issues must be managed properly. Thus, the Group regularly monitors and measures its coal production activities to ensure they are adhering to the national standards. The scope of monitoring measures undertaken at the coal mining operation includes noise, water, dust, and ecological restoration. The results of the collected monitoring data are used to identify and address possible measures that can diminish the adverse impacts of its operations on the environment.

The Group's management team is responsible for implementing and monitoring environmental management plans and programs. The management team identifies and addresses possible measures to reduce the adverse impacts of its operation on the environment. The Group's management team is also responsible for ensuring timely execution and submission of environmental plans and reports to related authorities, and obtaining the requisite licenses and permits.

The management team strives to ensure that the Group has complied with the relevant environmental legislations, including but not limited to:

- The Coal Law of the PRC《中華人民共和國煤炭法》
- Mineral Resources Law of the PRC《中華人民共和國礦產資源法》
- Provisions on the Protection of the Geologic Environment of Mines《礦山地質環境保護規定》

A.1 Emissions

The coal mining operation and activities of the Group inevitably generates different kinds of emissions. The Group's major emissions include coal dust, sewage and noise. The Group strives to minimise the emissions and takes practicable and possible measures to comply with the relevant laws and regulations relating to environment protection.

A.1.1 Air Emission

Coal dust is the main air emission of the Group's coal mining operations. The heavy metal elements contained in the coal dust is harmful to the health. Its explosive nature also poses a potential risk of fire and explosion in the mine site. Therefore, the Group has established and implemented strict policies and measures in dust control, with the aims to reduce the amount of dust generated in the vicinity of the mine site and the coal haul road in accordance with the Group's dust generation management plan.

During the Reporting Period, the Group's dust prevention measures including but not limited to:

I. *Construction of environmental facilities*

Built a storage facility that holds the non-combustible ingredients of coal and the ash trapped by equipment that is designed to reduce air pollution;

II. *The construction methodology of mine haulage roads*

Enhanced the roads in particular using carefully selected dust suppressing materials to reduce propensity for dust generation;

III. *Water sprinkler system*

Regularly spray treated waste water during various stages of the coal handling process and on the haulage mine roads;

IV. *Building and maintenance of dedicated facilities for dust reduction*

Built the special wire fence surrounding the coal stockpile in order to reduce wind speed and dust dispersion in the area;

V. *Transport coal in covered trucks*

Always apply temporary covers to control dust moving from the site to the area outside; and

VI. *Speed limits enforcement*

Set the speed limits for heavy machinery and light trucks during coal transportation.

Given the fugitive nature of coal dust, the Group is not able to have an exact measurement on the total emission of coal dust. Nevertheless, the Group appointed an independent qualified expert to measure the air quality in the mine site on a regular basis. Based on the latest environmental inspection report issued on November 2019, Sulfur Dioxide (SOx) and Total Suspended Particulate (TSP) emission met the requirement of the Discharge Standard for Coal Industry《煤炭工業污染物排放標準》, which indicated that the coal dust was well under control and has not caused any apparent deterioration in air quality of the mine site.

During the Reporting Period, the key air pollutants (Nitrogen Oxides, Sulphur Oxides and Particulate Matter) emission data is as follows:

Emissions (Note)	Unit	**For the year ended 31 December 2019**
Nitrogen Oxides (NOx)	kg	**156.7**
Sulphur Oxides (SOx)	kg	**5.9**
Particulate Matter (PM)	kg	**11.3**

Note:

1. The emission data for the year ended 31 December 2019 from gaseous fuel consumption are calculated based on the Appendix 2 of "Reporting Guidance on Environmental KPIs"– March 2020 version published by HKEx.

A.1.2 Greenhouse Gas Emission

During the Reporting Period, the policies and measures regarding environmental protection were effective and the Group was not subject to any confirmed violation cases nor breached any laws and regulations relating to environmental protection.

The emission data is as follows:

Total Greenhouse Gas ("GHG") Emissions (Note)	**Unit**	**For the year ended 31 December 2019**	For the year ended 31 December 2018
Scope 1 (Vehicle fuel)	tonnes	**1,001.9**	1,093.5
Scope 2 (Purchased electricity and purchased gas)	tonnes	**9,674.4**	11,455.9
Scope 3 (Paper waste disposal at landfills and business air travel by employees)	tonnes	**12.0**	82.9
Total	tonnes	**10,688.3**	12,632.3
Intensity (per employee – tonnes/employee)		**23.1**	28.1

Note:

1. Total GHG emissions = CO_2 emissions + CO_2 equivalent emissions of other GHGs emitted.

A.1.3 Noise Emission

There are various sources of noise that are typically associated with the Group's coal mining operation, which includes dump trucks, large earth-moving equipments such as excavators and coal transportation trucks. Blasting activities, which cause ground vibration as well as overpressure, may be felt or heard by its closest neighboring communities on occasion. The Group understands and acknowledges that noise and vibrations can impact the communities and takes constructive measures to mitigate the potential impacts. A noise management plan has been carried out according to the Group's assessment on sources and condition of noise and vibration regularly. The following policies have been implemented by the Group on noise control:

- Cooperation with suppliers to install noise control treatment on mining equipment which aims to control and reduce noise emission;
- Regular maintenance of machinery to ensure it operates with minimal noise; and
- Blasting only when weather conditions are deemed favorable.

A.1.4 Waste Management

The wastes in respect to the Group's operation mainly consist of waste gangue (矸石), living waste and sludge. Waste gangue and sludge are hazardous waste that is harmful to human health. In the year 2018, the Group has replaced the boiler with external purchased electricity as the power supply. Therefore, the Group will no longer generate boiler slag (鍋爐灰渣) which is hazardous to the environment. During the Group's coal mining operations of the Group, waste disposal is minimal since most of them can be reused. The following table shows the treatment of the waste taken by the Group.

Waste	Waste processing treatment
Waste gangue	Either used in paving or sold externally
Living waste	Buried or burnt at the designated rubbish disposal area permitted by the local authorities
Sludge	Either used for green fertilisation or disposed after composting

In addition to solid waste, mining operation also generates a large amount of sewage. The sewage was generated from coal mining operation for living and production. After precipitation, filtering, sterilisation and other sewage treatment processes, living sewage and production sewage generated can be reused in the area such as sprinkling for dust reduction, irrigation or use in power plant.

Wastewater is discharged after it met the discharge standards according to the "Integrated Wastewater Discharge Standard"《污水綜合排放標準》stipulated by the Ministry of Environmental Protection of the PRC (中華人民共和國環境保護部).

During the Reporting Period, the Group has generated approximately 108.6 tons of non-hazardous waste.

A.2 Use of Resources

Coal mining operation requires heavy usage of electricity and water. The Group has clearly defined the resources used in the business to ensure the efficient use of resources and to take measures to conserve energy consumption, including establishment of resources management plans, using energy efficient appliances and equipment for the promotion of environmental protection and resources recycling in the mining operation enhanced.

A.2.1 Electricity

Due to high degree of automation and mechanisation, the Group has a high level of electricity consumption for coal mining operation. For that reason, electricity not only becomes one of the major operating costs of the Group, the stability of electricity supply is also crucial to the Group's daily operation. The high level of electricity consumption also comes to significant indirect emission of greenhouse gas as mentioned before.

To minimise the impact of electricity consumption to both the business operation and the environment, the Group's management team has implemented delegation of responsibilities to the operation control system for power supply, and has implemented measures to achieve additional energy savings and reduce gas emissions.

Regular inspections by the Group management team are also carried out to ensure smooth operating procedures.

The responsibilities of the Group management team including but not limited to the followings:

- Investigate corporate policies with respect to energy saving;
- Examine the efficiencies of energy supply and the cost/benefits of upgraded equipment;
- Set energy targets and objectives for promotion of corrective and preventive actions; and
- Regularly educate relevant departments of the Group on energy conservation.

The following are some of the initiatives adopted by the Group for stable electricity supply and electricity saving:

- In tunnel driving (巷道掘進), the reduction in ventilation resistance is taken into account to reduce the energy consumption in ventilation.
- Supporting methods with low ventilation resistance factors such as shotcrete-bolt supporting (錨噴支護) are adopted as much as possible.
- Priority is given to the machine and equipment with high energy efficiency.

- The Group's electrical substation will make use of voltage compensation to increase its power factor (功率因數).
- Heating is centralised to supply from power station to reduce waste in energy.
- Mine drainage is scheduled to avoid peak hours of electricity consumption to reduce the risk of operation suspension arising from electricity shortage.

The energy consumption data is as follows:

Energy	Unit	**For the year ended 31 December 2019**	For the year ended 31 December 2018
Electricity	kWh'000	**12,246**	12,960
Intensity (per tons of coal)	kWh	**10.2**	10.8

A.2.2 Water

Water is another resource the Group consumes the most for coal mining operation. In Inner Mongolia, the PRC, water is precious so the Group treasures water resource. A compressive water management solution is implemented to provide the guidance to the management, employees and contractors with regard to the use and re-use of water. Water saving and re-use of water are the Group's major directions regarding to the water resource.

For water saving, effective water-saving production methods and instruments were adopted to enhance water efficiency. Water quality is also under inspection to prepare for the proposed installation of water saving facility.

In addition, the Group makes use of pit water to reduce the usage of fresh water. After water treatment such as filtering and sterilisation, these pit water will be used in firefighting, spraying for dust reduction, irrigation and power station.

During the Reporting Period, the Group has consumed 179,985 tonnes of water (2018: 154,000 tonnes), and its intensity was 0.15 tonnes of water per tonnes of coal production (2018: 0.13 tonnes).

A.3 The Environment and Natural Resources

A.3.1 Mining and surface subsidence

In general, coal mining operation may have adverse impacts on ecological environment. The Group adopts underground mining method (井工開採) to exploit the coal mine, which involves roadway development in the mine, that may alter the original geological structure of the mine and its surroundings. A large area of goaf (採空區) may be formed below the surface. Goaf will cause gradual surface subsidence that destroys the original landscape and vegetation, resulting in desertification and soil erosion.

For the Group's mine site in Inner Mongolia, the PRC, due to the characteristic of the local terrain, difference in elevation and the circumstances of the projected surface subsidence, the surface subsidence takes a long time to form and the affected area is limited. Besides, barrier pillar (煤柱) will be retained during mining process to prevent the mine from the surface subsidence. During the Reporting Period, the Group does not find any apparent surface subsidence formed.

In response to the requirement of the local government, the Group has also performed greening in the managed mine area. The survival rate of the plant meets the government requirement. The Group will continue to communicate and collaborate with the government in regards to environmental issue.

A.3.2 Mining efficiency

As coal is a non-renewable resource in the world, the Group tries hard to reduce waste in coal resource. As a mining company, it is the Group's social responsibility to enhance the mining efficiency. The Group strictly follows the extract recovery rate requirement set out by the government. Any mining operations or activities which will reduce the extract recovery rate without adequate reason is prohibited. Disposal of coal is also forbidden and any offender will receive severe penalty.

B. Social Responsibility

The Group believes building strong and lasting relationship with the employees and suppliers is essential to the on-going commitment as a socially responsible mining company. Besides, maintaining an honest and authentic dialogue is indispensable as a responsible organisation and partner to the stakeholders.

B.1 Employment and Labour Practices

B.1.1 Employment and Remuneration Policies

The Group has strictly complied with the Labor Law of the PRC and other relevant legislations. Based on these applicable law and regulation, the Group has set up policies and rules to guide and govern the human resource matters relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination and other benefits and welfare.

The Group's essential policies and procedures are also included in the staff handbook which will be reviewed and updated regularly. The Group discourages and disallows any behavior that violates the regulations under staff handbook. Offenders will receive warning, and the Group has the right to terminate employment contract with offenders for serious violations. During the Reporting Period, the Group did not find any significant violations of laws and regulation relating to human resources.

Workforce composition

At the end of the Reporting Period, the Group has 463 full-time employees (2018: 449). The overall staff turnover rate decreased from 23.11% to 12.06% in 2019. The Group will continue to make an effort to retain its employees. The composition of the Group's workforce by region, gender and age group and the turnover rate by gender are shown as below:

Table 1 - Total Workforce by Geographical Region

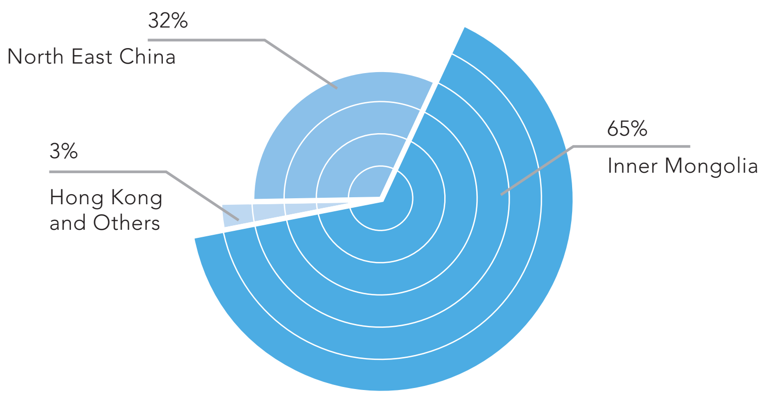


Table 2 - Total Workforce by Gender

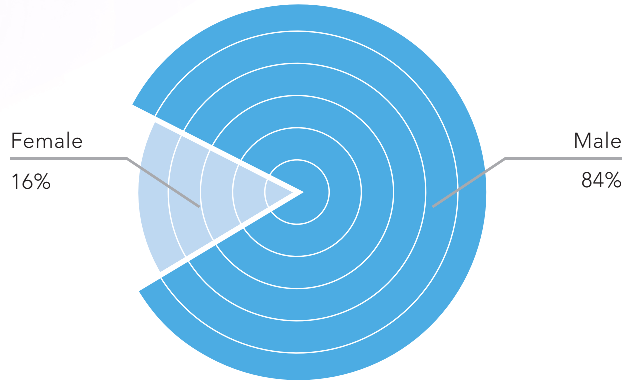


Table 3 - Total Workforce by Age Group

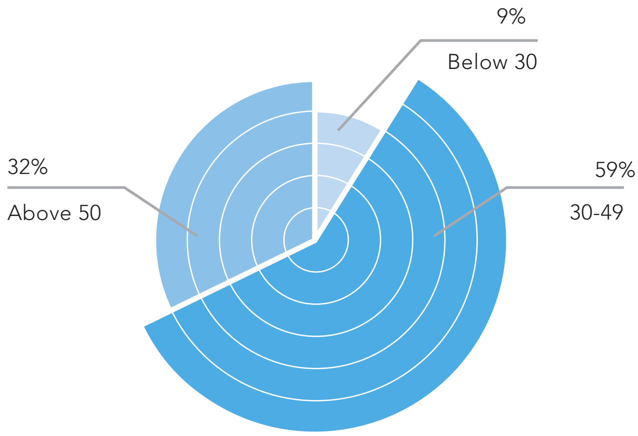
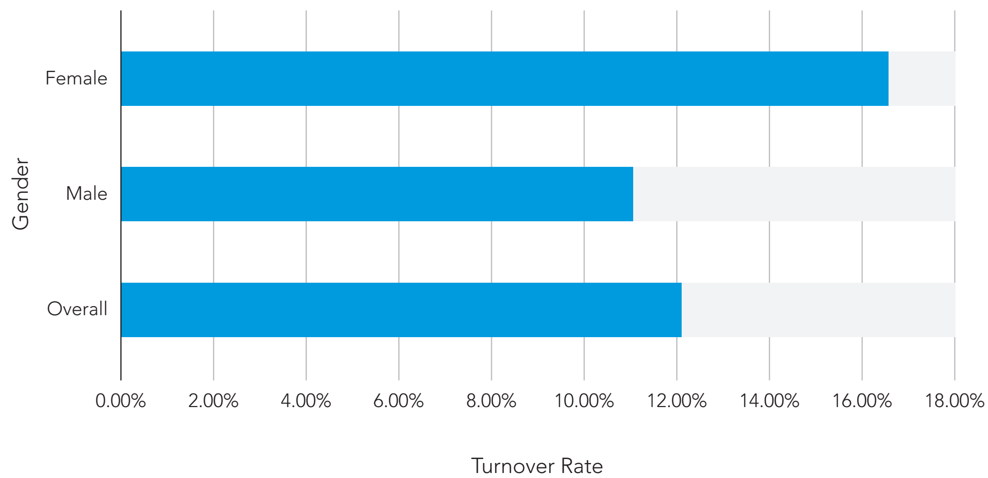


Table 4 – Total Work Force Turnover Rate by Gender



B.1.2 Staffing

The Group is an equal opportunity employer and does not discriminate on the basis of personal characteristics, gender or age. There are recruitment policies in place formulating the recruitment process and ensuring its equality and free from discrimination. Employment contract will be signed for every employment to protect both the Group and the employee. Before signing the employment contract, the employment contract and staff handbook will be fully explained to employee so that they can understand their rights, responsibilities, expected conducts and behaviors from the Company. The Group strictly prohibits the employment of children or forced labor and sets out the policies in the labor code to eradicate child labor, juvenile workers and forced labor.

B.1.3 Remuneration

As a responsible employer, employees of the Group are remunerated at a competitive level and are rewarded according to their performance and experience. The promotion and remuneration of the Group's employees are subject to regular review. The remuneration packages comprise of monetary remuneration, performance bonus and medical benefits. Given the high risk of the job nature, the mining workers engaged in specialised operations are also compensated with industrial injury insurance, medical insurance and serious illness insurance in excess of legal requirement.

B.2 Health and Safety

Bearing in mind that the operational efficiency of an enterprise and the maintenance of a healthy and safe working environment for all employees are closely related, the Group has been attaching great importance to a comfortable and safe working environment for our employees which protect them from any potential occupational hazards.

Workplace safety is always the prime concern for the Group, workers and the public. Even though it is not common to occur, the incidents about the safety of the mine are always severe accompanied with deaths and injuries. The Group aims to achieve zero work-related fatalities, injuries and accidents in compliance with all applicable rules and regulations regarding to Occupational Safety and Health (OSH).

To reduce the hazards of the potential mining incidents, the Group puts focus on ventilation, preventions of gas explosions, coal dusts and fires of the mine ventilation and three preventions' (一通三防). With consultation to and involvement from employees, the Group has developed work safety guidelines, employee safety procedures and precautions. The safety policies, procedure and measures will be reviewed annually and improve accordingly to ensure their effectiveness and timeliness.

In the Group, everyone is accountable to achieve the Group's goal in workplace safety and health. The Group has allocated a person at top management level a special responsibility to ensure the proper implementation of the health and safety management system. The Group has assigned safety officer responsible for providing a safe and healthy working environment and to ensure that the work environment is in line with or higher than requirements of relevant laws. Every employee is free to report or complain for any unsafe or unhealthy conditions or work practices to which the Group will respond after investigation.

During the Reporting Period, the Group has achieved zero work-related fatalities and 472 lost days due to work injury (2018: 430 days).

The Group understands that sense of belonging and morale of the employees are the key drivers of the healthy growth of every commercial organisation. As a result, the Group is determined to promote open and direct communication between employees and management. Causal and festival gatherings such as Christmas and Chinese New Year dinners are organised to enhance the harmonious sprit throughout the Group.

B.2.1 "Ventilation and Three Preventions" in Coal Mining Business

The Group has implemented "Ventilation and Three Preventions" which aims to bring a safer working environment. The Group has taken various key measures in reducing the safety risk and some are listed as follows:

Areas	Key Measures
Ventilation	• Gas density, hazardous gas density and ventilation facilities were checked and recorded by the qualified and experienced technician according to the preset standard and regulation in regular time, route and place. • Main ventilator for coal mine must be switched on round the clock. Chief engineer's approval is required for suspension of ventilator. • Mine worker can work only when there is adequate ventilation condition. Otherwise, mine workers are required to evacuate from the mine.
Gas Explosions Prevention	• Mine worker must bring gas monitoring device to the mine. Any onsite personnel should evacuate immediately when the hazardous gas density exceeds the limit. • Shaft-drifts in abandoned mining area and shaft-drifts with bad ventilation condition will be closed timely. • Registration is required for blind shaft-drifts.

Areas	Key Measures
Coal Dust Prevention	• Dust suppression system by water spray was established with adequate and clean water. Water pine has been installed in the shaft-drifts near the stope face. • All underground workers are required to wear coal dust masks and are strictly inspected before entered into the mine. • Dust suppression must be conducted by water spray in shaft-drifts regularly. • Respiratory and total cost dust density in operation area will be examined monthly and bi-weekly, respectively.
Fire Prevention	• Firefighting system with nitrogen must be installed in coal mines before coal production began. • Prediction of spontaneous combustion are performed weekly to identify the potential risk of combustion. • The goaf (採空區) will be build up a flame proof construction within 45 days and closed permanently to prevent the occurrence of spontaneous combustion and fires.

B 2.2 Mine rescue team

The mine rescue team was set up in 2017. The rescue team report directly to the general manager and is instructed by the chief engineer. All members are strictly selected, well trained and equipped with the newest rescuing equipment.

To ensure readiness to fight safety incident of the mine in any time, the mine rescue team receives training and maintains rescue equipment on a regular basis.

With adequate authorisation and clearly defined job duty, the team can react promptly to the safety incidents and rescue following the rescuing guideline. The mine rescue team greatly strengthen the rescuing capacity of the Company and now become an indispensable force in fighting safety incident of the mine.

In addition to workplace safety, workers' occupational health is also the issue of the Group's concern. The most direct and obvious occupational health issue for workers is their exposure to hazardous materials including coal dust and hazardous gas such as methane and carbon dioxide. The Group adopts plenty of measures to protect and improve occupational health, including, but not limited, to the followings:

- Provide necessary protective equipment to the employees such as dust masks, and self-contained self-rescue devices before entering the mine;
- Organise work schedule, such as job rotation and segregation by distance or time to minimise or reduce hazardous exposures;
- Provide hygiene facilities to reduce the hazardous exposure;
- Adopt automisation to reduce work that require repeated body movement; and
- Arrange body checks for workers.

The major laws and regulations in respect of occupational health and safeties applicable for mineral industries in the PRC are listed below:

- The Production Safety Law of the PRC《中華人民共和國安全生產法》
- The Mining Safety Law of the PRC《中華人民共和國礦山安全法》

During the Reporting Period, the Group is not aware of any material non-compliance with the abovementioned relevant laws and regulations that have a significant impact on the Group relating to providing a safe working environment and protecting employees from occupational hazards.

B.3 Development and Training

The Group regards its staff as an important asset and resource of the Group as they help to sustain its core values and culture. The Group is committed to providing comprehensive on-the-job training programs, which collectively serve as a platform to encourage its staff to develop potential and self-improvement.

The Group provides a clear career path and a transparent promotion system for its employees. Furthermore, the Group anticipates implementing employee training and development programs to enhance their skill set and to further realise their potential.

As occupational safety is the core concern of the Group, most of the training programme is designed to raise awareness of workers on occupational safety and health. In 2019, the Group has conducted group-wide safety training on the hazards of employee jobs and how to do their jobs safely for all employees in the PRC.

For the year ended 31 December 2019, a total of approximately 8,262 hours of training were provided to employees.

Percentage of employees trained	2019
By gender	
Male	**88.0%**
Female	**96.0%**

Average training hours per employee	2019
By gender	
Male	**17.6**
Female	**18.9**

The underground coal mine safety management certification training program is developed to provide the skills and knowledge required by coal mine workers to respond safely and appropriately to a fire or other emergency incident such as a fire that occurs at their work area underground.

In addition, the Group offers new miner training program for new employees to better understand their roles as miners, the program is delivered by safety supervision department for necessary safety knowledge and skills. All new employees are required to pass an examination after training to qualify for joining the Group.

B.4 Labour Standards

The Group does not tolerate the use of child or forced labour. It strictly follows the Employment Ordinance of Hong Kong and Labour Standards of the PRC, and make reference to international labour standards and industry practices. The human resources management system governs all recruitment and promotion activities so as to ensure no existence of child and forced labour. It also reviews the overall employment practices to avoid child or forced labour and other potential irregularities from time to time.

The Group does not hire child labour aged below the relevant legal threshold of the respective countries. At the time of interview, the Human Resources Department would request job applicants to present valid identification document for verification of their actual ages. It also conducts background checks and comprehensive recruitment review to ensure the accuracy and trueness of the applicant's information.

To ensure no forced labour, the Group conducts open and fair recruitment according to corporate plans and needs. It respects employees' rights that stipulated in the laws and regulations that all employees would receive a salary not lesser than the statutory minimum wage, have prescribed working hours pursuant to employment contract, and enjoy sufficient rest time and paid holidays. Any necessary arrangements of overtime working would be agreed by employees voluntarily. Overtime working and overtime pays (where applicable) are in line with the local laws and regulations. During working hours, employees are allowed to move freely within the work premises. Employees are allowed to terminate employment contract after giving reasonable notice according to the relevant employment contract.

The major laws and regulations in respect of occupational health and safeties applicable for mineral industries in the PRC are listed below:

- The Production Safety Law of the PRC《中華人民共和國安全生產法》

- The Mining Safety Law of the PRC《中華人民共和國礦山安全法》

The Group has strictly complied with all the rules throughout the Reporting Period and did not aware of any significant violation of human resources-related laws and regulations.

C. Operating Practices

C.1 Supply Chain Management

Supply chain management is one of the key elements in the Group's quality control system. The Group adheres to offer equal opportunities to all potential suppliers and partners to fulfill various needs of different customers. It believes that keen market competition can help us improve product quality, achieve cost minimization, and rapidly respond to customers' needs as well as provide them with more options.

The Group established supplier management system to ensure operations is fully complied with the PRC laws and regulations in relation to social and environment aspects in the most sustainable manner. The Group's supplier management system is responsible for designing, planning, implementing, controlling and monitoring the logistic activities with the goal of building a sustainable management culture.

The Group has continued to minimise the usage of water and energy while maintaining a high quality of mining coal, which in turn lead to less pollution, defects and more production. To ensure the minimisation of air pollution in the transportation process, the Group's transportation teams use dust suppressing substances and apply temporary cover for dust reduction during both inbound and outbound orders.

Fair and Open Competition

The Group promotes fair and open competition that aims to develop long-term relationships with its suppliers based on mutual trust. The Group has implemented the procurement procedures to ensure the fairness and openness of the procurement process. For example, quotations from more than one vendor are required to prompt the openness of the competition.

Safe and environmental friendly procurement

For the sake of safety and being environmental friendly for the procurement, the Group requires the products purchased with mining products safety sign, work safety licenses and meet the environmental requirements.

C.2 Product Responsibility

The Group believes that products and services of good quality are one of the key factors of success. It has always complied with the relevant laws and regulations and product quality is monitored closely to ensure the stability of high quality, health and safety of the products. The Group from time to time conducts quality check to ensure product quality. It strives to prohibit fraudulent, misleading, deceptive and other unfair commercial practices that may undermine customers' confidence and rights.

The major product of the Group's coal mine in Mongolia is lignite. The higher heating value of lignite generates more energy and produces fewer pollutants during burning. The Group strives to raise the heating value by controlling its moisture and ask. The Group has joined 通遼市煤炭行業管理協會 that has set up a requirement to ensure the coal quality, especially the heating value, to meet the customers requirement.

To minimise environmental harm at every stage of its mining operation, the Group is in conformity with all the relevant PRC standards and regulations, and fully devoted to regularly monitor and measure its activities to ensure they are acceptable according to national standards. During the Reporting Period, the Group was not aware of any coal production related policies and regulation.

During the Reporting Period, the production volume was approximately 1.20 million tonnes (2018: 1.20 million tonnes).

C.3 Anti-corruption

The Group adheres to the philosophy of honesty and integrity in doing business and adopts zero tolerance to corruption or any misconduct that is against the Group's interest. It has implemented various measures in compliance with the relevant laws and regulations relating to bribery, extortion, fraud and anti-money laundering, for example Prevention of Bribery Ordinance of Hong Kong and Anti-corruption Act of the PRC.

The Group is committed to achieving and maintaining the highest standards of openness, probity and accountability. Employees at all levels are expected to conduct themselves with integrity, impartiality and honesty and to comply with the relevant legal norms and ethical standards. It is every employee's responsibility and it is all interest of the Company to ensure that any inappropriate behavior or organisational malpractice that compromises the interest of the shareholders, investors, customers and the wider public does not occur.

During the Reporting Period, no litigations regarding bribery have been instituted against the Group and the staff.

C.4 Community Investment

Despite the challenging market and economic conditions, the Group is committed to contributing to socioeconomic development, community well-being and sustainability in Inner Mongolia, the PRC.

As a responsible corporate citizen, the Group actively searches for opportunities to improve its relationship with the local citizens. The Group has continued its efforts to retain its employees, train and hire local people whenever possible during the Reporting Period. The Group has created job opportunities for the local community and has provided different level of job positions from miner to management level.

D. Sustainability

The Group understands the importance of achieving economic, environmental and social sustainability for the long term success of the business. The sustainability guidelines lay out the principles and actions for managing and performing ethically and sustainably, throughout the operational flow. The Group will continue to deliver safe and quality services served by the enthusiastic team members, without endangering the environment. The Group will also continue to provide hearty service to the customers and contribute back to the community.

E. Corporate Governance

All management level has the responsibilities to maintain good corporate governance practices. Meetings are held regularly and once the management or the staffs notice any improvement on the corporate practices, the relevant operating practices will be reviewed.

The Directors are pleased to present their report and the audited consolidated financial statements of the Group for the financial year ended 31 December 2019.

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 2019 and the material factors to its financial performance are set out in the section headed "Management Discussion and Analysis" on pages 9 to 15 of this annual report.

To the Directors' 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, where necessary, to ensure transactions and business to be performed by the Company are in compliance with the applicable laws and regulations. For the further information regarding the Company's environmental policies and performance are set out in the "Environmental, Social and Governance Report" of this annual report.

Results and Dividend

The results of the Group for 2019 are set out in the consolidated statement of profit or loss and consolidated statement of other comprehensive income on pages 69 to 70.

The Board does not recommend the payment of a final dividend for 2019 (2018: 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 2019 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 2019, the Company had reserves available for distribution, calculated in accordance with the provision of the Cayman Islands Companies Law, amounting to approximately HK$75,346,000. The share premium account of the Company of approximately HK$96,935,000 as at 31 December 2019 was distributable to the Shareholders provided that immediately following the date on which the dividend proposed to be distributed, the Company will be in a position to pay off 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 18 to the consolidated financial statements.

Directors

The Directors during 2019 and up to the date of this annual report were:

Executive Directors

Mr. Ng Ying Kit
Mr. Ren Hang
Ms. Huo Lijie *(resigned on 30 April 2019)*

INEDs

Mr. Kwok Chi Shing
Mr. Chang Xuejun
Mr. Ho Man *(appointed on 22 January 2020)*
Mr. Huang Shao Ru *(resigned on 31 October 2019)*

In accordance with articles 83(3) of the Amended and Restated Memorandum and Articles, Mr. Ho Man was appointed as an executive Director on 22 January 2020, will retire from office at the forthcoming annual general meeting and, being eligible, will offer himself for re-election.

In accordance with articles 84(1) and 84(2) of the Amended and Restated Memorandum and Articles, Mr. Kwok Chi Shing and Mr. Chang Xuejun will retire from office by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

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

Directors' Service Contracts

Executive Directors

All executive Directors entered into service agreements with the Company. Mr. Ng Ying Kit and Mr. Ren Hang entered into a service agreement with the Company on 5 February 2015 and 23 July 2018, respectively. The service contracts of the two executive Directors shall continue thereafter unless and until terminated by other party giving not less than three months' notice in writing to the other party.

INEDs

Each of the INEDs was appointed for a term of three years by a letter of appointment and shall be subject to retirement and re-election in accordance with the articles of association of the Company.

None of the Directors proposed for re-election at the forthcoming annual general meeting 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 INEDs

The Company had received from each of the INEDs, who acted in such capacities during 2019, 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 16 to 17 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 to 8 of this annual report.

Directors' Material Interests in Transactions, Arrangements or Contracts

Save as disclosed in the paragraph headed "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 2019 or at any time during 2019 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 the Short Positions in the Shares, Underlying Shares and Debentures of the Company or Any Associated Corporations

As at 31 December 2019, 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 SFO), which were required to be 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 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 set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

	Capacity and nature of interest in Shares			Capacity and nature of interest in underlying Shares pursuant to share options				Approximate percentage of total issued share capital of the Company as at
Name	Personal Interests	Corporate Interests	Total Interests	Personal Interests	Family Interests	Total Interests	Aggregate Interests	31 December 2019
Mr. Ng Ying Kit	–	–	–	17,250,000	–	17,250,000	**17,250,000**	**1.15%**
Mr. Ren Hang	–	–	–	15,000,000	–	15,000,000	**15,000,000**	**1.00%**
Mr. Kwok Chi Shing	–	–	–	225,000	–	225,000	**225,000**	**0.01%**

Notes: Details of the share options held by Directors are set out under the heading "Share Option Scheme".

Save as disclosed above, as at 31 December 2019, none of the Directors and the chief executive 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.

Substantial Shareholders

As at 31 December 2019, so far as is known to the Directors or the chief executive of the Company based on the register maintained by the Company pursuant to Section 336 of the SFO, the following person (other than the Directors or the chief executive of the Company) had, or was deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange:

Name	Capacity/Nature of interest	Number of Shares or underlying Shares	Approximate percentage of the total issued share capital of the Company as at 31 December 2019
Liu Chang Deng	Beneficial owner	156,154,315	10.39%

Save as disclosed above, as at 31 December 2019, the Directors and the chief executive of the Company were not aware of any other person (other than Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of interests required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

Share Option Scheme

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 Directors) 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 contributions to the Group and/or to recruit and retain high caliber employees and to 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 remained 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.

A share option shall be deemed to have been granted and accepted (with retrospective effect from the offer date) when the duplicate letter comprising acceptance of the share option duly signed by the grantee with the number of Shares in respect of which offer is accepted clearly stated therein, together with a remittance in favour of the Company of HK$1.00 by way of consideration for the grant thereof is received by the Company within 7 days from the date of the offer.

The 2009 Scheme does not specify a minimum period for which a share option must be held nor a performance target which must be achieved before a share option can be exercised. However, the rules of the 2009 Scheme provide that the Board may impose, at its sole discretion, conditions on the grant of an option.

No Eligible Participant shall be granted a share option if exercised in full, would result in the total number of Shares issued and to be issued upon exercise of the share options granted to such Eligible Participant (including both exercised and outstanding share options) in any 12-month period exceeding 1% of the total number of Shares in issue unless such grant is separately approved by the Shareholders in general meeting.

A share option may be exercised in whole or in part by the grantee (or his legal representative(s)) within the option period, which shall be determined and notified by the Board to the grantee during which the option may be exercised and in any event shall be not more than 10 years commencing on the date on which the offer in relation to such share option is deemed to have been accepted.

Share Option Scheme (Continued)

In case of any change in the terms of share options granted to a substantial Shareholder or an independent non-executive Director, or any of their respective associates; or where any grant of share options to a substantial Shareholder or an independent non-executive Director, or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all share options already granted and to be granted (including share options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant: (a) representing in aggregate over 0.1% of the relevant class of Shares in issue; and (b) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK$5,000,000, such further grant of share options must be approved by the Shareholders.

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 the highest of (i) closing price of HK$0.700 per Share 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$0.500 per Share as at the First Date of Grant.

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 of HK$0.465 per Share 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$0.500 per Share as at the Second Date of Grant.

On 27 July 2018 (the "**Third Date of Grant**"), the Company granted certain share options comprising 150,000,000 underlying Shares, which represented approximately 9.98% 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 27 July 2018 to 26 July 2028 (both days inclusive). The exercise price of the share options granted HK$0.51 per Share, which was the highest of (i) the closing price of HK$0.51 per Share on the Second Date of Grant; (ii) the average closing price of HK$0.50 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$0.01 per Share as at the Third Date of Grant.

Share Option Scheme (Continued)

Particulars of the share options under the 2009 Scheme outstanding as at 31 December 2019 were as follows:

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

			Number of underlying Shares comprised in share options					
Name of Directors	Date of Grant	Exercisable Period	Balance as at 1 January 2019	Granted during year	Exercised during year	Cancelled/ Lapsed during year	Balance as at 31 December 2019	Exercise Price Per Share (HK$)
Executive Directors								
Mr. Ng Ying Kit	30 April 2015	30 April 2015 to 29 April 2025	2,250,000	–	–	–	2,250,000	0.710
	27 July 2018	27 July 2018 to 26 July 2028	15,000,000	–	–	–	15,000,000	0.510
			17,250,000	–	–	–	17,250,000	
Ms. Huo Lijie	28 July 2015	28 July 2015 to 27 July 2025	2,250,000	–	–	(2,250,000)	–	0.530
Mr. Ren Hang	27 July 2018	27 July 2018 to 26 July 2028	15,000,000	–	–	–	15,000,000	0.510
Subtotal			34,500,000	–	–	(2,250,000)	32,250,000	
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
Subtotal			450,000	–	–	(225,000)	225,000	
Total			34,950,000	–	–	(2,475,000)	32,475,000	

Share Option Scheme (Continued)

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

	Date of Grant	Exercisable Period	Number of underlying Shares comprised in share options: Balance as at 1 January 2019	Granted during year	Exercised during year	Cancelled/ Lapsed during year	Balance as at 31 December 2019	Exercise Price Per Share (HK$)
Employees	30 April 2015	30 April 2015 to 29 April 2025	450,000	–	–	–	450,000	0.710
	27 July 2018	27 July 2018 to 26 July 2028	45,000,000	–	–	–	45,000,000	0.510
Subtotal			45,450,000	–	–	–	45,450,000	
Other Eligible Participants	28 July 2015	28 July 2015 to 27 July 2025	4,500,000	–	–	(4,500,000) (Note)	–	0.530
	27 July 2018	27 July 2018 to 26 July 2028	75,000,000	–	–	–	75,000,000	0.510
Subtotal			79,500,000	–	–	(4,500,000)	75,000,000	
Total			124,950,000	–	–	(4,500,000)	120,450,000	

Note: As the number of share options have not been exercised by the legal representative of Mr. Xu Bin, the former Chairman and executive Director of the Company who passed away on 12 June 2018. Therefore, such share options lapsed on 11 June 2019 (share option may exercise within the period of 12 months following the date of death).

The maximum number of Shares to be issued upon exercise of all share options to be granted under the 2009 Scheme was refreshed to 150,347,716 shares (the "**Scheme Mandate**") on 29 June 2018, being 10% of the total number of issued shares of the Company as at the date of passing of an ordinary resolution by the Shareholders to approve the refreshment of the Scheme Mandate. As at 31 December 2019, as the 2009 Scheme expired on 19 August 2019, no share options can be further granted under the 2009 Scheme.

The fair value of the share options comprising 14,400,000 underlying Shares granted on the First Date of Grant of approximately HK$5,438,000 was valued by using the Binominal pricing model. Values were 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 the Second Date of Grant of approximately HK$3,071,000 was valued by using the Binominal pricing model. Values were 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.

Share Option Scheme (Continued)

The fair value of the share options comprising 150,000,000 underlying Shares granted on the Third Date of Grant of approximately HK$42,309,000 was valued by using the Binominal pricing model. Values were estimated based on the risk-free rate 2.18% 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 65.00%, assuming a dividend yield of Nil 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 the chief executive 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 the chief executive 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.

Connected Transactions

The related party transactions set out in Note 38 to the consolidated financial statements constitute connected transactions of the Company under Chapter 14A of the Listing Rules but are exempted from the reporting, announcement and independent Shareholders' approval requirements.

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 2019.

Equity-linked Agreements

The Group has not entered into any equity-linked agreements during 2019.

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 2019. There had been no exercise of any convertible securities, options, warrants or other similar rights during 2019.

Fund raising activities

There were no fund-raising activities conducted by the Company during the year ended 31 December 2019.

Use of Proceeds from the Placing

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

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

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

Major Customers and Suppliers

Information in respect of the Group's sales attributable to the major customers and suppliers respectively during 2019 are as follows:

	Percentage of the Group's total
	Sales 2019
The largest customer	77%
Five largest customers in aggregate	98%

In addition, the Group's aggregate purchase attributable to its five largest suppliers was less than 30% of the Group's total purchases.

None of the Directors, their close 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 Amended and Restated Memorandum and Articles or the laws of the Cayman Islands where the Company was incorporated.

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

During 2019, 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 Amended and Restated Memorandum and 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 2019.

Update on Directors Information

The changes in director's information subsequent to the 2019 interim report of the Company published on 12 September 2019 and up to the date of this annual report, as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules are set out below:

– Mr. Huang Shao Ru resigned as an independent non-executive director of the Company with effect from 31 October 2019.

– Mr. Ho Man was appointed as an independent non-executive director of the Company with effect from 22 January 2020.

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. Details of the Group's environmental policies and performance are set out in the section headed "Environmental, Social and Governance Report" on pages 28 to 50 of this annual report.

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

RSM Hong Kong resigned as the independent auditor of the Company with effect from 27 September 2017. BDO Limited was appointed as the independent auditor of the Company on 27 September 2017 to fill the casual vacancy following the resignation of RSM Hong Kong as the independent auditor of the Company and to hold office until the conclusion of the forthcoming annual general meeting of the Company. Save as disclosed above, there were no other changes in the independent auditor of the Company in the preceding three years.

The consolidated financial statements for the year ended 31 December 2019 had been audited by BDO Limited who will retire and being eligible, will offer themselves for re-appointment at the forthcoming annual general meeting of the Company. A resolution for the re-appointment of BDO Limited as the independent auditor of the Company will be proposed as the forthcoming annual general meeting of the Company.

By order of the Board

Ng Ying Kit
Executive Director

Hong Kong, 20 March 2020

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TO THE SHAREHOLDERS OF
GRAND OCEAN ADVANCED RESOURCES COMPANY LIMITED
(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Grand Ocean Advanced Resources Company Limited (the "**Company**") and its subsidiaries (together the "**Group**") set out on pages 69 to 142, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

(Refer to Notes 18 and 20 to the consolidated financial statements and the Group's critical judgements and key estimates in relation to impairment loss on property, plant and equipment and impairment loss on intangible asset set in Notes 5(b)&(e))

The Group had property, plant and equipment and intangible asset of HK$105 million and HK$27 million respectively as at 31 December 2019. The carrying amount of property, plant and equipment and intangible asset of the coal cash-generating unit ("**Coal CGU**"), before impairment, was HK$116 million and HK$30 million respectively.

Key Audit Matters (Continued)

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

Management has performed an impairment assessment in accordance with its accounting policies which complies with Hong Kong Accounting Standard 36 "Impairment of Assets". Recoverable amounts of Coal CGU are determined based on higher of its fair value less costs of disposal and its value-in-use (the "**Assessments**"). Based on the Assessments, there is impairment in respect of property, plant and equipment and intangible asset amounting to HK$11 million and HK$3 million respectively. The Assessments involved exercise of significant judgements and key assumptions made by management concerning the estimated future cash flows. We have identified the impairment assessment of property, plant and equipment and intangible assets of the Coal CGU as a key audit matter because of its significance to the consolidated financial statements and the Assessments involved significant management judgements and estimation with respect to the discount rate and the underlying cash flows.

Our response:

Our procedures in relation to management's impairment assessment included, but not limited to, the following procedures:

- Discussed with senior management about the cash flow projection used in the Assessments and market conditions and difficulties to be encountered in the forecast period and the related adjustments reflected in the forecast;
- Evaluating the reasonableness of the key assumptions used in the Assessments;
- Assessing the appropriateness of the Assessments, and compared the methodologies used to our interpretation of the requirements of the relevant accounting standards; and
- Performing sensitivity analysis including assessing the effect of a reasonably possible change in discount rate and cash flows.

Other Information in the Annual Report

The directors of the Company are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon. Prior to the date of this auditors' report, we have obtained Management Discussion and Analysis but have not obtained the remaining other information included in the annual report (the "**Remaining Other Information**"), which is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Remaining Other Information, if we conclude there is a material misstatement therein, we are required to communicate that matter to the directors and take appropriate action considering our legal rights and obligations.

Directors' Responsibilities for the Consolidated Financial Statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited
Certified Public Accountants
Choi Man On
Practising Certificate no. P02410

Hong Kong, 20 March 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
Continuing operations			
Revenue	7	**178,301**	194,109
Cost of sales		**(99,644)**	(120,576)
Gross profit		**78,657**	73,533
Other income and gains	8	**916**	538
Selling and distribution expenses		**(5,128)**	(6,375)
Administrative expenses		**(62,985)**	(53,876)
Impairment of property, plant and equipment		**(11,265)**	–
Impairment of intangible assets		**(2,840)**	–
Impairment loss on trade and other receivables		**–**	(622)
Other operating expenses		**–**	(42,842)
Loss from operations		**(2,645)**	(29,644)
Finance costs	10	**(630)**	(717)
Loss before tax		**(3,275)**	(30,361)
Income tax credit	11	**86**	17,267
Loss for the year from continuing operations		**(3,189)**	(13,094)
Discontinued operation			
Profit for the year from discontinued operation	15	**–**	7,758
Loss for the year	12	**(3,189)**	(5,336)
Attributable to:			
Owners of the Company			
Loss from continuing operations		**(10,629)**	(27,018)
Profit from discontinued operation	15	**–**	8,085
Loss attributable to owners of the Company		**(10,629)**	(18,933)
Non-controlling interests			
Profit from continuing operations		**7,440**	13,924
Loss from discontinued operation	15	**–**	(327)
Profit attributable to non-controlling interests		**7,440**	13,597
Loss for the year		**(3,189)**	(5,336)

	Note	2019 HK cents	2018 HK cents
Loss per share			
From continuing operations and discontinued operation			
– basic	17(a)	**(0.71)**	(1.26)
– diluted	17(a)	**(0.71)**	(1.26)
From continuing operations			
– basic	17(b)	**(0.71)**	(1.80)
– diluted	17(b)	**(0.71)**	(1.80)

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Note	**2019 HK$'000**	2018 HK$'000
Loss for the year		**(3,189)**	(5,336)
Other comprehensive income after tax:			
Item that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**(2,309)**	(4,490)
Exchange differences reclassified to profit or loss on disposal of foreign operations	35(a)(ii)	**–**	6,440
Other comprehensive income for the year, net of tax		**(2,309)**	1,950
Total comprehensive income for the year		**(5,498)**	(3,386)
Attributable to:			
Owners of the Company		**(11,745)**	(14,874)
Non-controlling interests		**6,247**	11,488
		(5,498)	(3,386)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment	18	**105,577**	131,143
Intangible asset	20	**26,528**	31,681
Right-of-use assets	37	**1,357**	–
Due from non-controlling shareholders	26	**15,748**	–
Deferred tax assets	30	**13,388**	13,784
Total non-current assets		**162,598**	176,608
Current assets			
Inventories	21	**5,022**	6,250
Trade and bills receivables	22	**13,470**	1,983
Deposits, prepayments and other receivables		**12,584**	14,984
Due from non-controlling shareholders	26	**–**	5,717
Restricted bank deposits	23	**4,758**	7,321
Bank and cash balances	24	**121,644**	155,635
Total current assets		**157,478**	191,890
Current liabilities			
Accrued charges and other payables	25	**58,922**	112,262
Contract liabilities	7	**3,794**	18,922
Lease liabilities	37	**1,124**	–
Other loans	27	**–**	13,653
Total current liabilities		**63,840**	144,837
Net current assets		**93,638**	47,053
Total assets less current liabilities		**256,236**	223,661
Non-current liabilities			
Lease Liabilities	37	**268**	–
Provision for environmental and restoration	28	**4,868**	4,974
Deferred tax liabilities	30	**14,842**	15,348
Total non-current liabilities		**19,978**	20,322
NET ASSETS		**236,258**	203,339

As at 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
Capital and reserves			
Share capital	31	**15,035**	15,035
Reserves		**126,788**	138,533
Equity attributable to owners of the Company		**141,823**	153,568
Non-controlling interests		**94,435**	49,771
TOTAL EQUITY		**236,258**	203,339

Approved by the Board of Directors on 20 March 2020 and are signed on its behalf by:

Ng Ying Kit
Director

Ren Hang
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

		Attributable to owners of the Company											
	Note	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	Distributable reserve HK$'000	Future development fund HK$'000	Safety fund HK$'000	Foreign currency translation reserve HK$'000	Share-based payment reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2018		15,035	96,935	(1,628)	135,282	25,633	70,998	12,130	3,073	(231,326)	126,132	31,188	157,320
Total comprehensive income for the year		–	–	–	–	–	–	4,059	–	(18,933)	(14,874)	11,488	(3,386)
Disposal of subsidiaries	35(a)(ii)	–	–	–	–	–	–	–	–	–	–	7,095	7,095
Share options granted	32	–	–	–	–	–	–	–	42,310	–	42,310	–	42,310
Net appropriations		–	–	–	–	4,545	17,049	–	–	(21,594)	–	–	–
Changes in equity for the year		–	–	–	–	4,545	17,049	4,059	42,310	(40,527)	27,436	18,583	46,019
At 31 December 2018		15,035	96,935	(1,628)	135,282	30,178	88,047	16,189	45,383	(271,853)	153,568	49,771	203,339
At 1 January 2019		**15,035**	**96,935**	**(1,628)**	**135,282**	**30,178**	**88,047**	**16,189**	**45,383**	**(271,853)**	**153,568**	**49,771**	**203,339**
Total comprehensive income for the year		**–**	**–**	**–**	**–**	**–**	**–**	**(1,116)**	**–**	**(10,629)**	**(11,745)**	**6,247**	**(5,498)**
Capital injection into a subsidiary	39	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**38,417**	**38,417**
Share option lapsed	32	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1,907)**	**1,907**	**–**	**–**	
Net appropriations		**–**	**–**	**–**	**–**	**7,260**	**14,874**	**–**	**–**	**(22,134)**	**–**	**–**	**–**
Changes in equity for the year		**–**	**–**	**–**	**–**	**7,260**	**14,874**	**(1,116)**	**(1,907)**	**(30,856)**	**(11,745)**	**44,664**	**32,919**
At 31 December 2019		**15,035**	**96,935**	**(1,628)**	**135,282**	**37,438**	**102,921**	**15,073**	**43,476**	**(302,709)**	**141,823**	**94,435**	**236,258**

Nature and purpose of reserves are disclosed in note 34 to the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	2019 HK$'000	2018 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax		
Continuing operations	**(3,275)**	(30,361)
Discontinued operation (note 15)	**–**	7,758
	(3,275)	(22,603)
Adjustments for:		
Finance costs	**630**	1,214
Interest income	**(374)**	(409)
Depreciation and amortisation	**17,690**	19,867
Depreciation of right-of-use assets	**2,629**	–
Equity-settled share-based payments	**–**	42,310
Net foreign exchange gain	**(47)**	–
(Gain)/loss on disposals of property, plant and equipment	**(57)**	532
Gain on disposal of subsidiaries (note 35(a))	**(331)**	(20,595)
Impairment loss on intangible asset	**2,840**	–
Impairment loss on property, plant and equipment	**11,265**	8,486
(Reversal)/provision of impairment loss on trade and other receivables	**(91)**	622
Impairment of inventories	**330**	–
Operating profit before working capital changes	**31,209**	29,424
Decrease in inventories	**786**	17,914
Increase in trade and bills receivable	**(11,653)**	(496)
Decrease in deposits, prepayments and other receivables	**2,130**	5,245
(Decrease)/increase in accrued charges and other payables	**(52,011)**	16,287
Decrease in contract liabilities	**(14,997)**	(3,845)
Net cash (used in)/generated from operating activities	**(44,536)**	64,529
CASH FLOWS FROM INVESTING ACTIVITIES		
Consideration received from a non-controlling shareholder for formation of a subsidiary	**23,090**	–
Repayment received from loan to a non-controlling shareholder	**5,877**	–
Loan to a non-controlling shareholder	**–**	(5,940)
Interest received	**374**	385
Purchase of property, plant and equipment	**(4,096)**	(6,572)
Proceeds from disposals of property, plant and equipment	**110**	–
Net cash inflow from disposal of subsidiaries (note 35(a))	**350**	1,538
Decrease in restricted bank deposits	**2,451**	2,973
Net cash generated from/(used in) investing activities	**28,156**	(7,616)

	2019 HK$'000	2018 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES (note 35(b))		
Repayment of loan from a non-controlling shareholder	–	(7,285)
Finance cost paid	(74)	–
Repayment of other loans	(14,051)	(7,513)
Repayment of principal portion of lease liabilities	(2,733)	–
Other loans raised	–	828
Net cash used in financing activities	(16,858)	(13,970)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(33,238)	42,943
Effect of foreign exchange rate changes	(753)	7,406
CASH AND CASH EQUIVALENTS AT 1 JANUARY	155,635	105,286
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	121,644	155,635
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	121,644	155,635

1. General Information

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

The Company is an investment holding company. The principal activities of its subsidiaries during the financial year ended 31 December 2019 was the production and sale of coal (the "**Coal Mining Business**"). In December 2018, the Group disposed of and discontinued its provision of low rank coal upgrading services (the "**Coal Upgrading Business**"). Please refer to note 39 for principal activities of its subsidiaries.

2. Basis of Preparation

(a) Statement of compliance

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

(b) Basis of measurement

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

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

(c) Functional and presentation currency

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

(d) Use of judgments and estimates

The preparation of financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these financial statements, are disclosed in note 5 to the consolidated financial statements.

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

(a) Application of new and revised HKFRSs

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

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

HKFRS 16 – Leases

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

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

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

(a) Application of new and revised HKFRSs (Continued)

HKFRS 16 – Leases (Continued)

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

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

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

Reconciliation of operating lease commitment to lease liabilities

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

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

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

(a) Application of new and revised HKFRSs (Continued)

HKFRS 16 – Leases (Continued)

The new definition of a lease

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

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

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

Accounting as a lessee

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

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

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

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

(a) Application of new and revised HKFRSs (Continued)

HKFRS 16 – Leases (Continued)

Accounting as a lessee (Continued)

Right-of-use asset

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

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

Lease liability

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

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

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

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

(a) Application of new and revised HKFRSs (Continued)

HKFRS 16 – Leases (Continued)

Transition

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

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

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

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

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

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

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

(a) Application of new and revised HKFRSs (Continued)

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

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

Amendments to HKFRS 9 – Prepayment Features with Negative Compensation

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

Amendments to HKAS 19 – Plan amendments, curtailment or settlement

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

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

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

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

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

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

(a) Application of new and revised HKFRSs (Continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

Amendments to HKAS 1 and HKAS 8 – Definition of Material

The amendments clarify the definition and explanation of "material", aligning the definition across all HKFRS Standards and the Conceptual Framework, and incorporating supporting requirements in HKAS 1 into the definition.

Amendments to HKFRS 3 – Definition of a Business

The amendments clarify that a business must include, as a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs, together with providing extensive guidance on what is meant by a "substantive process".

Additionally, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs, whilst narrowing the definition of "outputs" and a "business" to focus on returns from selling goods and services to customers, rather than on cost reductions.

An optional concentration test has also been added that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 - Interest Rate Benchmark Reform

The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainties caused by interest rate benchmark reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

HKFRS 10 and HKAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies and financial statements.

4. Significant Accounting Policies

(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.

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.

4. Significant Accounting Policies (Continued)

(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.

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.

4. Significant Accounting Policies (Continued)

(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.

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) (A) Leases (accounting policies applied from 1 January 2019)

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

Right-of-use asset

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

Lease liability

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

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

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

4. Significant Accounting Policies (Continued)

(e) (B) Leases (accounting policies applied until 31 December 2018)

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.

(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) Financial instruments

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss ("**FVTPL**"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets with embedded derivatives are considered in their entirely when determining whether their cash flows are solely payment of principal and interest.

4. Significant Accounting Policies (Continued)

(h) Financial instruments (Continued)

(i) Financial assets (Continued)

Debt instruments at amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

(ii) Impairment loss on financial assets

The Group recognises loss allowances for expected credit loss ("**ECL**") on trade and bills receivables, amount due from non-controlling shareholder and financial assets measured at amortised cost. The ECLs are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

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

For other debt financial assets, the ECLs are based on the 12-months ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

4. Significant Accounting Policies (Continued)

(h) Financial instruments (Continued)

(ii) Impairment loss on financial assets (Continued)

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

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

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

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at amortised cost are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including accrued charges and other payables and other loans are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

4. Significant Accounting Policies (Continued)

(h) Financial instruments (Continued)

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

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

(vi) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

(i) 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.

(j) Non-current assets held for sale and discontinued operation

A discontinued operation is a component of the Group (i.e. the operations and cash flows of which can be clearly distinguished from the rest of the Group) that either has been disposed of, or is classified as held for sale, and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

4. Significant Accounting Policies (Continued)

(j) Non-current assets held for sale and discontinued operation (Continued)

Classification as a discontinued operation occurs upon disposal or when the component meets the criteria to be classified as held for sale in accordance with HKFRS 5, if earlier. It also occurs when the component is abandoned.

When an operation is classified as discontinued, a single amount is presented in the statement of profit or loss, which comprises:

- The post-tax profit or loss of the discontinued operation; and
- The post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group constituting the discontinued operation.

(k) Revenue recognition

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

Customers obtain control of the coal products when the goods are delivered to and have been accepted. Revenue is recognised upon when the customers accepted the coal products. There is generally only one performance obligation. Invoices are usually payable within 90 days.

4. Significant Accounting Policies (Continued)

(k) Revenue recognition (Continued)

Interest income is recognised as it accrued under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial assets to the gross carrying amount of the financial asset. For financial assets measured at amortised cost that are non credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset.

Contract liabilities

A contract liability represents the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

(l) 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.

(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.

(m) 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.

4. Significant Accounting Policies (Continued)

(n) 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.

(o) 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 relating to the purchase of assets are recorded as deferred income and recognised in profit or loss on a straight-line basis over the useful lives of the related assets.

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.

(p) 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.

4. Significant Accounting Policies (Continued)

(p) Taxation (Continued)

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.

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.

(q) 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.

4. Significant Accounting Policies (Continued)

(r) 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.

(s) Related parties

(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 key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same 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 an 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 the employees of 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 key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

4. Significant Accounting Policies (Continued)

(s) Related parties (Continued)

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

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) Legal titles of certain buildings

As stated in note 18(a) to the consolidated financial statements, the legal titles of certain buildings were not yet obtained as at 31 December 2019. 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. The representative lawyer of the Group is in the opinion that the Group has the ownership of the buildings in substance and there is no other indicator existed would affect the position of the Group.

Key sources of estimation uncertainty

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

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

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

5. Critical Judgements and Key Estimates (Continued)

Key sources of estimation uncertainty (Continued)

(b) Impairment loss on property, plant and equipment

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

The carrying amount of property, plant and equipment as at 31 December 2019 was approximately HK$105,577,000 (2018: HK$131,143,000). An impairment loss on property, plant and equipment of approximately HK$11,265,000 (2018: HK$8,486,000) was recognised for the year ended 31 December 2019 and details are disclosed in note 18 to the consolidated financial statements.

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

As at 31 December 2019, the carrying amount of the Group's property, plant and equipment allocated to the Coal CGU is approximately HK$105,241,000 (2018: HK$130,645,000). An impairment loss of approximately HK$11,265,000 (2018: HK$Nil) was recognised for the year ended 31 December 2019. Details of the key assumptions used are disclosed in note 18(c) to the consolidated financial statements.

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

(c) Deferred tax assets

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

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

(d) Income taxes

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

5. Critical Judgements and Key Estimates (Continued)

Key sources of estimation uncertainty (Continued)

(e) Impairment loss on intangible asset

Determining whether intangible asset is impaired requires an estimation of the value-in-use of the CGU to which the intangible asset has been allocated. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the Coal CGU and a suitable discount rate in order to calculate the present value. Details of the key assumptions that management made when determining the value-in-use of the Coal CGU as at the end of the period are disclosed in note 20 to the consolidated financial statements. The carrying amount of intangible asset at the end of reporting period was approximately HK$26,528,000 (2018: HK$31,681,000). An impairment loss on intangible asset of approximately HK$2,840,000 (2018: HK$Nil) was recognised for the year ended 31 December 2019.

(f) Impairment loss on financial assets at amortised cost

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

At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's financial assets at amortised cost is disclosed in note 6(b) to the consolidated financial statements.

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

(g) Allowance for slow-moving inventories

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

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.

(b) Credit risk

The Group's credit risk is primarily attributable to its trade and bills receivables and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customers as well as pertaining to the economic environment in which the customers operate. Normally, the Group does not obtain collateral from customers.

The Group has no significant concentration of credit risk.

Trade and bills receivables

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

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and bills receivables. The Group measures the expected credit losses on a combination of both individual and collective basis.

Measurement of expected credit loss on individual basis

Receivables relating to customers with known financial difficulties or significant doubt on collection of receivables are assessed individually for provision for impairment allowance. As at 31 December 2019, the balance of loss allowance in respect of these individually assessed receivables was HK$Nil (2018: HK$3,656,000).

6. Financial Risk Management (Continued)

(b) Credit risk (Continued)

Trade and bills receivables (Continued)

Measurement of expected credit loss on individual basis (Continued)

The following table presents the balances of gross carrying amount and the loss allowance in respect of the individually assessed receivables as at 31 December 2019 and 2018:

	As at 31 December	
	2019 **HK$'000**	2018 HK$'000
Gross carrying amount	**3,489**	3,656
Loss allowance	**(3,489)**	(3,656)
Net carrying amount	**–**	–

Measurement of expected credit loss on collective basis

To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and the past due days. In calculating the ECL rates, the Group considers historical elements and forward-looking elements. Assessed lifetime ECL rate of trade receivables is insignificant for the year ended 31 December 2019.

Receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the Group. Based on past experience, management believed that no impairment allowance was necessary in respect of these balances as there had been no significant change in credit quality and the balances were still considered fully recoverable.

Other receivables and amount due from non-controlling shareholders

To manage the risk arising from other receivables and amount due from non-controlling shareholders, the Group only transacts with reputable parties that have no default history and have a strong capacity to meet its contractual cash flow obligations in the near term.

The management has assessed that the expected credit losses for other receivables and rental deposits paid are not significant.

Restricted bank deposits, bank and cash balances

There is no loss allowance for restricted bank deposits and bank and cash balances as at 31 December 2019 (2018: Nil).

The credit risk on bank and cash balances is limited because the counterparties are state-owned financial institutions and reputable banks.

6. Financial Risk Management (Continued)

(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 shareholder and other loans is prepared based on the scheduled repayment dates.

	2019 Maturity Analysis – Undiscounted cash outflows			
	On demand HK$'000	**Within 1 year HK$'000**	**More than 1 year but less than 2 years HK$'000**	**Total undiscounted cash outflows HK$'000**
Lease liabilities	**–**	**1,154**	**275**	**1,429**
Accrued charges and other payables	**–**	**53,762**	**–**	**53,762**
	–	**54,916**	**275**	**55,191**

	2018 Maturity Analysis – Undiscounted cash outflows			
	On demand HK$'000	Within 1 year HK$'000	More than 1 year but less than 2 years HK$'000	Total undiscounted cash outflows HK$'000
Other loans	–	14,072	–	14,072
Accrued charges and other payables	–	97,766	–	97,766
	–	111,838	–	111,838

6. Financial Risk Management (Continued)

(d) Interest rate risk

As disclosed in notes 26 and 27 to the consolidated financial statements, certain amount due from non-controlling shareholder and 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 bears interest at variable rates that vary with the prevailing market conditions.

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

	2019 **HK$'000**	2018 HK$'000
Financial assets:		
Financial assets at amortised cost	**168,204**	183,913
Financial liabilities:		
Financial liabilities at amortised cost	**54,030**	111,420

(f) Fair values

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:

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

7. Revenue (Continued)

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

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

	2019 **HK$'000**	2018 HK$'000
Receivables (note 22)	**13,470**	1,983
Contract liabilities	**(3,794)**	(18,922)

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

Movement in contract liabilities:

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

8. Other Income and Gains

	2019 HK$'000	2018 HK$'000
Gain on disposal of subsidiaries (note 35(a)(i))	**331**	–
Gain on disposals of property, plant and equipment	**57**	–
Interest income	**374**	409
Net foreign exchange gains	**47**	–
Waiver of other payable	**–**	197
Reversal of impairment loss on trade receivables	**91**	–
Sundry income	**16**	59
	916	665
Representing:		
Continuing operations	**916**	538
Discontinued operation (note 15)	**–**	127
	916	665

9. Segment Information

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

Coal – Production and sale of coal; and

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

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

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

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

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

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

9. Segment Information (Continued)

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

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

9. Segment Information (Continued)

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

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

9. Segment Information (Continued)

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

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

9. Segment Information (Continued)

Geographical information:

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

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

Revenue from major customers:

For the year ended 31 December 2019, revenue from two customers (2018: two) with whom transaction have exceeded 10% of the Group's revenue for the year. Details were as below:

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

10. Finance Costs

	2019 HK$'000	2018 HK$'000
Interest on other loans	**74**	490
Interest on loans from a director	**–**	134
Imputed interest expenses	**417**	590
Interest on lease liabilities	**139**	–
	630	1,214
Representing:		
Continuing operations	**630**	717
Discontinued operation (note 15)	**–**	497
	630	1,214

11. Income Tax Credit

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

	2019 HK$'000	2018 HK$'000
Current tax	–	–
Deferred tax (note 30)	**(86)**	(17,267)
	(86)	(17,267)
Representing:		
Continuing operations	**(86)**	(17,267)
Discontinued operation (note 15)	–	–
	(86)	(17,267)

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

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

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

	2019 HK$'000	2018 HK$'000
Loss before tax		
Continuing operations	**(3,275)**	(30,361)
Discontinued operation (note 15)	–	7,758
	(3,275)	(22,603)
Tax at the PRC Enterprise Income Tax rate of 25% (2018: 25%)	**(819)**	(5,651)
Tax effect of expenses that are not deductible	**77**	1,800
Tax effect of income that are not taxable	**(2,345)**	(5,272)
Tax effect of temporary differences not recognised	**(11,218)**	(3,151)
Tax effect of tax losses not recognised	**12,464**	3,630
Tax effect of utilisation of tax losses not previously recognised	–	655
Reversal of deferred tax on undistributed earnings of a PRC subsidiary	–	(278)
Release of taxable timing differences previously recognised	–	(14,061)
Effect of different tax rates	**1,755**	5,061
Income tax credit	**(86)**	(17,267)

12. Loss for the Year

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

	Continuing operations		Discontinued operation		Total	
	2019 HK$'000	2018 HK$'000	**2019 HK$'000**	2018 HK$'000	**2019 HK$'000**	2018 HK$'000
Auditor's remuneration	**1,450**	1,510	**–**	–	**1,450**	1,510
Amortisation of prepaid lease payment	**–**	–	**–**	372	**–**	372
Amortisation of mining right (included in cost of sales)	**1,720**	1,782	**–**	–	**1,720**	1,782
Cost of inventories sold	**99,644**	120,576	**–**	–	**99,644**	120,576
Depreciation charge						
– Owned property, plant and equipment (note18)	**15,970**	17,357	**–**	356	**15,970**	17,713
– Right-of-use assets included within						
– Properties (note 37)	**2,466**	–	**–**	–	**2,466**	–
– Motor vehicle (note 37)	**163**	–	**–**	–	**163**	–
Total minimum lease payments for leases previously classified as operating leases under HKAS17	**–**	2,586	**–**	592	**–**	3,178
(Gain)/loss on disposals of property, plant and equipment	**(57)**	532	**–**	–	**(57)**	532
Impairment of inventories	**330**	–	**–**	–	**330**	–
Impairment loss on property, plant and equipment (note 18)	**11,265**	–	**–**	8,486	**11,265**	8,486
Impairment loss on Intangible asset (note 20)	**2,840**	–	**–**	–	**2,840**	–
(Reversal)/provision of impairment loss on trade receivables (note 22)	**(91)**	622	**–**	–	**(91)**	622
Short-term leases expenses	**68**	–	**–**	–	**68**	–

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

13. Employee Benefits Expense (Including Directors' Emoluments)

	2019 HK$'000	2018 HK$'000
Employee benefits expense:		
Salaries, bonuses and allowances	**66,170**	64,540
Equity-settled share-based payments (note 32)	**–**	21,741
Retirement benefit scheme contributions	**3,340**	2,803
	69,510	89,084

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

The Group operates/participates in the following pension and post retirement plans:

(i) The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "**MPF Scheme**") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme.

(ii) Pursuant to the relevant labour rules and regulations in the PRC, the Group participates in defined contribution retirement benefit schemes (the "**Schemes**") organised by the local government authorities whereby the Group is required to make contributions to the Schemes based on certain percentages of the eligible employee's salaries. The local government authorities are responsible for the entire pension obligations payable to the retired employees. The Group has no other obligations for payments of retirement and other post-retirement benefits of employees other than the contributions described above.

Five highest paid individuals

The five highest paid individuals in the Group during the year included one (2018: two) director whose emoluments are reflected in the analysis presented in note 14. The emoluments of the remaining four (2018: three) individuals are set out below:

	2019 **HK$'000**	2018 HK$'000
Basic salaries and allowances	**4,516**	2,160
Discretionary bonus	**1,453**	200
Retirement benefit scheme contribution	**53**	36
Equity-settled share-based payments (note 32)	**–**	12,341
	6,022	14,737

The emoluments fell within the following bands:

	Number of individuals	
	2019	2018
HK$1,000,001 – HK$1,500,000	**2**	–
HK$1,500,001 – HK$2,000,000	**2**	–
HK$2,000,001 – HK$2,500,000	**–**	–
HK$2,500,001 – HK$3,000,000	**–**	–
HK$3,000,001 – HK$3,500,000	**–**	–
HK$3,500,001 – HK$4,000,000	**–**	–
HK$4,000,001 – HK$4,500,000	**–**	1
HK$4,500,001 – HK$5,000,000	**–**	1
HK$5,000,001 – HK$5,500,000	**–**	–
HK$5,500,001 – HK$6,000,000	**–**	1
	4	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$'000	Salaries and allowance HK$'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. Ren Hang (note (iii))	–	720	–	18	–	738
Mr. Ng Ying Kit	–	1,440	1,200	18	–	2,658
Ms. Huo Lijie (note (iv))	–	–	–	–	–	–
Mr. Kwok Chi Shing	240	–	–	–	–	240
Mr. Huang Shao Ru (note (vi))	100	–	–	–	–	100
Mr. Chang Xuejun	240	–	–	–	–	240
Mr. Ho Man (note (v))	–	–	–	–	–	–
Total for 2019	580	2,160	1,200	36	–	3,976
Mr. Xu Bin (note (i)&14(b))	–	406	–	9	–	415
Mr. Zhang Fusheng (note (ii))	–	100	–	–	–	100
Mr. Ren Hang (note (iii))	–	317	–	8	4,700	5,025
Mr. Ng Ying Kit	–	1,440	240	18	4,700	6,398
Ms. Huo Lijie (note (iv))	–	383	–	5	–	388
Mr. Kwok Chi Shing	240	–	–	–	–	240
Mr. Huang Shao Ru (note (vi))	120	–	–	–	–	120
Mr. Chang Xuejun	240	–	–	–	–	240
Total for 2018	600	2,646	240	40	9,400	12,926

Notes:

(i) Passed away on 12 June 2018

(ii) Resigned on 23 July 2018

(iii) Appointed on 23 July 2018

(iv) Resigned on 30 April 2019

(v) Appointed on 22 January 2020

(vi) Resigned on 31 October 2019

Neither the chief executive nor any of the directors waived any emoluments during the year (2018: 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 2015 (collectively refer to as the "**Loan Agreements**") made between the Company and Mr. Xu Bin ("**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. An interest expense for the year ended 31 December 2018 of HK$134,000 was paid to Mr. Xu. All the loans have been repaid during the year ended 31 December 2019.

Pursuant to an agreement dated 1 December 2015 (the "**License Agreement**") made between the Company and Mr. Xu, The Company agreed to pay license fee to Mr. Xu for the non-exclusive right to use the five registered patents in the PRC in relation to low-rank coal upgrading methodologies and manufacturing of steam digesters in accordance with the terms of the License Agreement. No nominal license fee paid to Mr. Xu for the year ended 31 December 2018. The License Agreement have been expired on 31 December 2018.

Mr. Xu was an executive director of the Company and had directly interested in these transactions. Mr. Xu passed away on 12 June 2018.

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. Discontinued Operation

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

15. Discontinued Operation (Continued)

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

	2018 HK$'000
Loss for the year	(12,837)
Gain on disposal of subsidiaries (note 35(a)(ii))	20,595
Profit for the year from discontinued operation	7,758
Profit for the year from discontinued operation attributable to:	
Owners of the Company	8,085
Non-controlling interest	(327)
	7,758

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

	2018 HK$'000
Revenue (note 7)	–
Other income and gains (note 8)	127
Administrative expenses	(3,609)
Amortisation of land use right	(372)
Impairment loss on property, plant and equipment	(8,486)
Loss from operations	(12,340)
Finance costs (note 10)	(497)
Loss before tax	(12,837)
Income tax expense (note 11)	–
Loss for the year	(12,837)
Cash flows from discontinued operation:	
Net cash used in from operating activities	(4,022)
Net cash generated from investing activities	2,993
Net cash generated from financing activities	1,325
Net cash inflow	296

16. Dividends

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

17. Loss Per Share

(a) From continuing and discontinued operation

Basic loss per share

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

Diluted loss per share

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

(b) From continuing operations

Basic loss per share

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

Diluted loss per share

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

(c) From discontinued operation

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

Diluted loss per share

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

18. Property, Plant and Equipment

	Buildings HK$'000 (note a)	Leasehold improvements HK$'000	Mining structures HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000 (note b)	Total HK$'000
Cost								
At 1 January 2018	117,686	2,115	137,360	248,096	30,113	12,411	198,734	746,515
Additions	3,368	–	509	1,268	90	1,337	–	6,572
Disposals/write off	–	–	–	(8,539)	–	(473)	–	(9,012)
Disposal of subsidiaries (Note 35(a)(ii))	–	–	–	(22,349)	(86)	(1,419)	(195,821)	(219,675)
Exchange differences	(6,213)	–	(7,124)	(11,716)	(1,471)	(621)	(2,913)	(30,058)
At 31 December 2018	114,841	2,115	130,745	206,760	28,646	11,235	–	494,342
At 1 January 2019	**114,841**	**2,115**	**130,745**	**206,760**	**28,646**	**11,235**	**–**	**494,342**
Additions	**–**	**–**	**–**	**40**	**52**	**4,005**	**–**	**4,097**
Disposals/write off	**–**	**–**	**–**	**–**	**–**	**(1,452)**	**–**	**(1,452)**
Exchange differences	**(2,452)**	**–**	**(2,790)**	**(4,413)**	**(576)**	**(287)**	**–**	**(10,518)**
At 31 December 2019	**112,389**	**2,115**	**127,955**	**202,387**	**28,122**	**13,501**	**–**	**486,469**

18. Property, Plant and Equipment (Continued)

	Buildings HK$'000 (note a)	Leasehold improvements HK$'000	Mining structures HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000 (note b)	Total HK$'000
Accumulated depreciation and impairment								
At 1 January 2018	76,540	2,115	86,804	192,338	28,626	8,334	155,414	550,171
Charge for the year	2,508	–	2,533	10,366	1,127	1,179	–	17,713
Disposals/write off	–	–	–	(7,150)	–	(30)	–	(7,180)
Impairment (note (d))	–	–	–	–	–	–	8,486	8,486
Disposal of subsidiaries (Note 35(a)(ii))	–	–	–	(20,828)	(83)	(1,395)	(161,622)	(183,928)
Exchange differences	(4,053)	–	(4,584)	(9,285)	(1,441)	(422)	(2,278)	(22,063)
At 31 December 2018	74,995	2,115	84,753	165,441	28,229	7,666	–	363,199
At 1 January 2019	**74,995**	**2,115**	**84,753**	**165,441**	**28,229**	**7,666**	**–**	**363,199**
Charge for the year	**2,483**	**–**	**2,480**	**9,409**	**137**	**1,461**	**–**	**15,970**
Disposals/write off	**–**	**–**	**–**	**–**	**–**	**(1,399)**	**–**	**(1,399)**
Impairment (note (c))	**3,541**	**–**	**4,124**	**3,026**	**25**	**549**	**–**	**11,265**
Exchange differences	**(1,711)**	**–**	**(1,929)**	**(3,757)**	**(571)**	**(175)**	**–**	**(8,143)**
At 31 December 2019	**79,308**	**2,115**	**89,428**	**174,119**	**27,820**	**8,102**	**–**	**380,892**
Carrying amount								
At 31 December 2019	**33,081**	**–**	**38,527**	**28,268**	**302**	**5,399**	**–**	**105,577**
At 31 December 2018	39,846	–	45,992	41,319	417	3,569	–	131,143

18. Property, Plant and Equipment (Continued)

Notes:

(a) At 31 December 2019, the carrying amount of certain buildings amounted to approximately HK$18,406,000 (2018: HK$22,209,000) 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. The representative lawyer of the Group is in the opinion that the Group has the ownership of the buildings in substance and there is no other indicator existed would affect the position of the Group. Please refer to note 5(a) to the consolidated financial statements for the critical judgement applied.

(b) Construction in progress was disposed by the way the disposal of subsidiaries in December 2018. Prior to disposal, the Coal Upgrading Plant has been constructed on a piece of land under a Grant Contract for State-owned Land Use Right ("**Land use right contract**"). The legal land use right title has not been obtained up to the date of Disposal and the grant of which is subject to the payment of land premium of approximately HK$18.9 million.

(c) Given the challenging market conditions in the mining industry and the limitation on coal production output in order to comply with relevant policies of the coal industry in the PRC, the Group tested the assets belonging to the Coal CGU for impairment. As at 31 December 2019, the Group assessed 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 HK$11,265,000 (2018: Nil) that has been recognised in profit or loss.

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

Key assumptions adopted by the management in the cash flow forecast of Coal CGU are as follows:

(i) Inner Mongolia Yuan Yuan Energy Group Jinyuanli Underground Mining Company Limited ("**Inner Mongolia Jinyuanli**", an indirect non wholly-owned subsidiary of the Company) will continue to operate the coal mine of the Inner Mongolia Mine 958 ("**Inner Mongolia Mine 958**") at annual production capacity of 1.2 million tonnes, and reduced annual production output level of 1,003,600 tonnes for the period until the expiry date of the business license.

(ii) The coal from the Inner Mongolia Mine 958 will be sold at the average selling price of RMB131 (2018: RMB136) per tonne with value-added tax for 2020 with an increase in average selling price of 2.5% in the subsequent years for the period until the expiry date of the business license.

(iii) Inflation rate of 2.5% p.a. (2018: 2.5%) is applied in the cash flow forecast for the period until the expiry date of the business license. The inflation rate does not exceed the average inflation rate for the relevant market in the PRC.

(iv) Pre-tax discount rate of 15.03% (2018: 16.16%) is adopted based on the assessment of the discount rate analysis independently performed by an independent valuer, Ravia Global Appraisal Advisory Limited, engaged by the Company.

(d) The Group had been in progress to construct a new coal upgrading plant at Xilinhaote City, Inner Mongolia, PRC with a maximum annual capacity of two million tonnes of upgraded coal output since year 2013 to 2018. The impairment assessment performed by the directors of the Company was prepared based on the recoverable amounts of respective individual assets of the Coal Upgrading CGU as determined by the fair value less costs to sell using replacement cost approach. The directors considered that the methodology adopted reflect the highest and best use of the assets upon the suspension of production of the Coal Upgrading Plant. An impairment loss on property, plant and equipment of approximately HK$8,486,000 had been recognised for the year ended 31 December 2018.

As further explained in notes 15 and 35(a)(ii) to the consolidated financial statements, the Group disposed of the entire equity interests in Xilinhaote Guochuan and BG Group in December 2018 and ceased the coal upgrading business thereafter. For the purpose of the disposal of the Coal Upgrading CGU, the Group adopted the same valuation technique by the directors of the Company in assessing the valuation of the Coal Upgrading CGU. No significant change on the valuation of the Coal Upgrading CGU is noted. As a result, an impairment loss on property, plant and equipment of approximately HK$8,486,000 had been recognised by the Group for the year ended 31 December 2018. The variance on the consideration and the carrying amount of the Coal Upgrading CGU represents gain on disposal of subsidiaries of approximately HK$20,595,000 (note 35(a)(ii))) have been recognised in the consolidated profit or loss for the year ended 31 December 2018.

19. Prepaid Land Lease Payments

	2019 HK$'000	2018 HK$'000
At 1 January	–	17,238
Amortisation for the year	–	(372)
Disposal of subsidiaries (note 35(a)(ii))	–	(15,989)
Exchange differences	–	(877)
At 31 December	–	–
Current portion	–	–
Non-current portion	–	–

The Group's prepaid land lease payments represented land use right of a piece of land occupied by the Coal Upgrading Plant which was disposed in year 2018 (note 18(b) & (d)).

20. Intangible Asset

	Mining right	
	2019 HK$'000	2018 HK$'000
Cost		
At 1 January	88,818	93,662
Exchange differences	(1,895)	(4,844)
At 31 December	86,923	88,818
Accumulated amortisation and impairment		
At 1 January	57,137	58,445
Amortisation for the year	1,720	1,782
Impairment for the year	2,840	–
Exchange differences	(1,302)	(3,090)
At 31 December	60,395	57,137
Carrying amount		
At 31 December	26,528	31,681

The intangible asset 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 17.52 years (2018: 18.52 years).

Intangible asset, together with the property, plant and equipment are allocated to the Coal CGU for impairment testing. The review led to the recognition of an impairment loss on intangible asset of approximately HK$2,840,000 (2018: Nil) in profit or loss. Details set out in note 18(c) to the consolidated financial statements.

21. Inventories

	2019 HK$'000	2018 HK$'000
Finished goods	**56**	227
Consumables	**4,966**	6,023
	5,022	6,250

22. Trade and Bills Receivables

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

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

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

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

As 31 December 2019, no impairment provision was made for estimated irrecoverable trade receivables which relate to customers that were in financial difficulties as the management assessed that the amount is immaterial to the Group (2018: HK$3,656,000).

22. Trade and Bills Receivables (Continued)

Reconciliation of impairment loss on trade receivables:

	2019 **HK$'000**	2018 HK$'000
At 1 January	**3,656**	2,593
Impact of initial application of HKFRS 9	**–**	631
Adjusted balance at 1 January	**3,656**	3,224
(Reversal)/provision for impairment loss for the year	**(91)**	622
Exchange differences	**(76)**	(190)
At 31 December	**3,489**	3,656

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$4,758,000 (2018: HK$7,321,000) are the deposits kept for the Coal Mining Business for the purpose of complying related coal mining regulation and in the PRC regulatory restriction. The aforesaid deposits are in RMB and at market interest rate.

24. Bank and Cash Balances

At 31 December 2019, the Group's bank and cash balances denominated in RMB and United States dollars ("**USD**") and kept in the PRC amounted to approximately HK$93,510,000 (2018: HK$29,535,000). 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. Accrued Charges and Other Payables

	2019 **HK$'000**	2018 HK$'000
Accrued charges	**32,545**	34,439
Other payables	**26,377**	77,823
	58,922	112,262

26. Due from Non-Controlling Shareholders

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

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

Notes:

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

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

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

27. Other Loans

Other loans are repayable as follows:

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

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

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

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

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

28. Provision for Environmental and Restoration

	2019 HK$'000	2018 HK$'000
Balance at 1 January	**4,974**	5,245
Provision for the year	**–**	–
Exchange re-alignment	**(106)**	(271)
Balance at 31 December	**4,868**	4,974
Presented as :		
Current portion	**–**	–
Non-current portion	**4,868**	4,974
	4,868	4,974

Provision represents the best estimates on land subsidence, restoration, rehabilitation and environmental costs determined by the directors of the Company. However, in so far as the effect on the land and the environment from current mining activities become apparent in future periods, the estimate of the associated costs may be subject to revision in the future.

29. Deferred Revenue

	2019 HK$'000	2018 HK$'000
At 1 January	**–**	2,402
Exchange difference	**–**	(125)
Disposal of subsidiaries (note 35(a)(ii))	**–**	(2,277)
Balance at 31 December	**–**	–

Deferred revenue represented a grant provided by local government in the PRC to Xilinhaote Guochuan for purchase of assets and will be recognised in profit or loss on straight-line basis over the estimated useful life of the related assets in 2018.

30. Deferred Tax

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

	Decelerated tax depreciation HK$'000	Tax losses HK$'000	Other temporary difference HK$'000	Undistributed earnings of the PRC subsidiaries HK$'000	Tax on gain from intergroup debts transfer and interest income HK$'000	Total HK$'000
At 1 January 2018	1,798	10,377	(623)	(847)	(29,843)	(19,138)
Credit/(charge) to profit or loss for the year (note 11)	2,982	(655)	602	278	14,060	17,267
Exchange differences	(206)	(512)	10	–	1,015	307
At 31 December 2018 and 1 January 2019	**4,574**	**9,210**	**(11)**	**(569)**	**(14,768)**	**(1,564)**
Credit/(charge) to profit or loss for the year (note 11)	**4,742**	**(4,846)**	**6**	**233**	**(49)**	**86**
Exchange differences	**(184)**	**(108)**	**–**	**–**	**316**	**24**
At 31 December 2019	**9,132**	**4,256**	**(5)**	**(336)**	**(14,501)**	**(1,454)**

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

	2019 HK$'000	2018 HK$'000
Deferred tax assets	**13,388**	13,784
Deferred tax liabilities	**(14,842)**	(15,348)
	(1,454)	(1,564)

At the end of the reporting period the Group has unused tax losses of approximately HK$35,807,000 (2018: HK$55,136,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK$17,023,000 (2018: HK$36,840,000) of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses of approximately HK$18,784,000 (2018: HK$18,296,000) 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.

31. Share Capital

	No. of shares of HK$0.01 each	HK$'000
At 31 December 2018, 1 January 2019 and 31 December 2019	100,000,000,000	1,000,000

	Issued and fully paid	
	No. of shares of HK$0.01 each	HK$'000
At 31 December 2018, 1 January 2019 and 31 December 2019	1,503,477,166	15,035

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to recognise the return to the shareholders through the recognition 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 2019, total equity of approximately HK$141,823,000 (2018: HK$153,568,000) 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 2019, 89.61% (2018: 89.61%) 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.

32. Share-Based Payments (Continued)

Equity-settled share option scheme (Continued)

Details of the specific categories of options as at 31 December 2019 are as follows:

2019	Number of shares issuable under share options					
	At beginning of the year	Granted during the year	Lapsed during the year	At the end of the year	Exercise price HK$	Exercisable period
Executive Directors						
Mr. Ng Ying Kit						
– 30 April 2015	2,250,000	–	–	2,250,000	0.71	30/4/2015 to 29/4/2025
– 27 July 2018	15,000,000	–	–	15,000,000	0.51	27/7/2018 to 26/7/2028
	17,250,000	–	–	17,250,000		
Ms. Huo Lijie						
– 28 July 2015	2,250,000	–	(2,250,000)	–	0.53	28/7/2015 to 27/7/2025
Mr. Ren Hang						
– 27 July 2018	15,000,000	–	–	15,000,000	0.51	27/7/2018 to 26/7/2028
Subtotal	34,500,000	–	(2,250,000)	32,250,000		
Independent non-executive directors						
Mr. Kwok Chi Shing						
– 30 April 2015	225,000	–	–	225,000	0.71	30/4/2015 to 29/4/2025
Mr. Huang Shao Ru						
– 30 April 2015	225,000	–	(225,000)	–	0.71	30/4/2015 to 29/4/2025
Subtotal	450,000	–	(225,000)	225,000		
Employees/others						
–30 April 2015	450,000	–	–	450,000	0.71	30/4/2015 to 29/4/2025
–28 July 2015	4,500,000	–	(4,500,000)	–	0.53	28/7/2015 to 27/7/2025
–27 July 2018	120,000,000	–	–	120,000,000	0.51	27/7/2018 to 26/7/2028
Subtotal	124,950,000	–	(4,500,000)	120,450,000		
Total	159,900,000	–	(6,975,000)	152,925,000		

32. Share-Based Payments (Continued)

Equity-settled share option scheme (Continued)

2018

	Number of shares issuable under share options					
	At beginning of the year	Granted during the year	Transferred during the year	At the end of the year	Exercise price HK$	Exercisable period
Executive Directors						
Mr. Ng Ying Kit						
– 30 April 2015	2,250,000	–	–	2,250,000	0.71	30/4/2015 to 29/4/2025
– 27 July 2018	–	15,000,000	–	15,000,000	0.51	27/7/2018 to 26/7/2028
	2,250,000	15,000,000	–	17,250,000		
Mr. Xu Bin						
– 28 July 2015	4,500,000	–	(4,500,000)	–	0.53	28/7/2015 to 27/7/2025
Ms. Huo Lijie						
– 28 July 2015	2,250,000	–	–	2,250,000	0.53	28/7/2015 to 27/7/2025
Mr. Ren Hang						
– 27 July 2018	–	15,000,000	–	15,000,000	0.51	27/7/2018 to 26/7/2028
Subtotal	9,000,000	30,000,000	(4,500,000)	34,500,000		
Independent non-executive directors						
Mr. Kwok Chi Shing						
– 30 April 2015	225,000	–	–	225,000	0.71	30/4/2015 to 29/4/2025
Mr. Huang Shao Ru						
– 30 April 2015	225,000	–	–	225,000	0.71	30/4/2015 to 29/4/2025
Subtotal	450,000	–	–	450,000		
Employees/others						
– 30 April 2015	450,000	–	–	450,000	0.71	30/4/2015 to 29/4/2025
– 28 July 2015	–	–	4,500,000	4,500,000	0.51	28/7/2015 to 27/7/2025
– 27 July 2018	–	120,000,000	–	120,000,000	0.51	27/7/2018 to 26/7/2028
Subtotal	450,000	120,000,000	4,500,000	124,950,000		
Total	9,900,000	150,000,000	–	159,900,000		

32. Share-Based Payments (Continued)

Equity-settled share option scheme (Continued)

If the options remain unexercised after a period of 10 years from the date of grant, the options expire. Options are lapsed if the directors and employees leave or the consultants terminated the services agreements with the Group.

The options outstanding at the end of the year have a weighted average remaining contractual life of 7.67 years (2018: 9.22 years) and the exercise prices range from HK$0.51 to HK$0.71 (2018: HK$0.51 to HK$0.71).

The total number of options outstanding at the end of the year, all were exercisable at the end of the year.

For the year ended 31 December 2019, 6,975,000 share options lapsed. Accordingly, the related share-based compensation reserve of HK$1,907,000 was released to retained profits.

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 behavioral 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.

33. Statement of Financial Position of the Company

	Note	As at 31 December 2019 HK$'000	2018 HK$'000
Non-current assets			
Right-of-use assets		**822**	–
Investments in subsidiaries		**11**	11
		833	11
Current assets			
Due from subsidiaries		**110,272**	109,156
Prepayment		**1,223**	1,225
Bank and cash balances		**27,403**	56,277
		138,898	166,658
Current liabilities			
Accrued charges and other payables		**1,110**	1,986
Other loans		**847**	7,637
		1,957	9,623
Net current assets		**136,941**	157,035
Total assets less current liabilities		**137,774**	157,046
NET ASSETS		**137,774**	157,046
Capital and reserves			
Share capital		**15,035**	15,035
Reserves	34(a)	**122,739**	142,011
TOTAL EQUITY		**137,774**	157,046

Approved by the Board of Directors on 20 March 2020 and is signed on its behalf by:

Ng Ying Kit
Director

Ren Hang
Director

34. Other Reserves

(a) Company

	Note	Share premium HK$'000	Capital reserve HK$'000	Distributable reserve HK$'000	Share-based payment reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2018		96,935	3,917	135,282	3,073	(5,912)	233,295
Total comprehensive income for the year		–	–	–	–	(133,594)	(133,594)
Recognition of shared-based payment	32	–	–	–	42,310	–	42,310
At 31 December 2018		96,935	3,917	135,282	45,383	(139,506)	142,011
At 1 January 2019		**96,935**	**3,917**	**135,282**	**45,383**	**(139,506)**	**142,011**
Total comprehensive income for the year		**–**	**–**	**–**	**–**	**(19,272)**	**(19,272)**
Share option lapsed	32	**–**	**–**	**–**	**(1,907)**	**1,907**	**–**
At 31 December 2019		**96,935**	**3,917**	**135,282**	**43,476**	**(156,871)**	**122,739**

(b) Nature and purpose of reserves

(i) 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.

(ii) Distributable reserve

On 22 March 2017, the authorised and issued share capital of the Company was reduced through a reduction in the nominal value of each shares from HK$0.50 to HK$0.01. The credit balance of the capital reduction amount after reducing the accumulated losses of the Company was transferred to distributable reserve.

(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 (2018: 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.

34. Other Reserves (Continued)

(b) Nature and purpose of reserves (Continued)

(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 (2018: 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(m) to the consolidated financial statements.

35. Notes to the Consolidated Statement of Cash Flows

(a) Disposal of subsidiaries

(i) Disposal of Gouden Techniek Company Limited and its subsidiaries

Pursuant to sale and purchase agreements dated 23 August 2019 entered into between the Company and Great Pride Global Limited (得意環球有限公司) (the "**Purchaser**"), the Company disposed of 100% equity interests in Gouden Techniek Company Limited incorporated in BVI and its subsidiary, Gouden Techniek Company Limited incorporated in Hong Kong. ("**GLT Group**"), at a consideration of HK$380,000 (the "**Disposal**"). GLT Group was inactive throughout the year. The Disposal was completed in 23 August 2019 (the "**Disposal Date**").

Net assets at the Disposal Date were as follows:

	HK$'000
Deposits, prepayments and other receivables	19
Net assets disposed of	19
Direct cost to the disposal	30
Gain on disposal of subsidiaries (note 8)	331
Cash consideration received	380
Net cash inflow arising on disposal:	
Cash consideration received	380
Direct cost to the disposal	(30)
	350

35. Notes to the Consolidated Statement of Cash Flows (Continued)

(a) Disposal of subsidiaries (Continued)

(ii) Disposal of BG Group and Xilinhaote Guochuan

As referred to in note 15 to the consolidated financial statements, In December 2018, the Group completed the Disposal and discontinued its Coal Upgrading Business.

Net assets at the date of disposal were as follows:

	2018 HK$'000
Property, plant and equipment	1,489
Construction in progress	32,913
Prepaid land lease payments	15,989
Inventories	79
Deposits, prepayments and other receivables	1,098
Restricted bank deposit	3
Bank and cash balances	308
Other borrowings	(11,700)
Deferred revenue	(2,277)
Accrued charges and other payables	(67,908)
Net liabilities disposed of	(30,006)
Non-controlling interests	7,095
Cumulative exchange loss in respect of the net liabilities of subsidiaries reclassified from equity to profit or loss	6,440
Direct cost to the disposal	431
Indemnity provision (note)	4,555
Gain on disposal of subsidiaries (note 15)	20,595
Consideration	9,110
Deferred cash consideration	(6,833)
Cash consideration received	2,277
Net cash inflow arising on disposal:	
Cash consideration received	2,277
Direct cost to the disposal	(431)
Cash and cash equivalents disposed of	(308)
	1,538

Note :

Pursuant to the sale and purchase agreement of Xilinhaote Guochuan, the Group has agreed to indemnify the Purchaser in an amount of RMB4 million (equivalent to approximately HK$4,555,000) in the event that Xilinhaote Guochuan undergoes debts restructuring or files the application for bankruptcy to the relevant court in the PRC due to financial difficulties or insolvency within one year after completion. The directors consider it was probable that an outflow of economic benefits will be required to settle the obligation and made the indemnity provision of approximately HK$4,555,000 and included in other payables and accruals. The indemnity was paid in January 2020.

35. Notes to the Consolidated Statement of Cash Flows (Continued)

(b) Reconciliation of liabilities arising from financing activities

	Due to non-controlling shareholder HK$'000	Other loans (note 27) HK$'000	Lease Liabilities (note 37) HK$'000	Due to a director HK$'000
At 1 January 2018	7,393	10,994	–	20,883
Change from cash flows:				
Proceeds from new loans	–	828	–	–
Repayment of loan	(7,285)	(7,513)	–	–
Total changes from financing cash flows:	(7,285)	(6,685)	–	–
Other changes:				
Disposal of subsidiaries (note 35(a)(ii))	–	(11,700)	–	–
Reclassification	–	21,004	–	(21,004)
Exchange adjustments	(108)	(854)	–	(199)
Interest expenses	–	894	–	320
Total other changes	(108)	9,344	–	(20,883)
At 31 December 2018	–	13,653	–	–
Initial adoption of HKFRS 16	–	–	3,288	–
At 1 January 2019	**–**	**13,653**	**3,288**	**–**
Change from cash flows:				
Finance cost paid	**–**	**(74)**	**–**	**–**
Repayment of principal portion of lease liabilities	**–**	**–**	**(2,733)**	**–**
Repayment of loan	**–**	**(14,051)**	**–**	**–**
Total changes from financing cash flows:	**–**	**(14,125)**	**(2,733)**	**–**
Other changes:				
Additions	**–**	**–**	**698**	**–**
Exchange adjustments	**–**	**(19)**	**–**	**–**
Interest expenses	**–**	**491**	**139**	**–**
Total other changes	**–**	**472**	**837**	**–**
At 31 December 2019	**–**	**–**	**1,392**	**–**

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 during the year ended 31 December 2016 may result in a maximum penalty of RMB2,000,000 (equivalent to approximately HK$2,229,000) and, consideration of possible to bring its operations to a halt.

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 capacity. The directors relied on the above mentioned legal opinion to conduct the coal mining operations. Up to the date of this annual 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 approximately HK$2,229,000 as at 31 December 2019 (2018: HK$2,277,000).

37. Leases

HKFRS 16 was adopted 1 January 2019 without restatement of comparative figures. For an explanation of the transitional requirements that were applied as at 1 January 2019, detailed set out in note 3(a) to the consolidated financial statements. The accounting policies applied subsequent to the date of initial application, 1 January 2019, as disclosed in note 4(e)(A) to the consolidated financial statements.

The Group has initially applied HKFRS 16 using the cumulative effect approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Information about leases for which the Group as a lessee is presented below.

Nature of leasing activities

The Group leases an office premises and motor vehicle. The leases typically run for a period of one to two years. Lease payments are renegotiated every one to two years to reflect market rentals. For certain leases, the Group is restricted from entering into any sub-lease arrangements.

The Group also leases a motor vehicles. Leases of motor vehicles comprise only fixed payments over the lease terms.

37. Leases (Continued)

Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

2019	Motor vehicle HK$'000	Properties HK$'000	Total HK$'000
Balance at 1 January	–	3,288	3,288
Additions	698	–	698
Depreciation charge for the year	(163)	(2,466)	(2,629)
Balance at 31 December	535	822	1,357

Lease liabilities

2019	Motor vehicle HK$'000	Properties HK$'000	Total HK$'000
Balance at 1 January	–	(3,288)	(3,288)
Additions	(698)	–	(698)
Interest expenses	(21)	(118)	(139)
Lease payment	174	2,559	2,733
Balance at 31 December	(545)	(847)	(1,392)

Future lease payments are due as follows:

31 December 2019	Minimum lease payments HK$'000	Interest HK$'000	Present value HK$'000
Not later than one year	1,154	(30)	1,124
Later than one year and not later than two years	275	(7)	268
	1,429	(37)	1,392

37. Leases (Continued)

Lease liabilities – continued

1 January 2019	Minimum lease payments HK$'000	Interest HK$'000	Present value HK$'000
Not later than one year	2,559	(118)	2,441
Later than one year and not later than two years	853	(6)	847
	3,412	(124)	3,288

Operating lease in 2018

As at 31 December 2018, the total future minimum lease payment under non-cancellable operating lease are payable as follow:

	2018 HK$'000
Within one year	2,559
In second to fifth year inclusive	853
	3,412

Operating lease payments represents rental payables by the Group for its offices. Leases are negotiated for a term of two years and rental are fixed over the lease terms and do not include continent rentals.

38. 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:

	2019 HK$'000	2018 HK$'000
Loan interest paid to a director	–	134

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.

39. Principal Subsidiaries

Particulars of the principal subsidiaries as at 31 December 2019 are as follow:

Name	Place of registration and operation	Paid up capital	Percentage of ownership interest/ voting power/ profit sharing	Principal activities
Inner Mongolia Jinyuanli[1]	The PRC	USD45,000,000	56.2%	Coal mining
Jilin Province De Feng Commodity Economics and Trading Co., Limited ("**Jilin De Feng**")[1]	The PRC	RMB20,000,000	51%	Inactive
Gouden Techniek Company Limited[2]	Hong Kong	HK$10,000	100%	Investment holding
Grand Ocean Group Management Limited	Hong Kong	HK$10,000	100%	Provision of management services
Qingdao Xinghua Resources Holding Company Limited ("**Qingdao Xinghua**")[1]	The PRC	USD10,000,000	51%	Tyre recycle business and not yet commence

(1) Sino-foreign equity joint venture.

(2) The subsidiary disposed on 23 August 2019 detailed in note 35(a)(i) to the consolidated financial statements.

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

39. 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	Qingdao Xinghua	Jilin De Feng		Inner Mongolia Jinyuanli	
	2019	**2019**	2018	**2019**	2018
Principal place of business/country of incorporation	**PRC**	**PRC/PRC**		**PRC/PRC**	
% of ownership interests/voting rights held by NCI	**49%/49%**	**49%/49%**	49%/49%	**43.8%/43.8%**	43.8%/43.8%
	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At 31 December:					
Non-current assets	**15,748**	**270**	370	**145,158**	176,110
Current assets	**62,827**	**43,528**	44,841	**55,955**	53,791
Non-current liabilities	**–**	**–**	–	**(4,873)**	(4,986)
Current liabilities	**(1)**	**(139)**	(142)	**(117,803)**	(162,322)
Net assets	**78,574**	**43,659**	45,069	**78,437**	62,593
Accumulated NCI	**38,417**	**21,385**	22,076	**34,633**	27,695
Year ended 31 December:					
Revenue	**–**	**–**	–	**178,301**	194,109
(Loss)/profit	**(1)**	**(457)**	(545)	**17,408**	32,403
Total comprehensive (loss)/income	**(1)**	**(1,410)**	(3,011)	**16,700**	29,471
Total comprehensive (loss)/income allocated to NCI	**–**	**(691)**	(1,475)	**7,315**	12,908
Dividends paid to NCI	**–**	**–**	–	**–**	–
Net cash generated from/(used in) operating activities	**1**	**(381)**	(444)	**8,022**	55,596
Net cash generated from/(used in) investing activities	**–**	**18**	–	**4,353**	(11,196)
Net cash generated from/(used in) financing activities	**63,993**	**4,427**	1,538	**(16,069)**	(19,489)
Net increase/(decrease) in cash and cash equivalents	**63,994**	**4,064**	1,094	**(3,694)**	24,911

40. Events After the Reporting Date

The assessment of the impact of the Coronavirus Disease 2019

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