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GRANDOCEAN

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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

2020
ANNUAL REPORT

CONTENTS

CORPORATE PROFILE

Board of Directors

Executive Directors

Mr. NG Ying Kit
Mr. TAO Ye *(appointed on 23 November 2020)*
Mr. REN Hang *(resigned on 9 December 2020)*

Non-Executive Director

Mr. ZHOU Hongliang *(appointed on 9 December 2020)*

Independent Non-Executive Directors

Mr. CHANG Xuejun
Mr. HO Man *(appointed on 22 January 2020)*
Mr. LEE Wai Ming *(appointed on 23 November 2020)*
Mr. KWOK Chi Shing *(resigned on 18 September 2020)*

Company Secretary

Ms. WAN Shui Wah

Authorised Representatives

Mr. NG Ying Kit
Ms. WAN Shui Wah

Audit Committee

Mr. LEE Wai Ming *(Chairman)*
(appointed on 23 November 2020)
Mr. CHANG Xuejun
Mr. HO Man *(appointed on 22 January 2020)*
Mr. KWOK Chi Shing *(resigned on 18 September 2020)*

Remuneration Committee

Mr. CHANG Xuejun *(Chairman)*
Mr. HO Man *(appointed on 22 January 2020)*
Mr. TAO Ye *(appointed on 23 November 2020)*

Nomination Committee

Mr. TAO Ye *(Chairman)*
(appointed on 23 November 2020)
Mr. HO Man *(appointed on 22 January 2020)*
Mr. LEE Wai Ming *(appointed on 23 November 2020)*

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 1602
Sino Plaza
255-257 Gloucester Road
Hong Kong

Principal Share Registrar and Transfer Office

Suntera (Cayman) Limited
Suite 3204, Unit 2d
Block 3, Building D
P.O. Box 1586
Gardenia Court
Camana Bay
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

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

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;
"2019 AGM"	an annual general meeting held by the Company on 15 June 2020;
"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;
"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

2020 had been a very challenging year for our coal mining business due to the outbreak of the COVID-19 pandemic, which caused a temporary suspension of production in the first half. Besides, the aging of the mining infrastructure and machineries after usage of over 10 years had led to the decrease of the production capacity and revenue in the year 2020. With efforts and supports from the management of the Group, the overall business operations and performance of our coal mining operations remained stable during the year.

In view of the decrease in revenue, in early 2021, the management decided to divest its investment in the joint venture of developing environmental-friendly tyres recycling plants in the PRC. The Board is of the view that such divestment will considerably improve the liquidity and cash flows of the Group for the forthcoming business challenges and opportunities in the foreseeable future.

The management realises the limitation of the Group's coal mining business due to constraint of production scale as well as tightening industry policies. The Group is currently exploring business opportunities in higher growth sectors in order to enhance its profitability.

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 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 the long run.

The Board of the Directors of the Company

19 March 2021

FINANCIAL HIGHLIGHTS

Financial Highlights

	2020 HK$'000	2019 HK$'000	Change
Operating Results			
Revenue	**133,012**	178,301	(25.4)%
Gross profit	**48,339**	78,657	(38.5)%
Finance costs	**128**	630	(79.7)%
Loss for the year attributable to owners of the Company	**42,505**	10,629	299.9%
Loss per share – Basic	**HK2.83 cents**	HK0.71 cents	298.6%
Financial Position			
Total assets	**263,299**	320,076	(17.7)%
Total liabilities	**78,623**	83,818	(6.2)%
Bank and cash balances	**93,502**	121,644	(23.1)%
Equity attributable to owners of the Company	**105,497**	141,823	(25.6)%
Financial Ratios			
Current ratio	**2.08**	2.47	(15.8)%

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				
	2020 HK$'000	2019 HK$'000	2018 HK$'000	2017 HK$'000 (Restated and represented)	2016 HK$'000 (Restated and represented)
Revenue	**133,012**	178,301	194,109	111,842	264,392
Loss from operations	**(67,193)**	(2,645)	(29,644)	(48,775)	(25,783)
Finance costs	**(128)**	(630)	(717)	(715)	(1,156)
Loss before tax	**(67,321)**	(3,275)	(30,361)	(49,490)	(26,939)
Income tax credit/(expense)	**4,445**	86	17,267	(2,415)	(32,726)
Loss for the year from continuing operations	**(62,876)**	(3,189)	(13,094)	(51,905)	(59,665)
Profit/(loss) for the year from discontinued operation	**–**	–	7,758	(108,268)	(66,276)
Loss for the year	**(62,876)**	(3,189)	(5,336)	(160,173)	(125,941)
Attributable to:					
Owners of the Company	**(42,505)**	(10,629)	(18,933)	(143,604)	(120,645)
Non-controlling interests	**(20,371)**	7,440	13,597	(16,569)	(5,296)
	(62,876)	(3,189)	(5,336)	(160,173)	(125,941)

Five-Year Financial Summary (Continued)

Assets, Liabilities and Equity

	As at 31 December				
	2020 HK$'000	2019 HK$'000	2018 HK$'000	2017 HK$'000 (Restated and represented)	2016 HK$'000 (Restated and represented)
Non-current assets	**144,988**	162,598	176,608	265,138	363,803
Current assets	**118,311**	157,478	191,890	155,271	124,942
TOTAL ASSETS	**263,299**	320,076	368,498	420,409	488,745
Non-current liabilities	**21,801**	19,978	20,322	68,435	60,159
Current liabilities	**56,822**	63,840	144,837	194,023	226,868
TOTAL LIABILITIES	**78,623**	83,818	165,159	262,458	287,027
NET ASSETS	**184,676**	236,258	203,339	157,951	201,718
Attributable to:					
Owners of the Company	**105,497**	141,823	153,568	126,487	156,459
Non-controlling interests	**79,179**	94,435	49,771	31,464	45,259
TOTAL EQUITY	**184,676**	236,258	203,339	157,951	201,718

Notes:

The results of the Group for the years ended 31 December 2017 and 2016 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 2016 to 2017 have been restated and represented as a results of the reclassification of the business of provision of low-rank coal upgrading services (the "**Coal Upgrading Business**") to discontinued operation in 2018, as well as the prior year adjustments made in previous years.

The results of the Group for the year ended 31 December 2020 and of the assets, liabilities and equity of the Group as at 31 December 2020 are those set out on pages 70 to 76 of the audited financial statements respectively.

Business and financial review

The Group recorded total revenue of approximately HK$133,012,000 for the year ended 31 December 2020, representing a decrease of approximately HK$45,289,000 or approximately 25.4% as compared to the revenue of approximately HK$178,301,000 for the year ended 31 December 2019. The loss attributable to the owners of the Company for the year ended 31 December 2020 amounted to approximately HK$42,505,000 as compared to the loss attributable to the owners of the Company of approximately HK$10,629,000 for the corresponding period in year 2019. Such loss was mainly due to the decrease in coal output as a result of: (i) the outbreak of the COVID-19 since early 2020 which caused a temporary suspension of our coal production for approximately two months in the first half of 2020; and (ii) degeneration of mining infrastructure and machineries, leaded to impairment losses made on the non-current assets. For the year ended 31 December 2020, the Coal Mining Business was the only reportable business segment of Group.

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 with an allowed annual production capacity of 1.2 million tonnes.

The outbreak of the COVID-19 in the first half of year 2020 has halted mobility of people all over the PRC, which caused some labours of Inner Mongolia Jinyuanli failed to return to their work positions, accordingly, our coal production operations had been temporary suspended for approximately two months and resumed its operations in April 2020.

During the year ended 31 December 2020, approximately 880,000 tonnes of coals were produced (year ended 31 December 2019: 1.2 million tonnes) and approximately 880,000 tonnes of coals were sold (year ended 31 December 2019: 1.2 million tonnes). The loss of the Coal Mining Business for the year ended 31 December 2020 was approximately HK$42,216,000 as compared to the segment profit of approximately HK$17,471,000 for the year ended 31 December 2019. The segment loss of the Coal Mining Business was mainly due to: (i) the decrease in coal output and revenue as a result of the temporary suspension of our coal production operations in the first half of year 2020; and (ii) the impairment losses of: (a) approximately HK$27,592,000 made on the property, plant and equipment; (b) approximately HK$7,330,000 made on intangible asset; and (c) approximately HK$400,000 made on right-of-use assets (i.e. ownership interests in leasehold land and buildings).

The impairment losses made for the year are mainly attributable to the reduction of estimated annual production output. In June 2020, the management of Inner Mongolia Jinyuanli reported the expected decrease in the annual production capacity of the Group's Inner Mongolia Coal Mine 958 due to aggravating fatigue of the mining infrastructure and malfunction of certain major machineries since its development in 2009, including but not limited to the coal shearer, excavators, conveyor belts and shielding frames. Several of the Inner Mongolia Coal Mine 958's maintenance service providers for mining infrastructure and machineries were closed amid the outbreak of COVID-19, which negatively affected the machineries performances of the mining activities and the overall productivity. As such, the Inner Mongolia Coal Mine 958 is presently not equipped to operate at its optimal efficiency, thus the current annual coal production output is projected to be around 900,000 tonnes based on existing status. Accordingly, in addition to the above impairment loss, approximately RMB2.6 million (approximately HK$2.9 million) loss has been recognised on disposal/written off of property, plant and equipment for the year ended 31 December 2020.

Business and financial review (continued)

The Coal Mining Business (continued)

In view of the increasing annual maintenance expenses of the mining infrastructure and machineries upon usage of over 10 years, the management of Inner Mongolia Jinyuanli has evaluated the required capital expenditures (the "**Coal Mining CAPEX**") and time to rebuild and/or replace these infrastructures and machineries to restore the annual production capacity to 1.2 million tonnes. Based on the latest assessments of the management of Inner Mongolia Jinyuanli, the Coal Mining CAPEX is expected to be not less than RMB20 million (approximately HK$23,800,000). Nevertheless, it is the decision of the Board and the management of Inner Mongolia Jinyuanli to maintain better cash position at current business environment given the uncertainties brought by the COVID-19 and fluctuations in energy prices. The Group will decide whether it will invest in the Coal Mining CAPEX in due course when it is considered economically beneficial for the Coal Mining Business.

During 2020, local government authorities of Inner Mongolia region were commissioned by the State Government of the PRC to conduct an extensive compliance review (the "**Compliance Review**") on the operations of all the coal mines in the Inner Mongolia region in the past 20 years, covering inspections on all aspects of corporate matters such as project plannings, resources allocations, production safety, sales activities, taxations and annual reportings etc. In light of this, the management of Inner Mongolia Jinyuanli had set up a special committee to handling inquiries and investigations from various local government authorities (the "**Review Authorities**"). The Compliance Review on the Group's Inner Mongolia Coal Mine 958 lasted for around 6 months until September 2020, with several issues highlighted by the Review Authorities principally related to: (i) over-production in 2018 as a result of the sale of approximately 0.28 million tonnes of accumulated waste gangue in the year 2018 when Inner Mongolia Jinyuanli was freeing up more space in the coal storage area; and (ii) the lack of legal titles of the plot of land the Inner Mongolia Coal Mine 958 (the "**Land**") situated at and the buildings erected above the Land (the "**Buildings**").

After exchange of arguments with the Review Authorities in relation to the sale of waste gangue in year 2018, they remained their views on this matter as an over-production issue pursuant to their practices in conducting the Compliance Review. Upon negotiations, Inner Mongolia Jinyuanli paid an administrative fine in an amount of RMB960,000 (approximately HK$1.1 million) to settle this issue.

In connection with contingent liabilities of the possible maximum amount of penalty of RMB2 million (approximately HK$2.2 million) reported by the Group as a result of over-production of Coal Mining Business in year 2016, the Review Authorities did not demand any administrative fine under the Compliance Review. Nevertheless, the Directors considered that it is appropriate and prudent to provide for the amount as liabilities in the accounts of the Group for this year.

In addition, the Review Authorities issued a directive to Inner Mongolia Jinyuanli to perfect the land and real estate ownership titles. As such, the management of Inner Mongolia Jinyuanli paid the administrative fines in the amounts of RMB5 million (approximately HK$5.6 million) and RMB2.6 million (approximately HK$2.9 million) respectively for the use of the Land and the construction of the Buildings in the past years. As a result of the Compliance Review, such amount in an aggregate of RMB7.6 million (approximately HK$8.5 million) has been treated as administrative fines by the Review Authorities, and the Review Authorities will in return procure Inner Mongolia Jinyuanli to obtain the corresponding titles of the Land and Buildings. In November 2020, Inner Mongolia Jinyuanli entered into the Contract for State-Owned Construction Land Use Right Assignment (國有建設用地使用權出讓合同) with the Huolinguole Natural Resources Bureau (霍林郭勒市自然資源局) and paid a land premium of RMB11.6 million (approximately HK$13.0 million) accordingly. As at the date of this annual report, Inner Mongolia Jinyuanli is undergoing the procedures in obtaining the title certificates for the Land and Buildings.

Business and financial review (continued)

The Coal Mining Business (continued)

Subsequent to the completion of the Compliance Review, Inner Mongolia Jinyuanli has successfully renewed its: (i) safety production permit (安全生產許可證) approved by the State administration of Coal Mine Safety of Inner Mongolia (內蒙古煤礦安全監察局); and (ii) coal mining license (採礦許可證) approved by the Tongliao Natural Resources Bureau (通遼市自然資源局), both of which were extended for a term of three years. The renewed safety production permit will expire on 24 September 2023 and the coal mining license will expire on 26 October 2023 respectively.

The Development of Environmental-friendly Tyre Recycling Plants in the PRC

On 8 November 2019, the Company's indirect wholly owned subsidiary, Glory Skytop International Limited ("**Glory Skytop**"), entered into a joint venture agreement with Ecostar (Qingdao) Holdings Corporation (伊克斯達(青島)控股有限公司) ("**Ecostar**") and Hope Star (Hong Kong) International Limited ("**Hope Star**"), to establish a joint venture company (the "**Tyre Recycling JVC**") with a registered capital of US$10 million (approximately HK$78.6 million) for the purpose of developing environmental-friendly tyre recycling plants in the PRC. On 27 November 2019, the Tyre Recycling JVC, namely Qingdao Xinghua Resources Holding Company Limited (青島星華資源控股有限公司) ("**Qingdao Xinghua**"), was established in Qingdao, Shandong Province, the PRC, owned as to 51% by Glory Skytop, 20% by Ecostar and 29% by Hope Star respectively. By end of year 2019, the Group had contributed US$5.1 million (approximately HK$39.5 million) by way of cash representing 51% of the total registered capital of Qingdao Xinghua.

During 2020, the management of Qingdao Xinghua has been engaged in negotiations with relevant government authorities in connection with the feasibility of the development of an environmental friendly tyre recycling plant (the "**Tyre Recycling Plant**") in the China (Shandong) Pilot Free Trade Zone (中國(山東)自由貿易試驗區). In May 2020, Qingdao Xinghua formed a wholly-owned subsidiary in Qingdao, Shandong Province, the PRC, namely Qingdao Xinghua Recycle Economic Company Limited* (青島星華循環經濟有限公司) and Qingdao Wester Smart Equipment Research and Design Institute Company Limited* (青島韋斯泰智能裝備研究設計院有限公司) (therefore an indirect non wholly-owned subsidiary effectively owned as to 51% by the Group).

Due to the outbreak of COVID-19 since January 2020, the development progress has been considerably slower than expected to formulating a concrete development plan for the Tyre Recycling Plant. By end of year 2020, the Tyre Recycling JVC has yet to commence any operations or developments of the Tyre Recycling Plant. As part of the business review of the Group, it was anticipated by the Board that extensive financings would be required for the ongoing capital investments for the Tyre Recycling Plant before a positive return could be channeled to the Group in short to medium term. In view of the then business environment and absence of reassuring business prospects, the Directors considered that it is an opportune time for the Group to divest its investment in the Tyre Recycling JVC at the time being.

On 9 February 2021 (subsequent to the year ended 31 December 2020), Glory Skytop as the vendor entered into the sale and purchase agreement with Qingdao Dongyuanhai Investment Holding Company Limited* (青島東遠海投資控股有限公司) as the purchaser, whereas Glory Skytop had conditionally agreed to sell, and the Purchaser had conditionally agreed to purchase all of Glory Skytop's 51% equity interests held in the Tyre Recycling JVC at a consideration of US$5.1 million (approximately HK$39.5 million) (the "**Tyre Recycling JVC Disposal**"). The Board is of the view that the Tyre Recycling JVC Disposal will enable the Group to realise its investment in the Tyre Recycling JVC, which will improve the Group's liquidity as well as strengthening its financial position, with an expected net gain of approximately HK$1.7 million upon completion subject to the review and final audit by the auditors of the Company.

Business and financial review (continued)

Impairment Loss on Property, Plant and Equipment, Intangible Asset and Right-of-use Assets of the Coal Mining Business segment

The management of the Company has performed an impairment assessment review on all the carrying amounts of the property, plant and equipment, intangible asset and right-of-use 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 values 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 has 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$35,322,000 on the assets under the Coal CGU for the year ended 31 December 2020, which comprised: (i) approximately HK$27,592,000 on the property, plant and equipment; (ii) approximately HK$7,330,000 on the intangible asset; and (iii) approximately HK$400,000 on right-of-use assets (i.e. ownership interests in leasehold land and buildings), due to the decrease in projected annual coal production output as compared to previous years. The key assumptions and parameters adopted in the cash flow projections of the Coal CGU as at 31 December 2019, 30 June 2020 and 31 December 2020 are set out below:

Key assumptions	31 December 2019	30 June 2020	31 December 2020
Projected annual coal production output for the period until the expiry date of the business license (note 1)	1,003,600 tonnes	900,000 tonnes	900,000 tonnes
Average unit coal selling price per tonne (including value-added tax) (note 2)	2020: RMB131 2021: RMB134 2022 onwards: increase with inflation rate	2020: RMB131 2021: RMB134 2022 onwards: increase with inflation rate	2021: RMB135 2022: RMB138 2023 onwards: increase with inflation rate
Inflation rate	2.5%	2.5%	2.5%

Notes:

(1) The forecasted annual production output of the Group's Inner Mongolia Coal Mine 958 was adjusted from 1,003,600 tonnes to 900,000 tonnes, representing a slight decrease of approximately 10.3% to reflect the existing status of the Inner Mongolia Coal Mine 958 as well as potential negative impacts brought by the COVID-19. Given the current business environment, the management of the Company and Inner Mongolia Jinyuanli will evaluate whether it would be economically beneficial to restore its coal production capacity as and when appropriate.

(2) The estimated unit selling price of coal (average selling price) was determined by referencing to: (i) the average unit selling price of coals sold during the year ended 31 December 2020; (ii) the prevailing market price of coals in the Inner Mongolia Region; and (iii) the historical average unit selling price of coals produced by Inner Mongolia Jinyuanli over past few years. The average selling price of the coals produced by Inner Mongolia Coal Mine 958 remained stable during the year ended 31 December 2020 as compared to the same corresponding period in year 2019.

Unlike the price of coals 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 coals 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 in 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, size of purchase orders and payment terms 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 in the amount of approximately HK$3,039,000 for the year ended 31 December 2020 was 100% attributed to the Coal Mining Business, representing a decrease of approximately 40.7% as compared to the corresponding period in year 2019 of approximately HK$5,128,000. The decrease in selling and distribution expenses was generally in line with the decrease in coals sold for the year.

Administrative expenses

The administrative expenses of the Group for the year ended 31 December 2020 amounted to approximately HK$82,983,000, representing an increase of approximately HK$19,998,000 as compared to approximately HK$62,985,000 for the corresponding period in year 2019. The increase in administrative expenses was mainly attributable to the (i) loss on disposal/written off on certain property, plant and equipment in the amount of approximately RMB2.6 million (approximately HK$2.9 million); (ii) the actual administrative fines paid and provision of administrative fines in an aggregate amount of approximately RMB2.96 million (approximately HK$3.3 million) in relation to over-production during past years; (iii) the illustrative administrative fines in an aggregate amount of approximately RMB7.6 million (approximately HK$8.5 million) on the use of the Land and the Building without perfect titles as discussed under the section "Business and financial review – the Coal Mining Business"; and (iv) additional staff costs on social insurance and compensation in the PRC of approximately RMB6.9 million (approximately HK$7.8 million). 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 represented the interest on lease liabilities in relation to the leasing of the Hong Kong office and a motor vehicle. The decrease in finance costs was due to the full repayment of loans from a former executive director in the year 2019.

Loss for the year

The net loss attributable to the owners of the Company for the year ended 31 December 2020 was approximately HK$42,505,000 as compared to the loss attributable to the owners of the Company of approximately HK$10,629,000 for the corresponding period in year 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 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*	Utilisation up to 31 December 2020 *HK$ million*	**Remaining balance up to 31 December 2020** ***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	20.4	**-**
Total	106.8	27.4	79.1	86.4	**20.4**	–	**20.4**	8.5	20.4	**-**

Following the disposal of the business of provision of low-rank coal upgrading services (the "**Coal Upgrading Business**") in 2018, the Group will not apply further proceeds on the Coal Upgrading Business. On the other hand, the relevant overdue construction payables of the Coal Mining Business, which were intended to be repaid by the proceeds of the Placing, had been fully repaid. The proceeds from the Placing have been fully utilised during the year 2020.

Liquidity and financial resources

As at 31 December 2020,

(a) the aggregate amount of the Group's: (i) restricted bank deposits; and (ii) bank and cash balances was approximately HK$98,273,000 (as at 31 December 2019: approximately HK$126,402,000);

(b) the Group had no borrowing (as at 31 December 2019: Nil);

(c) the Group's gearing ratio was zero (as at 31 December 2019: Nil). The gearing ratio was calculated as the Group's total borrowings divided by total equity; and

(d) the Group's current ratio was approximately 2.08 (as at 31 December 2019: approximately 2.47). 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 2020, the Group did not have any pledge of assets (as at 31 December 2019: 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 the recent fluctuation in the exchange rate between Renminbi and Hong Kong dollar, and is of the opinion that it does not have any material adverse impact to the Group's financial position at present. 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.

Investment in material subsidiaries and associates

The following material subsidiaries had been established in the PRC during the year ended 31 December 2020.

(i) Qingdao Xinghua Recycle Economic Company Limited* (青島星華循環經濟有限公司) ("**QDXH Recycle**") was established in the PRC in May 2020 with a paid-up registered capital of RMB10 million (approximately HK$11.9 million) and (ii) Qingdao Wester Smart Equipment Research and Design Institute Company Limited* (青島韋斯泰智能裝備研究設計院有限公司) ("**QWSE Research**") was established in the PRC in July 2020 with an unpaid registered capital of RMB1 million (approximately HK$1.2 million) in relation to the tyre recycling business. The equity interests of QDXH Recycle and QWSE Research were wholly-owned by Qingdao Xinghua which was owned as to 51% by the Group, as such, each of QDXH Recycle and QWSE Research was an indirect 51% non-wholly owned subsidiary of the Group; and

(ii) Jiangsu Wealthy Ocean Trading Development Company Limited* (江蘇弘財新貿易發展有限公司) ("**Jiangsu Wealthy Ocean**") was established in the PRC in December 2020 with an unpaid registered capital of RMB10 million (approximately HK$11.9 million), which is an indirect wholly-owned subsidiary of the Group.

Apart from QDXH Recycle, QWSE Research and Jiangsu Wealthy Ocean, the Group did not acquire nor dispose of any material subsidiaries and associates during the year ended 31 December 2020.

Significant investment

The Group did not purchase, sell or hold any significant investments during the year ended 31 December 2020.

Contingent liabilities

The Group did not have any material contingent liabilities as at 31 December 2020.

Capital commitment

As at 31 December 2020, the Group had no capital commitment (as at 31 December 2019: Nil).

Employees

The Group employed 472 full-time employees as at 31 December 2020 (as at 31 December 2019: 463) in Hong Kong and the PRC. Remuneration of the staff comprises 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 referencing to the prevailing market rate and contributions to the Group. Staff costs including Directors' emoluments for the year ended 31 December 2020 were HK$63,493,000 (for the year ended 31 December 2019: HK$69,510,000).

PROSPECTS

The pace of the Group's business development had been sluggish during 2020 as a result of the outbreak of the COVID-19 pandemic. Notwithstanding the Inner Mongolia Coal Mine 958 has passed the Compliance Review, the Board is of the view that the Coal Mining Business is still full of challenges, such as rising competition from renewable energies and tightening government regulations and industry practices due to increasing environmental protection awareness.

In this connection, the Board considers while sustaining the operations of the Coal Mining Business, it is also essential for the Group to adopt a prudent manner in applying its capital in order to maintain a stable financial position for future business opportunities and business challenges. In addition, the Group will continue to implement further cost saving measures with an aim to enhance the operational efficiency of the Coal Mining Business.

Moving forward, in view of the expected economy recovery post the COVID-19 pandemic, the Group will seek for other business opportunities with an objective to diversify and speed up its businesses integration by leveraging the expertise of the Group's senior management in the mining and resources sector. The Group aims to broaden its business scope and benefit from the diversified return in the future to enhance shareholders' value.

Executive Directors

Mr. Ng Ying Kit

Aged 43, 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 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. Ng has been an independent non-executive director of TBK & Sons Holdings Limited (stock code: 1960), a company listed on the Main Board of Stock Exchange since October 2020.

Mr. Tao Ye

Aged 37, joined the Company as an executive Director in November 2020. He is the chairman of the Nomination Committee and a member of the Remuneration Committee. He is responsible for the areas of financing and business development and holds directorships in various subsidiary companies of the Group. Mr. Tao obtained a Master's degree of Finance (Financial Engineering) from East China Normal University in Shanghai, the PRC in 2016. He has more than 10 years of experience in financing and project investment analysis. Mr. Tao is currently served as a deputy general manager in a PRC International financial lease company, namely Xin He International Financial Lease (Jiangsu) Company Limited (鑫和國際融資租賃(江蘇)有限公司), overseeing project investment analysis and financing.

Non-executive Director

Mr. Zhou Hongliang

Aged 57, was appointed as a non-executive Director of the Company on 9 December 2020. Mr. Zhou graduated from Xuzhou College of Chemical Technology now known as Xuzhou College of Industrial Technology (徐州工業職業技術學院) in PRC in the 1984. Mr. Zhou has over 20 years experiences in the management of mining and resources related business, commodities trading business and venture capital investment. Mr. Zhou served as a special assistant to the Chairman of VV Food & Beverage Co., Ltd. (維維食品飲料股份有限公司) (stock code: 600300.SH) from 1999 to 2003 and an executive director in Western Mining Co., Ltd. (西部礦業股份有限公司) (stock code: 601168.SH) from 2003 to 2014. Mr. Zhou is currently a partner of Shanghai NewMargin Venture Capital Co., Ltd. (上海聯創創業投資有限公司) since 2010.

Independent Non-executive Directors

Mr. Lee Wai Ming
Aged 53, has been appointed as an independent non-executive Director since November 2020. He is chairman of the Audit Committee and a member of Nomination Committee. Mr. Lee had served as a professional accountant in the audit department in Deloitte Touche Tohmatsu for over 10 years. He had also served various senior positions at various private and listed companies (the shares of which have been listed on the Main Board and GEM of the Stock Exchange). He previously acted as the financial controller and company secretary in each of Dadi International Group Limited (stock code: 8130) and Wealth Glory Holdings Limited (stock code: 8269), both companies' shares are listed on the GEM of the Stock Exchange. Mr. Lee also acted as an INED of Kelfred Holdings Limited (stock code: 1134) during June 2019 to August 2020, a company listed on the Main Board of Stock Exchange and acted as independent Non-executive director of Evershine Group Holdings Limited (stock code: 8022) during January 2021 to February 2021, a company listed on the GEM of the Stock Exchange. Mr. Lee has more than 25 years of experience in the field of accounting, corporate finance and management. He holds a Bachelor of Arts (Hons) degree in Accountancy from the Hong Kong Polytechnic University. Mr. Lee is a certified public accountant in Hong Kong, a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.

Mr. Chang Xuejun
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 on 17 March 2016. Mr. Chang was re-designated as chairman and member of the Remuneration Committee and the Nomination Committee on 22 January 2020 and he ceased to the chairman of the Nomination Committee on 23 November 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 51, 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. Prior to that, Mr. Ho served as an executive partner representative of a Chengdu-based private equity investment fund from December 2011 to May 2014. Mr. Ho worked for a Hong Kong-based private fund management company during January 2010 to December 2013 and was the managing director and head of China growth and expansion capital of CLSA Capital Partners (HK) Limited from August 1997 to October 2009.

Mr. Ho was an independent non-executive director of Momentum Financial Holdings Limited (stock code: 1152) from November 2016 to June 2019, being a company listed on the Main Board of The Stock Exchange and an independent director of Shenzhen Forms Syntron Information Co. Ltd (stock code: 300468.SZ), a company listed on the ChiNext of Shenzhen Stock Exchange, from February 2012 to February 2018. Mr. Ho has been an independent non-executive director of Fantasia Holdings Group Co., Limited (stock code: 1777) since October 2009; an independent non-executive director of Fu Shou Yuan International Group Limited (stock code: 1448) since December 2013; an independent non-executive director of CIMC-TianDa Holding Company Limited (stock code: 445) since July 2015; an independent non-executive director of Magnus Concordia Group Ltd (stock code: 1172) since January 2018; and an independent non-executive director of Wanjia Group Holdings Limited (stock code: 401) since February 2018, all being companies listed on the Main Board of the Stock Exchange.

Senior Management

Ms. Wan Shui Wah

Aged 41, 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 57, 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

The Company's corporate governance practices are based on the principles and code provisions as set out in 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 2020 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 code 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

(1) 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.

(2) Following the resignation of Mr. Kwok Chi Shing as an INED on 18 September 2020, 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; and (ii) the Audit Committee comprising only non-executive directors with a minimum of three members under Rule 3.21 of the Listing Rules.

Following the appointment of Mr. Lee Wai Ming as an INED on 23 November 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; and (ii) Rule 3.21 of the Listing Rules stipulating that the Audit Committee must comprise a minimum of three members.

Board of Directors and Board Meetings

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 2020.

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 2020 and up to the date of annual report, the Board comprised six Directors, including two executive Directors, one non-executive Director and three INEDs.

Executive Directors

Mr. Ng Ying Kit
Mr. Tao Ye *(appointed on 23 November 2020)*
Mr. Ren Hang *(resigned on 9 December 2020)*

Non-Executive Director

Mr. Zhou Hongliang *(appointed 9 December 2020)*

Independent Non-Executive Directors

Mr. Chang Xuejun
Mr. Ho Man *(appointed on 22 January 2020)*
Mr. Lee Wai Ming *(appointed on 23 November 2020)*
Mr. Kwok Chi Shing *(resigned on 18 September 2020)*

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 2020, 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 2020, on their respective independence pursuant to Rule 3.13 of the Listing Rules and the Company considered each of them to be independent. Mr. Lee Wai Ming, 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	2019 AGM Attended/held	2019 AGM Attendance percentage
Mr. Ng Ying Kit	4/4	100%	1/1	100%
Mr. Tao Ye [(1)]	1/1	100%	N/A	N/A
Mr. Zhou Hongliang [(2)]	N/A	N/A	N/A	N/A
Mr. Lee Wai Ming [(3)]	1/1	100%	N/A	N/A
Mr. Chang Xuejun [(7)]	4/4	100%	1/1	100%
Mr. Ho Man [(4)]	3/3	100%	1/1	100%
Mr. Kwok Chi Shing [(5)]	3/3	100%	1/1	100%
Mr. Ren Hang [(6) (7)]	3/3	100%	1/1	100%

Notes:

(1) Mr. Tao Ye was appointed as an executive Director on 23 November 2020.

(2) Mr. Zhou Hongliang was appointed as a non-executive Director on 9 December 2020.

(3) Mr. Lee Wai Ming was appointed as an independent non-executive Director on 23 November 2020.

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

(5) Mr. Kwok Chi Shing resigned as independent non-executive Director on 18 September 2020.

(6) Mr. Ren Hang resigned as an executive Director on 9 December 2020.

(7) Mr. Ren Hang and Mr. Chang Xuejun attended the 2019 AGM by telephone conference call.

(8) The 2019 AGM was held on 15 June 2020 and no other shareholder meeting held during the year 2020.

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. As at 31 December 2020, the Remuneration Committee comprised two INEDs, namely Mr. Chang Xuejun and Mr. Ho Man (appointed on 22 January 2020), and one executive Director, Mr. Tao Ye (appointed on 23 November 2020). During 2020, Mr. Chang Xuejun was re-designated as Chairman of the Remuneration Committee on 22 January 2020 and Mr. Ho Man was appointed as an independent non-executive director and a member of the Remuneration Committee on 22 January 2020. On 23 November 2020, Mr. Ng Ying Kit ceased to be the member of the Remuneration Committee and Mr. Tao Ye was appointed as a member of the Remuneration Committee.

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

During 2020, four 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 the Directors to the Board and approved the terms of the service agreements and letter of appointment.

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

	Number of the Remuneration Committee meeting attended/held	Attendance percentage
Mr. Chang Xuejun [(1)]	4/4	100%
Mr. Tao Ye [(2)]	1/1	100%
Mr. Ho Man [(3)]	3/3	100%
Mr. Ng Ying Kit [(4)]	3/3	100%

Notes:

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

(2) Mr. Tao Ye was appointed as a member of the Remuneration Committee on 23 November 2020.

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

(4) Mr. Ng Ying Kit was ceased to be the member of the Remuneration Committee on 23 November 2020.

The Remuneration Committee had considered and reviewed service agreement and appointment letters of the executive Directors, NED and the INEDs. It considered that the existing terms of agreement and appointment letters of the executive Directors, NED and INEDs were fair and reasonable.

Nomination Committee

The Company established the Nomination Committee in September 2005. As at 31 December 2020, the Nomination Committee comprised two INEDs, namely Mr. Lee Wai Ming (appointed on 23 November 2020) and Mr. Ho Man (appointed on 22 January 2020), and one executive Director, Mr. Tao Ye (appointed on 23 November 2020).

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 2020, five meetings were held by the Nomination Committee which the following works were preformed:

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

(ii) make recommendations to the Board on the appointment or re-appointment of Directors;

(iii) identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships; and

(iv) 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. Tao Ye [(1)]	1/1	100%
Mr. Lee Wai Ming [(2)]	1/1	100%
Mr. Ho Man [(3)]	4/4	100%
Mr. Chang Xuejun [(4)]	4/4	100%
Mr. Ng Ying Kit [(5)]	4/4	100%

Notes:

(1) Mr. Tao Ye was appointed as executive Director and the chairman of Nomination Committee on 23 November 2020.

(2) Mr. Lee Wai Ming was appointed as INED and a member of Nomination Committee on 23 November 2020.

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

(4) Mr. Chang Xuejun was re-designated as a chairman of the Nomination Committee on 22 January 2020 and ceased to be the chairman and a member of Nomination Committee on 23 November 2020.

(5) Mr. Ng Ying Kit was ceased to be a member of the Nomination Committee on 23 November 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.

As at 31 December 2020, the Audit Committee comprised three INEDs, namely Mr. Lee Wai Ming (appointed on 23 November 2020) (the chairman), Mr. Chang Xuejun and Mr. Ho Man (appointed on 22 January 2020). During the year, Mr. Ho Man was appointed as an INED on 22 January 2020, Mr. Kwok Chi Shing was resigned as INED and the chairman of Audit Committee on 18 September 2020 and Mr. Lee Wai Ming was appointed as INED and the chairman of the Audit Committee on 23 November 2020. Among the Committees, Mr. Lee Wai Ming 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 two meetings during 2020 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. Lee Wai Ming [(1)]	N/A	N/A
Mr. Chang Xuejun	2/2	100%
Mr. Ho Man [(2)]	2/2	100%
Mr. Kwok Chi Shing [(3)]	2/2	100%

Notes:

(1) Mr. Lee Wai Ming was appointed as Chairman of Audit Committee on 23 November 2020.

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

(3) Mr. Kwok Chi Shing was resigned as INED and the chairman of Audit Committee on 18 September 2020.

During 2020, the Group's unaudited interim results for the six months ended 30 June 2020 and annual audited results for 2020 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 2020.

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 2020.

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 2020 amounted to approximately HK$1,300,000 (2019: HK$1,300,000) and HK$150,000 for reviewing 2020 interim report) (2019: HK$150,000) respectively.

Board Diversity Policy

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

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

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	33%
Business administration	1	17%
E&E Engineering	2	33%
Legal	1	17%
Gender Diversity		
Male	6	100%
Female	–	0%
Age Group		
36 – 40	1	17%
41 – 45	1	17%
46 – 50	1	17%
51 – 55	2	32%
56 – 60	1	17%
Length of Service		
1 – 5 years	5	83%
6 – 10 years	1	17%
11 – 15 years	–	0%

Remuneration of Directors and Senior Management

Particulars of the Directors' remuneration for 2020 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 2020 by band is set out below:

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

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 2020.

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 2020.

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 2020 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 2020.

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 2020 (2019: 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 1602, 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 1602, Sino Plaza, 255-257 Gloucester Road, Hong Kong. The Company will not normally deal with verbal or anonymous enquiries.

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 ESG 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 2020 to 31 December 2020 (the "**Reporting Period**" or the "**FY2020**").

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 HKEX. 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 2020 (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 the ESG Report

The Report describes the Group's ESG 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 20 to 30 of the Corporate Governance Report in the 2020 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 ESG 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 ESG Report from that of the 2019 Report published on 23 April 2020.

Stakeholder Engagement

The Group believes that understanding the views of the stakeholders lays a solid foundation to the long-term 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.

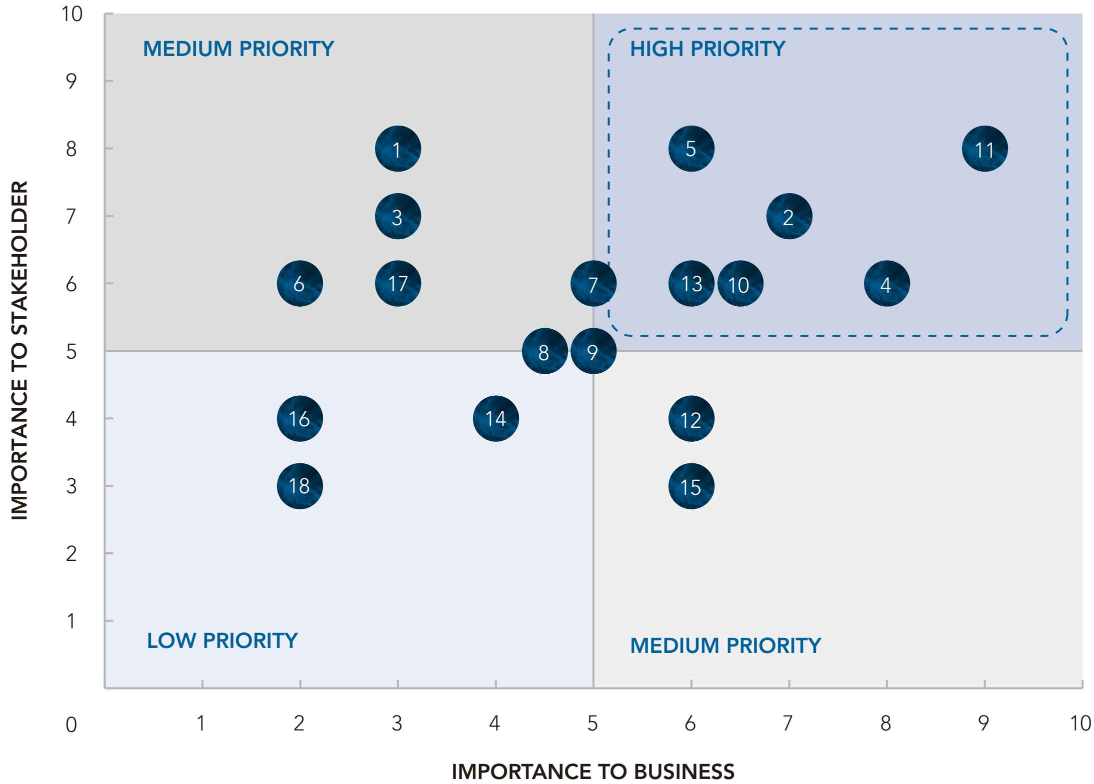
Stakeholder Groups	Engagement Channels	Possible concerned
Investors	• General meetings • Regular corporate publications including financial reports • Circulars and announcements • Corporate website • Direct communication • Meetings and responses to phone and written enquiries	• Business strategies and 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 HKEX. 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

Materiality Matrix



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 ESG Report covers the period from 1 January 2020 to 31 December 2020, which is the same as the financial year as reported in the 2020 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 1602, 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 environmentally 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 May 2020, 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	Unit	For the year ended 31 December 2020	For the year ended 31 December 2019
Nitrogen Oxides (NOx)	kg	**74.4**	156.7
Sulphur Oxides (SOx)	kg	**4.2**	5.9
Particulate Matter (PM)	kg	**5.4**	11.3

Note:

The emission data 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 follow:

Total Greenhouse Gas ("GHG") Emissions	Unit	For the year ended 31 December 2020	For the year ended 31 December 2019
Scope 1 (Vehicle emission)	tonnes	**721.1**	1,001.9
Scope 2 (Purchased electricity and purchased gas)	tonnes	**6,930.9**	9,674.4
Scope 3 (Paper waste disposal at landfills, electricity used for freshwater processing and business air travel by employees)	tonnes	**69.8**	12.0
Total	tonnes	**7,721.8**	10,688.3
Intensity (per employee – tonnes/employee)		**16.7**	23.1

Note:

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

There were 7,721.8 tonnes of carbon dioxide equivalent greenhouse gases (mainly carbon dioxide (CO_2), methane (CH_4) and nitrous oxide (N_2O)) emitted from the Group's operation in the Reporting Period. The change of stationary combustion fuel from LPG to Methanol contributes to the reduce in direct emission (Scope 1). Methanol is a biomass fuel which is a more clean and sustainable burning fuel that helps to meet the environmental regulations and improve air quality. The replacement contributes to the decrease in GHG emission. Since the operation time decreases due to the pandemic, demand for electricity at the workplace decreases. Thus, the use of electricity reduced significantly. The Group made an effort on scaling down the GHG emissions by replacing more environmentally friendly tools during operation which leads to a decrease in total GHG with an intensity of 16.7 (tonnes per employee).

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 equipment 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 112.8 tons (FY2019: 108.6 tones) 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 2020	For the year ended 31 December 2019
Electricity	kWh'000	**10,996**	12,246
Intensity (per tons of coal)	kWh	**12.5**	10.2

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. The Group also read the water readings regularly to ensure no hidden water leakage. At the same time, checking hoses and pipes for leaks, cracks and other damage regularly and repair in a timely manner.

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.

Water	Unit	For the year ended 31 December 2020	For the year ended 31 December 2019
Water consumed	tonnes	**154,226**	179,985
Intensity	tonnes of water/tonnes of coal production	**0.175**	0.15

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 Group carried out trimming and cladding of the dumping field (排土區), then seeded with Sea Buckthorn sampling (沙棘樹苗) and do the watering to ensure its growth. This helps to protect the soil and enhance ecological restoration. The survival rate of the plant meets the government requirement. The Group will continue to communicate and collaborate with the government in regard 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's headquarter in Hong Kong and operation sites of coal mining business has 463 full-time employees (2019: 463). The overall staff turnover rate increased from 12.06% to 18.91% in 2020. The increase of turnover rate was due to the reformation of management system while all withdrawals were voluntary. After the reformation, each related department has higher efficiency and more positive working environment. 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

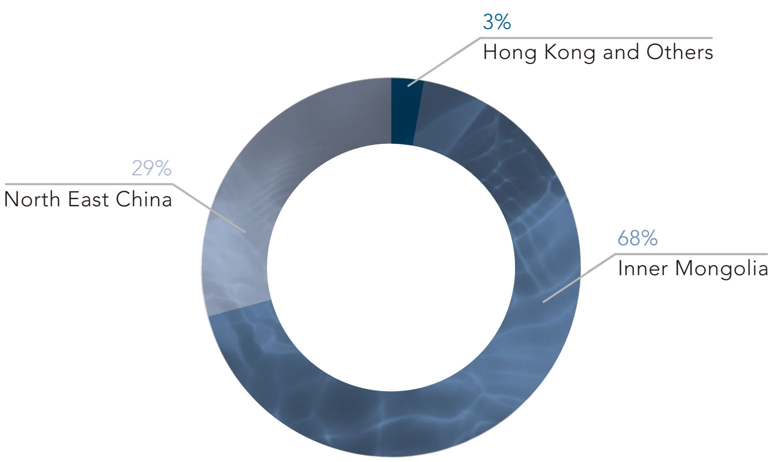


Table 2 - Total Workforce by Gender

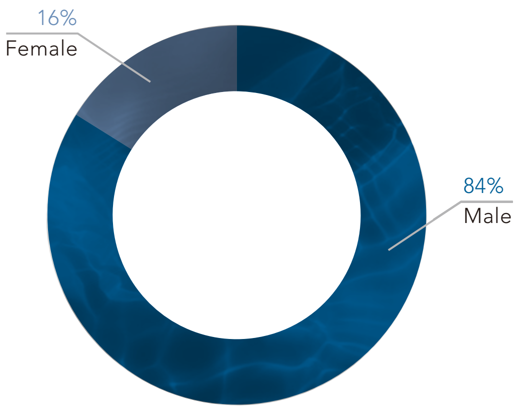


Table 3 - Total Workforce by Age Group

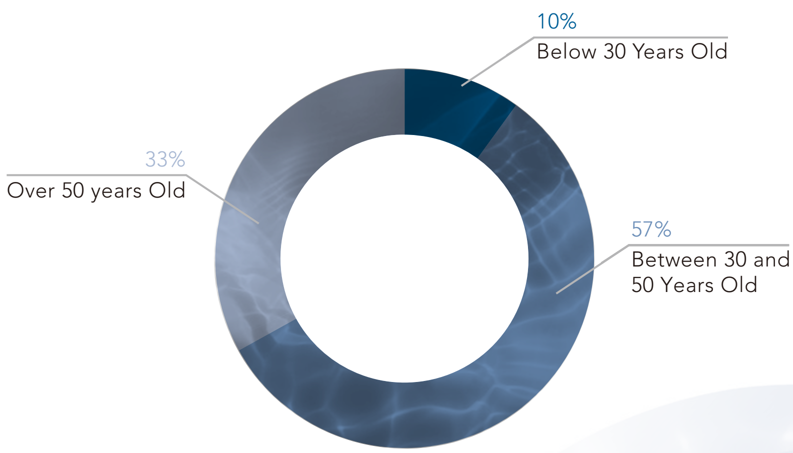
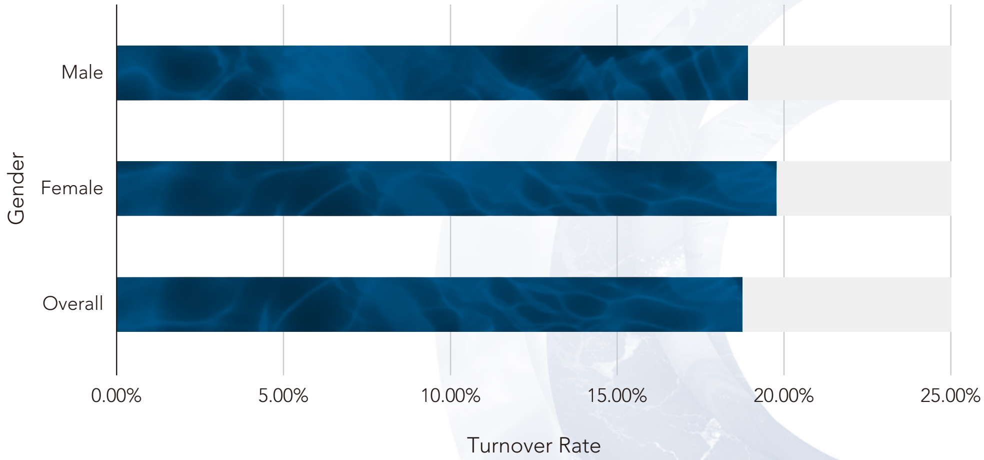


Table 4 – Total Work Force Turnover Rate by Gender



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, coal dusts and fires of the mine ventilation, preventions of gas explosions, 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 about 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 1,096 lost days due to work injury (2019: 472 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 entering 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 built 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 automation 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 2020, 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 2020, a total of approximately 36,939 hours (2019: 8,262 hours) of training were provided to employees. No matter in last year or this year, "Employees' Health and Workplace Safety" is the most concerned topic at the Materiality Matrix for both stakeholders and the business. The Group thus further lengthened the training time for employees, to ensure a safety working environment.

Percentage of employees trained	**2020**	2019
By gender		
Male	**100.0%**	88.0%
Female	**67.1%**	96.0%

Average training hours per employee	**2020**	2019
By gender		
Male	**80.4**	17.6
Female	**83.3**	18.9

There is a significant increase in the average training hours for both male and female, catering more new employees, which is in line with the turnover rate.

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 minimisation, 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 environmentally friendly procurement

For the sake of safety and being environmentally 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. 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 880,000 tonnes (2019: 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.

DIRECTORS' REPORT

The Directors are pleased to present their report and the audited consolidated financial statements of the Group for the financial year ended 31 December 2020.

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 2020 and the material factors underlying its financial performance are set out in the section headed "Management Discussion and Analysis" on pages 9 to 16 of this annual report.

To the Company's knowledge, the Company has complied with all the relevant laws and regulations that have a significant impact on the Company. The Company will seek professional legal advice from legal advisers, where necessary, to ensure transactions and business to be performed by the Company are in compliance with the applicable laws and regulations. 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 2020 are set out in the consolidated statement of profit or loss and consolidated statement of other comprehensive income on pages 70 to 71.

The Directors do not recommend the payment of a final dividend for 2020 (2019: Nil).

Share Capital

Details of the movements in the share capital of the Company are set out in Note 28 to the consolidated financial statements.

Reserves

Details of the movements in the reserves of the Group and the Company during 2020 are set out in consolidated statement of changes in equity and Note 31 to the consolidated financial statements respectively.

Distributable Reserves

As at 31 December 2020, the Company had reserves available for distribution, calculated in accordance with the provision of the Cayman Islands Companies Law, amounting to approximately HK$102,515,000. The share premium account of the Company of approximately HK$96,935,000 as at 31 December 2020 is 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 17 to the consolidated financial statements.

Directors

The Directors during 2020 and up to the date of this annual report were:

Executive Directors

Mr. Ng Ying Kit
Mr. Tao Ye *(appointed on 23 November 2020)*
Mr. Ren Hang *(resigned on 9 December 2020)*

Non-executive Director

Mr. Zhou Hongliang *(appointed on 9 December 2020)*

INEDs

Mr. Lee Wai Ming *(appointed on 23 November 2020)*
Mr. Chang Xuejun
Mr. Ho Man *(appointed on 22 January 2020)*
Mr. Kwok Chi Shing *(resigned on 18 September 2020)*

In accordance with articles 83(3) of the Amended and Restated Memorandum and Articles, Mr. Tao Ye appointed as an executive director, Mr. Lee Wai Ming appointed as INED and Mr. Zhou Hongliang appointed as a non-executive Director ("**NED**"), will retire from office at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

In accordance with articles 84(1) and 84(2) of the Amended and Restated Memorandum and Articles, Mr. Ng Ying Kit will retire from office by rotation at the forthcoming annual general meeting and, being eligible, will offer himself for re-election.

All the Directors (including NED and 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. Tao Ye entered into a service agreement with the Company on 5 February 2015 and 23 November 2020, 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.

NED

Mr. Zhou Hongliang entered into appointment letters with the Company for a term of three years commencing on 9 December 2020.

INEDs

Mr. Chang Xuejun, Mr. Ho Man and Mr. Lee Wai Ming entered into appointment letters with the Company for a term of three years commencing on 15 June 2018, 22 January 2020 and 23 November 2020 respectively.

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 has received from each of the INEDs, who acted in such capacities during 2020, 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 17 to 19 of this annual report.

Five-Year Financial Summary

A summary of the results of the Group for the last five financial years and of its assets and liabilities as at the end of the last five financial years is set out on pages 6 and 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 2020 or at any time during 2020 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 2020, 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 set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange.

Substantial Shareholders

As at 31 December 2020, 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 persons (other than the Directors or the chief executive of the Company) had, or were 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 2020
Liu Chang Deng	Beneficial owner	156,154,315 (Note 1)	10.39%

Substantial Shareholders (Continued)

Save as disclosed above, as at 31 December 2020, 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 Director) of the Company, any of its subsidiaries or any Invested Entity; any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued or proposed to be issued by any member of the Group or any Invested Entity; and any other person (including any consultant, adviser, distributor, contractor, supplier, agent, customer, business partner, joint venture business partner, promoter or service provider of any member of the Group) whom the Board considers, in its sole discretion, has contributed or will contribute to the Group (the "**Eligible Participants**") as incentives or rewards for their contribution to the Group and/or to recruit and retain high caliber employees and attract human resources that are valuable to the Group and any Invested Entity.

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

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.

Share Option Scheme (Continued)

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.

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, employees and other Eligible Participants. 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 Third 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 Third 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 2020 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 2020	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	Balance as at 31 December 2020	Exercise Price Per Share (HK$)
Executive Directors									
Mr. Ng Ying Kit (note 1)	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)	–	–	
Mr. Ren Hang (note 2)	27 July 2018	27 July 2018 to 26 July 2028	15,000,000	–	–	–	(15,000,000)	–	0.510
Subtotal			32,250,000	–	–	–	(15,000,000)	–	
Independent Non-Executive Director									
Mr. Kwok Chi Shing (note 3)	30 April 2015	30 April 2015 to 29 April 2025	225,000	–	–	–	(225,000)	–	0.710
Subtotal			225,000	–	–	–	(225,000)	–	
Total			32,475,000	–	–	(17,250,000)	(15,225,000)	–	

Notes:

(1) The share options granted to Mr. Ng Ying Kit was cancelled during the year.

(2) Mr. Ren Hang resigned as executive Director on 9 December 2020.

(3) Mr. Kwok Chi Shing resigned as INED on 18 September 2020.

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 2020	Granted during year	Exercised during year	Cancelled during year	Lapsed during year	Balance as at 31 December 2020	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	–	–	(450,000)	(45,000,000)	–	
Eligible Participants	27 July 2018	27 July 2018 to 26 July 2028	75,000,000	–	–	–	(75,000,000)	–	0.510
Subtotal			75,000,000	–	–	–	(75,000,000)	–	
Total			120,450,000	–	–	(450,000)	(120,000,000)	–	

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 issued share capital 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 2020, 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 are estimated based on the risk-free rate 1.52% per annum by reference to the yield rate of the Hong Kong government bills and bonds with similar duration, a ten-year period historical volatility 78.26%, assuming a dividend yield of 1.12% and an expected option life of 10 years.

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

The 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 are 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 34 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 2020.

Equity-linked Agreements

Saved for the share option scheme described above, the Group has not entered into any equity-linked agreements during 2020.

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 2020. There had been no exercise of any convertible securities, options, warrants or other similar rights during 2020.

Fund raising activities

There were no fund-raising activities conducted by the Company during the year ended 31 December 2020.

Use of Proceeds from the Placing

In July 2017, the Company raised gross and net proceeds from a placing 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	**Utilisation up to 31 December 2020 HK$ million**	**Remaining balance up to 31 December 2020 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	**20.4**	**-**
Total	106.8	27.4	79.1	86.4	**20.4**	–	**20.4**	8.5	**20.4**	**-**

Following the disposal of the business of provision of low-rank coal upgrading services (the "**Coal Upgrading Business**") in 2018, the Group will not apply further proceeds on the Coal Upgrading Business. On the other hand, the relevant overdue construction payables of the Coal Mining Business, which were intended to be repaid by the proceeds of the Placing, had been fully repaid. The proceeds from the Placing have been fully utilised during the year 2020.

Major Customers and Suppliers

Information in respect of the Group's sales attributable to the major customers and suppliers respectively during 2020 are as follows:

	Percentage of the Group's total Sales 2020
The largest customer	46%
Five largest customers in aggregate	97%

Major Customers and Suppliers (Continued)

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 2020, 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 2020.

Update on Directors Information

The changes in director's information subsequent to the 2020 interim report of the Company published on 10 September 2020 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. Kwok Chi Shing resigned as INED on 18 September 2020;

– Mr. Tao Ye has been appointed as executive Director on 23 November 2020;

– Mr. Lee Wai Ming has been appointed as INED on 23 November 2020;

– Mr. Ren Hang resigned as executive Director 9 December 2020; and

– Mr. Zhou Hongliang appointed as NED on 9 December 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 31 to 53 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

The consolidated financial statements for the year ended 31 December 2020 have 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, 19 March 2021

INDEPENDENT AUDITOR'S REPORT

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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 70 to 134, which comprise the consolidated statement of financial position as at 31 December 2020, 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 2020, 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 non-financial assets for the coal cash-generating unit

(Refer to Notes 17 and 19 to the consolidated financial statements and the Group's critical judgements and key estimates in relation to impairment loss on property, plant and equipment, intangible asset and right-of-use assets set in Note 5(b))

The Group had property, plant and equipment, intangible asset and right-of-use assets of HK$73 million, HK$20 million and HK$13 million respectively as at 31 December 2020. The carrying amount of property, plant and equipment, intangible asset and right-of-use assets of the coal cash-generating unit ("**Coal CGU**"), before impairment, was HK$100 million, HK$27 million and HK$14 million respectively.

Key Audit Matters (Continued)

Impairment of non-financial 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, intangible asset and right-of-use assets amounting to HK$28 million, HK$7 million and HK$0.4 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, intangible asset and right-of-use 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.

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.

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.

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

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

- 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, actions taken to eliminate threats or safeguards applied.

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, 19 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020

	Note	2020 HK$'000	2019 HK$'000
Revenue	7	**133,012**	178,301
Cost of sales		**(84,673)**	(99,644)
Gross profit		**48,339**	78,657
Other income and gains	8	**5,812**	916
Selling and distribution expenses		**(3,039)**	(5,128)
Administrative expenses		**(82,983)**	(62,985)
Impairment loss on property, plant and equipment	17	**(27,592)**	(11,265)
Impairment loss on intangible asset	19	**(7,330)**	(2,840)
Impairment loss on right-of-use assets	33	**(400)**	–
Loss from operations		**(67,193)**	(2,645)
Finance costs	10	**(128)**	(630)
Loss before tax		**(67,321)**	(3,275)
Income tax credit	11	**4,445**	86
Loss for the year	12	**(62,876)**	(3,189)
Attributable to:			
Owners of the Company		**(42,505)**	(10,629)
Non-controlling interests		**(20,371)**	7,440
		(62,876)	(3,189)
		HK cents	HK cents
Loss per share			
– basic	16	**(2.83)**	(0.71)
– diluted	16	**(2.83)**	(0.71)

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	2020 HK$'000	2019 HK$'000
Loss for the year	**(62,876)**	(3,189)
Other comprehensive income after tax:		
Item that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**11,294**	(2,309)
Other comprehensive income for the year, net of tax	**11,294**	(2,309)
Total comprehensive income for the year	**(51,582)**	(5,498)
Attributable to:		
Owners of the Company	**(36,326)**	(11,745)
Non-controlling interests	**(15,256)**	6,247
	(51,582)	(5,498)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Note	2020 HK$'000	2019 HK$'000
Non-current assets			
Property, plant and equipment	17	**73,001**	105,577
Intangible asset	19	**19,505**	26,528
Investment property	18	**2,598**	–
Right-of-use assets	33	**13,266**	1,357
Due from non-controlling shareholders	25	**16,795**	15,748
Deferred tax assets	27	**19,823**	13,388
Total non-current assets		**144,988**	162,598
Current assets			
Inventories	20	**5,766**	5,022
Trade and bills receivables	21	**7,460**	13,470
Deposits, prepayments and other receivables		**6,598**	12,584
Due from non-controlling shareholders	25	**214**	–
Restricted bank deposits	22	**4,771**	4,758
Bank and cash balances	23	**93,502**	121,644
Total current assets		**118,311**	157,478
Current liabilities			
Accruals and other payables	24	**49,571**	58,922
Contract liabilities	7	**7,251**	3,794
Lease liabilities	33	**–**	1,124
Total current liabilities		**56,822**	63,840
Net current assets		**61,489**	93,638
Total assets less current liabilities		**206,477**	256,236
Non-current liabilities			
Lease Liabilities	33	**–**	268
Provision for environmental and restoration	26	**5,191**	4,868
Deferred tax liabilities	27	**16,610**	14,842
Total non-current liabilities		**21,801**	19,978
NET ASSETS		**184,676**	236,258

	Note	2020 HK$'000	2019 HK$'000
Capital and reserves			
Share capital	28	**15,035**	15,035
Reserves		**90,462**	126,788
Equity attributable to owners of the Company		**105,497**	141,823
Non-controlling interests		**79,179**	94,435
TOTAL EQUITY		**184,676**	236,258

Approved by the Board of Directors on 19 March 2021 and are signed on its behalf by:

NG Ying Kit	**TAO Ye**
Director	*Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

		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 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		–	–	–	–	–	–	–	–	–	–	38,417	38,417
Share options lapsed	29	–	–	–	–	–	–	–	(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
At 1 January 2020		**15,035**	**96,935**	**(1,628)**	**135,282**	**37,438**	**102,921**	**15,073**	**43,476**	**(302,709)**	**141,823**	**94,435**	**236,258**
Total comprehensive income for the year		**–**	**–**	**–**	**–**	**–**	**–**	**6,179**	**–**	**(42,505)**	**(36,326)**	**(15,256)**	**(51,582)**
Share option lapsed and cancelled	29	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(43,476)**	**43,476**	**–**	**–**	**–**
Net appropriations		**–**	**–**	**–**	**–**	**5,282**	**10,035**	**–**	**–**	**(15,317)**	**–**	**–**	**–**
Changes in equity for the year		**–**	**–**	**–**	**–**	**5,282**	**10,035**	**6,179**	**(43,476)**	**(14,346)**	**(36,326)**	**(15,256)**	**(51,582)**
At 31 December 2020		**15,035**	**96,935**	**(1,628)**	**135,282**	**42,720**	**112,956**	**21,252**	**–**	**(317,055)**	**105,497**	**79,179**	**184,676**

Nature and purpose of reserves are disclosed in note 31 to the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	2020 HK$'000	2019 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	**(67,321)**	(3,275)
Adjustments for:		
Finance costs	**128**	630
Interest income	**(791)**	(374)
Depreciation and amortisation	**13,935**	17,690
Depreciation of investment property	**112**	–
Depreciation of right-of-use assets	**2,814**	2,629
Net foreign exchange gain	**–**	(47)
Loss/(gain) on disposals of property, plant and equipment	**2,913**	(57)
Gain on de-recognition of right-of-use asset and lease liabilities	**(54)**	–
Gain on disposal of subsidiaries	**–**	(331)
Impairment loss on intangible asset	**7,330**	2,840
Impairment loss on property, plant and equipment	**27,592**	11,265
Impairment loss on right-of-use assets	**400**	–
Reversal of impairment loss on trade and other receivables	**(1,872)**	(91)
Impairment loss on inventories	**283**	330
Gain on reversal of impairment of trade receivables	**(396)**	–
Operating (loss)/profit before working capital changes	**(14,927)**	31,209
(Increase)/decrease in inventories	**(1,700)**	786
Decrease/(increase) in trade and bills receivable	**3,965**	(11,653)
Decrease in deposits, prepayments and other receivables	**6,361**	2,130
Decrease in accruals and other payables	**(12,445)**	(52,011)
Increase/(decrease) in contract liabilities	**3,032**	(14,997)
Net cash used in operating activities	**(15,714)**	(44,536)
CASH FLOWS FROM INVESTING ACTIVITIES		
Consideration received from a non-controlling shareholder for formation of a subsidiary	**–**	23,090
Loan to non-controlling shareholder	**(5,625)**	–
Repayment received from loan to a non-controlling shareholder	**5,625**	5,877
Interest received	**595**	374
Purchase of property, plant and equipment	**(6,835)**	(4,096)
Proceeds from disposals of property, plant and equipment	**858**	110
Net cash inflow from disposal of subsidiaries	**–**	350
Decrease in restricted bank deposits	**303**	2,451
Payment for right-of-use assets	**(12,999)**	–
Net cash (used in)/generated from investing activities	**(18,078)**	28,156

For the year ended 31 December 2020

	2020 HK$'000	2019 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES (note 32(b))		
Finance cost paid	–	(74)
Repayment of other loans	–	(14,051)
Repayment of principal portion of lease liabilities	(2,880)	(2,733)
Net cash used in financing activities	(2,880)	(16,858)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(36,672)	(33,238)
Effect of foreign exchange rate changes	8,530	(753)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	121,644	155,635
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	93,502	121,644
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	93,502	121,644

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 1602, 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 2020 was the production and sale of coal (the "**Coal Mining Business**").

2. Basis of Preparation

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with all 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 or Amended Hong Kong Financial Reporting Standards

(a) Application of new or amended HKFRSs

The HKICPA has issued a number of new or amended HKFRSs that are first effective for annual periods beginning on or after 1 January 2020. Of these, the following new or amended HKFRSs are relevant to the Group.

Amendments to HKFRS 3	Definition of Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 39, HKFRS 7 and HKFRS 9	Interest Rate Benchmark Reform
Conceptual Framework for Financial Reporting 2018	Conceptual Framework for Financial Reporting (Revised)

None of these new or amended HKFRSs has a material impact on the Group's results and financial position for the current or prior period. The Group has not early applied any new or amended HKFRSs that is not yet effective for the current accounting period.

(b) New or amended HKFRSs that have been issued but not yet effective

The Group has not early applied new or amended HKFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2020. These new or amended HKFRSs include the following which may be relevant to the Group.

Amendments to HKFRS 16	Covid-19-Related Rent Concession (amendments)[1]
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2[2]
Amendments to HKAS 16	Proceeds before Intended Use[3]
Amendments to HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41	Annual Improvements to HKFRSs 2018-2020[3]
Amendments to HKFRS 3	Reference to the Conceptual Framework[4]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current[5]
HK Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[5]

1 Effective for annual periods beginning on or before 1 June 2020.
2 Effective for annual periods beginning on or after 1 January 2021.
3 Effective for annual periods beginning on or after 1 January 2022.
4 Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.
5 Effective for annual periods beginning on or after 1 January 2023.

3. Adoption of New or Amended Hong Kong Financial Reporting Standards (Continued)

(b) New or amended HKFRSs that have been issued but not yet effective (Continued)

Amendment to HKFRS 16, Covid-19-Related Rent Concessions

HKFRS 16 was amended to provide a practical expedient to lessees in accounting for rent concessions arising as a result of the Covid-19 pandemic, by including an additional practical expedient in HKFRS 16 that permits entities to elect not to account for rent concessions as modifications. The practical expedient applies only to rent concessions occurring as a direct consequence of Covid-19 pandemic and only if all of the following criteria are satisfied:

(a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

(b) the reduction in lease payments affects only payments originally due on or before 30 June 2021; and

(c) there is no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with this practical expedient, which means the lessee does not need to assess whether the rent concession meets the definition of lease modification. Lessees shall apply other requirements of HKFRS 16 in accounting for the rent concession.

Accounting for rent concessions as lease modifications would have resulted in the Group remeasuring the lease liability to reflect the revised consideration using a revised discount rate, with the effect of the change in the lease liability recorded against the right-of-use asset. By applying the practical expedient, the Group is not required to determine a revised discount rate and the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the financial statements.

Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16, Interest Rate Benchmark Reform – Phase 2

The amendments address issues that might affect financial reporting when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the interest rate benchmark reform (the "**Reform**"). The amendments complement those issued in November 2019 and relate to (a) changes to contractual cash flows in which an entity will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the Reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate; (b) hedge accounting in which an entity will not have to discontinue its hedge accounting solely because it makes changes required by the Reform, if the hedge meets other hedge accounting criteria; and (c) disclosures in which an entity will be required to disclose information about new risks arising from the Reform and how it manages the transition to alternative benchmark rates.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the financial statements.

3. Adoption of New or Amended Hong Kong Financial Reporting Standards (Continued)

(b) New or amended HKFRSs that have been issued but not yet effective (Continued)

Amendments to HKAS 16, Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the proceeds from selling such items, and the cost of producing those items, is recognised in profit or loss.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the financial statements.

Amendments to HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41, Annual Improvements to HKFRSs 2018-2020

The annual improvements amends a number of standards, including:

- HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards, which permit a subsidiary that applies paragraph D16(a) of HKFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to HKFRSs.

- HKFRS 9, Financial Instruments, which clarify the fees included in the '10 per cent' test in paragraph B3.3.6 of HKFRS 9 in assessing whether to derecognise a financial liability, explaining that only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on other's behalf are included.

- HKFRS 16, Leases, which amend Illustrative Example 13 to remove the illustration of reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

- HKAS 41, Agriculture, which remove the requirement to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the financial statements.

3. Adoption of New or Amended Hong Kong Financial Reporting Standards (Continued)

(b) New or amended HKFRSs that have been issued but not yet effective (Continued)

Amendments to HKFRS 3, Reference to the Conceptual Framework

The amendments update HKFRS 3 so that it refers to the revised Conceptual Framework for Financial Reporting 2018 instead of the version issued in 2010. The amendments add to HKFRS 3 a requirement that, for obligations within the scope of HKAS 37, an acquirer applies HKAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of HK(IFRIC)-Int 21 Levies, the acquirer applies HK(IFRIC)-Int 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the financial statements.

Amendments to HKAS 1, Classification of Liabilities as Current or Non-current

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and explain that rights are in existence if covenants are complied with at the end of the reporting period. The amendments also introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the financial statements.

HK Interpretation 5 (2020), Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

HK Int 5 (2020) was revised as a consequence of the Amendments to HKAS 1 issued in August 2020. The revision to HK Int 5 (2020) updates the wordings in the interpretation to align with the Amendments to HKAS 1 with no change in conclusion and do not change the existing requirements.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the 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.

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.

(e) Investment property

Investment property is property held either to earn rentals or for capital appreciation or for both, but not held for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

An investment property is measured initially at its cost including all direct costs attributable to the property. After initial recognition, the investment property was stated at cost less accumulated depreciation and impairment losses. The depreciation was calculated using the straight line method to allocate the cost to the residual value over its estimated useful life of 20 years.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property, calculated as the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss in the period in which the property is derecognised.

4. Significant Accounting Policies (Continued)

(f) Leases

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. The company measures the right-of-use assets applying a cost model. Under the cost model, the Company measures the right-of-use assets at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

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)

(f) Leases (Continued)

Lease liability (Continued)

When the Group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, except the discount rate remains unchanged. In both cases, an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognised in profit or loss.

When the Group renegotiates the contractual terms of a lease with the lessor, if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease, in all other cases, where the renegotiated increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount.

(g) 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.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Intangible assets with finite lives are tested for impairment when there is an indication that an asset may be impaired. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, irrespective of whether there is any indication that they may be impaired. Intangible assets are tested for impairment by comparing their carrying amounts with their recoverable amounts (see note 4(p)).

4. Significant Accounting Policies (Continued)

(g) Intangible asset (Continued)

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as revaluation decrease to the extent of its revaluation surplus.

(h) 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.

(i) 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.

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.

4. Significant Accounting Policies (Continued)

(i) Financial instruments (Continued)

(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.

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.

4. Significant Accounting Policies (Continued)

(i) Financial instruments (Continued)

(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.

(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.

4. Significant Accounting Policies (Continued)

(j) 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.

(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.

4. Significant Accounting Policies (Continued)

(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.

(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) 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.

4. Significant Accounting Policies (Continued)

(o) Taxation (Continued)

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

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

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

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

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.

4. Significant Accounting Policies (Continued)

(p) 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.

(q) Provisions and contingent liabilities

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

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

4. Significant Accounting Policies (Continued)

(r) 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 Company;

(ii) has significant influence over the Company; or

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

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).

Legal titles of certain buildings

As stated in note 17(a) to the consolidated financial statements, the legal titles of certain buildings were not yet obtained as at 31 December 2020. Despite the fact that the Group has not obtained the relevant legal titles, the directors have determined to recognise those buildings as property, plant and equipment on the grounds that they expect the legal titles being to be obtained in future with no major difficulties and the Group is in substance controlling those buildings. As of the date of approval of these consolidated financial statements, the Group had submitted applications and it is expected that the relevant authority will issue the official licenses to 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.

(b) Impairment of non-financial assets

Determining whether the property, plant and equipment, intangible asset and right-of-use assets are impaired requires an estimation of the recoverable amount of the cash-generating unit ("**CGU**") to which the property, plant and equipment, intangible asset and right of use assets 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, intangible asset and right-of-use assets may arise.

5. Critical Judgements and Key Estimates (Continued)

Key sources of estimation uncertainty (Continued)

(b) Impairment of non-financial assets (Continued)

The carrying amount of property, plant and equipment, intangible asset and right-of-use assets as at 31 December 2020 were approximately HK$73,001,000 (2019: HK$105,577,000), HK$19,505,000 (2019: HK$26,528,000) and HK$13,266,000 (2019: HK$1,357,000) respectively. An impairment loss on property, plant and equipment, intangible asset and right-of-use assets of approximately HK$27,592,000 (2019: HK$11,265,000), HK$7,330,000 (2019: HK$2,840,000) and HK$400,000 (2019: HK$Nil) were recognised for the year ended 31 December 2020. Details are disclosed in note 17, note 19 and note 33 to the consolidated financial statements.

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

As at 31 December 2020, the carrying amount of the Group's property, plant and equipment, intangible asset and right-of-use assets allocated to the Coal CGU is approximately HK$72,236,000 (2019: HK$105,241,000), HK$19,505,000 (2019: HK$26,528,000), HK$13,266,000 (2019: HK$Nil) respectively. Impairment losses of HK$27,592,000 (2019: HK$11,265,000), HK$7,330,000 (2019: HK$2,840,000) and HK$400,000 (2019: HK$Nil) were recognised for the year ended 31 December 2020. Details of the key assumptions used are disclosed in note 17(b) 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 Group had previously concluded that these tax losses could be utilised based on the estimated future taxable income according to the cash flow forecast for that subsidiary prepared by the management and deferred tax assets were recognised.

The carrying amount of deferred tax assets as at 31 December 2020 was approximately HK$19,823,000 (2019: HK$13,388,000).

5. Critical Judgements and Key Estimates (Continued)

Key sources of estimation uncertainty (Continued)

(d) Income taxes

Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. Deferred tax assets of approximately HK$4,445,000 (2019: approximately HK$86,000) was credited to profit or loss mainly based on the estimated assessable income.

(e) 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-months 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 2020, accumulated impairment loss on trade receivables amounted to approximately HK$1,102,000 (2019: HK$3,489,000).

(f) 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$283,000 was made in the year ended 31 December 2020 (2019: HK$330,000).

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) Currency risk

The Group is exposed to currency risk primarily through sales and purchases and bank balances and cash that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily United States dollars ("**US$**") and Renminbi ("**RMB**").

The carrying amounts of monetary assets and monetary liabilities are denominated in foreign currencies of the relevant group entities whose functional currency is Hong Kong dollars at the end of the reporting period are as follows:

	Assets		Liabilities	
	2020 HK$'000	2019 HK$'000	**2020 HK$'000**	2019 HK$'000
USD	**66,753**	78,575	**–**	–
RMB	**44,007**	48,029	**46,621**	50,774

The Group currently does not have foreign currency hedging policy. However, the management of the Group monitors foreign currency exposure for each business segment and reviews the needs of individual geographical area, and will consider appropriate hedging policy when necessary.

Sensitivity analysis

As HK$ is pegged to USD, the Group does not expect any significant foreign currency exposure arising from the fluctuation of the USD/HK$ and HK$/USD exchange rates. As a result, the management of the Group considers that the sensitivity of the Group's exposure towards the change in foreign exchange rates between USD/HK$ and HK$/USD is minimal.

The currency risk is mainly arising from exchange rate of HK$ against RMB.

6. Financial Risk Management (Continued)

(a) Currency risk (Continued)

Sensitivity analysis (Continued)

The following table details the Group' sensitivity to a 10% (2019: 10%) increase and decrease in HK$ against RMB. 10% (2019: 10%) represents the assessment of the reasonably possible change in foreign exchange rates made by the management of the Group. The sensitivity analysis includes only outstanding foreign currency denominated monetary items. The table below indicates the impact on loss for the year where the HK$ weaken 10% (2019: 10%) against foreign currencies. For a 10% (2019: 10%) strengthening of HK$ against foreign currencies, there would be an equal and opposite impact on the loss for the year.

	RMB impact	
	2020 **HK$'000**	2019 HK$'000
Increase in loss for the year	**261**	274

(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 bills 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.

6. Financial Risk Management (Continued)

(b) Credit risk (Continued)

Trade and bills receivables (Continued)

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 2020, the balance of loss allowance in respect of these individually assessed receivables was HK$1,102,000 (2019: HK$3,489,000).

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 2020 and 2019:

	As at 31 December	
	2020	2019
	HK$'000	HK$'000
Gross carrying amount	**1,102**	3,489
Loss allowance	**(1,102)**	(3,489)
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 2020.

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 2020 (2019: 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 lease liabilities and accruals and other payable is prepared based on the scheduled repayment dates.

	2020 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**
Accruals and other payables	**–**	**43,236**	**–**	**43,236**
	–	**43,236**	**–**	**43,236**

	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
Accruals and other payables	–	53,762	–	53,762
	–	54,916	275	55,191

6. Financial Risk Management (Continued)

(d) 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

	2020 **HK$'000**	2019 HK$'000
Financial assets:		
Financial assets at amortised cost	**112,043**	168,204
Financial liabilities:		
Financial liabilities at amortised cost	**48,427**	54,030

(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:

	2020 **HK$'000**	2019 HK$'000
Sale of coal	**133,012**	178,301

7. Revenue (Continued)

The Group recognised sale of coal of approximately HK$133,012,000 during the year ended 31 December 2020 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.

	2020 **HK$'000**	2019 HK$'000
Receivables (note 21)	**7,460**	13,470
Contract liabilities	**(7,251)**	(3,794)

The contract liabilities mainly relate to the advance consideration received from customers. HK$2,275,000 (2019: HK$13,852,000) of the contract liabilities as of 31 December 2019 has been recognised as revenue for the year ended 31 December 2020.

Movement in contract liabilities:

	2020 **HK$'000**	2019 HK$'000
Balance as at 1 January	**3,794**	18,922
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	**(2,275)**	(13,852)
– during the year	**(130,737)**	(164,449)
Decrease in contract liabilities in relation to refund	**(1,239)**	(4,554)
Increase in contract liabilities as a result of receipt in advance consideration received from customers	**137,284**	167,858
Exchange difference	**424**	(131)
Balance as at 31 December	**7,251**	3,794

8. Other Income and Gains

	2020 HK$'000	2019 HK$'000
Refund of unutilised donation	**2,250**	–
Reversal of impairment loss on trade receivables	**1,872**	91
Gain on reversal of impairment of trade receivables	**396**	–
Interest income	**791**	374
Government subsidy	**324**	–
Gain on de-recognition of right-of-use assets and lease liabilities	**54**	–
Sundry income	**125**	16
Gain on disposal of subsidiaries	**–**	331
Gain on disposals of property, plant and equipment	**–**	57
Net foreign exchange gains	**–**	47
	5,812	916

9. Segment Information

The Group determines its operating segments based on the business from products/services perspective.

For the year ended 31 December 2020, the Group has only one reportable operating segment which is Coal Mining Business. Thus, no operating segments have been aggregated to form the above reportable operating segment.

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	
	2020 HK$'000	2019 HK$'000	2020 HK$'000	2019 HK$'000
Hong Kong	**–**	–	**27**	1,423
The PRC except Hong Kong	**133,012**	178,301	**125,138**	147,787
Consolidated total	**133,012**	178,301	**125,165**	149,210

9. Segment Information (Continued)

Revenue from major customers:

For the year ended 31 December 2020, revenue from five customers (2019: two) with whom transaction have exceeded 10% of the Group's revenue for the year. Details were as below:

	2020 HK$'000	2019 HK$'000
Coal segment		
Customer A	**–**	137,736
Customer B	**60,671**	30,303
Customer C	**19,220**	–
Customer D	**18,509**	–
Customer E	**17,687**	–
Customer F	**13,428**	–

10. Finance Costs

	2020 HK$'000	2019 HK$'000
Interest on lease liabilities	**128**	139
Interest on other loans	**–**	74
Imputed interest expenses	**–**	417
	128	630

11. Income Tax Credit

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

	2020 HK$'000	2019 HK$'000
Current tax	**–**	–
Deferred tax (note 27)	**(4,445)**	(86)
	(4,445)	(86)

11. Income Tax Credit (Continued)

(a) No provision for Hong Kong Profits Tax has been made for the year ended 31 December 2020 as the Group did not generate any assessable profits arising in Hong Kong during the year (2019: 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% (2019: 25%). No provision for PRC Enterprise Income Tax was made for the financial year ended 31 December 2020 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:

	2020 **HK$'000**	2019 HK$'000
Loss before tax	**(67,321)**	(3,275)
Tax at the PRC Enterprise Income Tax rate of 25% (2019: 25%)	**(16,830)**	(819)
Tax effect of expenses that are not deductible	**930**	77
Tax effect of income that are not taxable	**(2,108)**	(2,345)
Tax effect of temporary differences not recognised	**889**	(11,218)
Tax effect of tax losses not recognised	**11,298**	12,464
Effect of different tax rates	**1,376**	1,755
Income tax credit	**(4,445)**	(86)

12. Loss for the Year

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

	2020 HK$'000	2019 HK$'000
Auditor's remuneration	**1,450**	1,450
Amortisation of mining right (included in cost of sales) (note 19)	**987**	1,720
Cost of inventories sold#	**84,673**	99,644
Depreciation charge		
– Property, plant and equipment (note 17)	**12,948**	15,970
– Investment property (note 18)	**112**	–
– Right-of-use assets (note 33) included within		
– Properties	**2,538**	2,466
– Motor vehicle	**233**	163
– Ownership interests in leasehold land and buildings	**43**	–
Loss/(gain) on disposals/write off of property, plant and equipment	**2,913**	(57)
Impairment loss on inventories	**283**	330
Impairment loss on property, plant and equipment (note 17)	**27,592**	11,265
Impairment loss on Intangible asset (note 19)	**7,330**	2,840
Impairment loss on right-of-use assets (note 33)	**400**	–
Reversal of impairment loss on trade receivables (note 21)	**(1,872)**	(91)
Short-term leases expenses	**67**	68
Net foreign exchange loss/(gain)	**3,778**	(47)
Administrative fines*	**12,105**	–

\# Cost of inventories sold includes staff costs, amortisation of mining right and depreciation of approximately HK$37,220,000 (2019: HK$42,611,000) which are included in the amounts disclosed separately.

* During the year, the Group incurred several other administrative fines included mainly (i) an amount of approximately HK$8,498,000 in relation to the use of land and the construction of building in the past. Given the directive from the government authorities to perfect the land and real estate ownership title, the Company is currently in the process of obtaining the relevant land title and real estate ownership certificates (Note 5); (ii) an amount of approximately HK$1,080,000 representing the administrative fines paid to the local government authority in relation to waste gangue in 2018; and (iii) the provision made related to the over-production in 2016 of RMB2,000,000 (approximately HK$2,200,000) during the year, representing the possible maximum amount of penalty as a result of over-production based on relevant coal mining regulations in the PRC.

13. Employee Benefits Expense (Including Directors' Emoluments)

	2020 HK$'000	2019 HK$'000
Employee benefits expense:		
Salaries, bonuses and allowances	**58,092**	66,170
Retirement benefit scheme contributions	**5,401**	3,340
	63,493	69,510

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 (2019: one) director whose emoluments are reflected in the analysis presented in note 14. The emoluments of the remaining four (2019: four) individuals are set out below:

	2020 **HK$'000**	2019 HK$'000
Basic salaries and allowances	**4,057**	4,516
Discretionary bonus	**511**	1,453
Retirement benefit scheme contribution	**59**	53
	4,627	6,022

The emoluments fell within the following bands:

	Number of individuals	
	2020	2019
HK$1,000,001 – HK$1,500,000	**4**	2
HK$1,500,001 – HK$2,000,000	**–**	2
	4	4

14. Benefits and Interests Of Directors

Directors' emoluments

The emoluments of each director is set out below:

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	Total HK$'000
Mr. Ren Hang (note (iv))	–	660	–	17	677
Mr. Ng Ying Kit	–	1,440	294	18	1,752
Mr. Tao Ye (note (i))	–	–	–	–	–
Mr. Kwok Chi Sing (note (vi))	171	–	–	–	171
Mr. Zhou Hongliang (note (ii))	7	–	–	–	7
Mr. Chang Xuejun	240	–	–	–	240
Mr. Ho Man (note (iii))	226	–	–	–	226
Mr. Lee Wai Ming (note (i))	25	–	–	–	25
Total for 2020	669	2,100	294	35	3,098
Mr. Ren Hang (note (iv))	–	720	–	18	738
Mr. Ng Ying Kit	–	1,440	1,200	18	2,658
Mr. Kwok Chi Shing (note (vi))	240	–	–	–	240
Mr. Huang Shaoru (note (v))	100	–	–	–	100
Mr. Chang Xuejun	240	–	–	–	240
Total for 2019	580	2,160	1,200	36	3,976

Notes:

(i) Appointed on 23 November 2020

(ii) Appointed on 9 December 2020

(iii) Appointed on 22 January 2020

(iv) Resigned on 9 December 2020

(v) Resigned on 31 October 2019

(vi) Resigned on 18 September 2020

Neither the chief executive nor any of the directors waived any emoluments during the year (2019: HK$Nil).

15. Dividends

The directors do not recommend the payment of any final dividend for the year ended 31 December 2020 (2019: HK$Nil).

16. Loss per Share

Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of approximately HK$42,505,000 (2019: HK$10,629,000) and the weighted average number of ordinary shares of 1,503,477,166 (2019: 1,503,477,166) in issue during the year.

Diluted loss per share

The share options outstanding during the year ended 31 December 2020 and 2019 had an anti-dilutive effect on the basic loss per share, the exercise of outstanding share options were not assumed in the computation of diluted loss per share.

17. 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	Total HK$'000
Cost							
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
At 1 January 2020	**112,389**	**2,115**	**127,955**	**202,387**	**28,122**	**13,501**	**486,469**
Additions	**134**	**11**	**702**	**970**	**278**	**4,740**	**6,835**
Disposals/write off	**(3,369)**	**–**	**(9,177)**	**(10,505)**	**(2,103)**	**(3,375)**	**(28,529)**
Exchange differences	**7,290**	**1**	**8,029**	**12,918**	**1,691**	**975**	**30,904**
At 31 December 2020	**116,444**	**2,127**	**127,509**	**205,770**	**27,988**	**15,841**	**495,679**

17. 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	Total HK$'000
Accumulated depreciation and impairment							
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 (b))	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
At 1 January 2020	**79,308**	**2,115**	**89,428**	**174,119**	**27,820**	**8,102**	**380,892**
Charge for the year	**1,945**	**1**	**1,969**	**7,276**	**109**	**1,648**	**12,948**
Disposals/write off	**(2,687)**	**–**	**(7,556)**	**(9,685)**	**(2,077)**	**(2,753)**	**(24,758)**
Impairment (note (b))	**8,965**	**–**	**10,610**	**6,709**	**66**	**1,242**	**27,592**
Exchange differences	**5,738**	**–**	**6,230**	**11,821**	**1,669**	**546**	**26,004**
At 31 December 2020	**93,269**	**2,116**	**100,681**	**190,240**	**27,587**	**8,785**	**422,678**
Carrying amount							
At 31 December 2020	**23,175**	**11**	**26,828**	**15,530**	**401**	**7,056**	**73,001**
At 31 December 2019	33,081	–	38,527	28,268	302	5,399	105,577

Notes:

(a) At 31 December 2020, the carrying amount of certain buildings amounted to approximately HK$16,271,000 (2019: HK$18,406,000) for which relevant legal titles have not yet been obtained. As of the date of approval of these consolidated financial statement, the Group had submitted applications and it is expected that the relevant authority will issue the official licenses to the Group. Please refer to note 5 to the consolidated financial statements for the critical judgement applied.

17. Property, Plant and Equipment (Continued)

Notes: (Continued)

(b) The Coal CGU is tested for impairment during the financial year ended 2020. For the purpose of impairment testing, the carrying amount before impairment of properties, plant and equipment of HK$99,828,000, intangible asset of HK$26,835,000 and right-of-use assets of HK$13,666,000 were allocated to the CGU. The recoverable amounts of the Coal CGU have been determined with reference to the valuation prepared by Ravia Global Appraisal Advisory Limited, an independent valuation firm not connected to the Group.

The recoverable amounts of the CGU has been determined from value in use calculations based on cash flow projections from formally approved budgets. Due to the increase in the level of uncertainty following the impact of Covid-19 pandemic, the discounted cash flow in 2020 was prepared by using the expected cash flow approach, which involved multiple cash flow projections and taking into consideration of assumed probabilities to different future events in each scenario, instead of using a single scenario that was applied for the purpose of 2019 impairment test. While many scenarios and probabilities may exist, ultimately three scenarios were established with the following key assumptions:

Base case:	The management expected that there will be no suspension of operation in 2021
Negative case 1:	The management expected that there will be 1 month of operation suspension due to Covid-19 pandemic in 2021
Negative case 2:	The management expected that there will be 2 months of operation suspension due to Covid-19 pandemic in 2021

		Base case	**Negative case 1**	**Negative case 2**
Probability		85%	10%	5%
Growth rate	(i)	2.5%	2.5%	2.5%
Production volume	(ii)	900,000	825,000	750,000
Unit Price	(iii)	RMB135	RMB135	RMB135

(i) Inflation rate of 2.5% p.a. (2019: 2.5%) is applied in the cash flow forecast for the period until the expiry date of the business license which does not exceed the long-term growth rate for in the PRC.

(ii) 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 900,000 tonnes (2019: 1,003,600 tonnes) for the period until the expiry date of the business license.

(iii) The coal from the Inner Mongolia Mine 958 will be sold at the average selling price of RMB135 (2019: RMB131) 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.

(iv) Pre-tax discount rate of 15.95% (2019: 15.03%) 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.

As significant judgments are used to estimate the weighing of different scenario and the key input used in each scenario, such as inflation rate, sale volume, unit price and pre-tax discount rates, any adverse change in the key assumptions used to calculate the recoverable amount would result in further impairment losses. Sensitivity of the impairment assessment to a reasonably possible change in each of the key inputs is as follows:

	Change in assumptions, holding other inputs constant	**Additional impairment charge** HK$'000
Probability	Base case: 80% Negative case 1: 15% Negative case 2: 5%	154
Growth rate	Reduced by 1 point	1,419
Sales volume	Reduced by 1%	2,971
Unit price	Reduced by 0.5%	3,107
Discount rate	Increased by 1 point	5,027

18. Investment Property

	2020 HK$'000
Cost	
At 1 January	–
Addition	2,571
Exchange differences	146
At 31 December	2,717
Accumulated depreciation	
At 1 January	–
Charge for the year	112
Exchange differences	7
At 31 December	119
Carrying amount	
At 31 December	2,598

At 31 December 2020, the Group's investment property was situated in the PRC.

At 31 December 2020, the fair value of the Group's investment property was approximately HK$2,080,000. The directors use the market comparable approach to assess the fair value of the investment properties. The market comparable approach was based on market evidence of recent transactions for similar properties and adjusted to reflect the conditions and locations of the subject properties.

19. Intangible Asset

	Mining right	
	2020	2019
	HK$'000	HK$'000
Cost		
At 1 January	**86,923**	88,818
Exchange differences	**5,780**	(1,895)
At 31 December	**92,703**	86,923
Accumulated amortisation and impairment		
At 1 January	**60,395**	57,137
Amortisation for the year	**987**	1,720
Impairment for the year	**7,330**	2,840
Exchange differences	**4,486**	(1,302)
At 31 December	**73,198**	60,395
Carrying amount		
At 31 December	**19,505**	26,528

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

The average remaining amortisation period of the mining right is 16.52 years (2019: 17.52 years).

Intangible asset, together with the property, plant and equipment and right-of-use assets 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$7,330,000 (2019: HK$2,840,000) in profit or loss. Details set out in note 17(b) to the consolidated financial statements.

20. Inventories

	2020	2019
	HK$'000	HK$'000
Finished goods	**63**	56
Consumables	**5,703**	4,966
	5,766	5,022

21. Trade and Bills Receivables

	2020 HK$'000	2019 HK$'000
Trade receivables	**1,312**	4,376
Impairment loss on trade receivables	**(1,102)**	(3,489)
	210	887
Bills receivable	**7,250**	12,583
	7,460	13,470

Payment 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:

	2020 HK$'000	2019 HK$'000
0 to 90 days	**–**	183
Over 365 days	**210**	704
	210	887

As 31 December 2020, 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 (2019: HK$Nil).

Reconciliation of impairment loss on trade receivables:

	2020 HK$'000	2019 HK$'000
At 1 January	**3,489**	3,656
Reversal of impairment loss for the year	**(1,872)**	(91)
Exchange differences	**(515)**	(76)
At 31 December	**1,102**	3,489

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

22. Restricted Bank Deposits

The Group's restricted bank deposits of approximately HK$4,771,000 (2019: HK$4,758,000) 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.

23. Bank and Cash Balances

At 31 December 2020, the Group's bank and cash balances denominated in RMB and USD and kept in the PRC amounted to approximately HK$81,724,000 (2019: HK$93,510,000). 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.

24. Accruals and Other Payables

	2020 **HK$'000**	2019 HK$'000
Accruals	**30,986**	32,545
Other payables	**18,585**	26,377
	49,571	58,922

25. Due from Non-Controlling Shareholders

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

	2020 **HK$'000**	2019 HK$'000
Non-current assets		
Other receivable (note)	**16,795**	15,748
Current assets		
Other receivable	**214**	–

Note:

The other receivable represents USD2 million 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, namely 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). The carrying amount of the balance was denominated in USD.

26. Provision for Environmental and Restoration

	2020 HK$'000	2019 HK$'000
Balance at 1 January	**4,868**	4,974
Exchange re-alignment	**323**	(106)
Balance at 31 December	**5,191**	4,868
Presented as:		
Non-current portion	**5,191**	4,868

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.

27. 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 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 and 1 January 2020	**9,132**	**4,256**	**(5)**	**(336)**	**(14,501)**	**(1,454)**
Credit/(charge) to profit or loss for the year (note 11)	**2,524**	**2,724**	**(1)**	**(802)**	**–**	**4,445**
Exchange differences	**750**	**437**	**–**	**–**	**(965)**	**222**
At 31 December 2020	**12,406**	**7,417**	**(6)**	**(1,138)**	**(15,466)**	**3,213**

27. Deferred Tax (Continued)

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

	2020 HK$'000	2019 HK$'000
Deferred tax assets	**19,823**	13,388
Deferred tax liabilities	**(16,610)**	(14,842)
	3,213	(1,454)

At the end of the reporting period the Group has unused tax losses of approximately HK$79,290,000 (2019: HK$35,807,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK$29,667,000 (2019: HK$17,023,000) of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses of approximately HK$49,623,000 (2019: HK$18,784,000) 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.

28. Share Capital

	No. of shares of HK$0.01 each	**HK$'000**
At 31 December 2019, 1 January 2020 and 31 December 2020	100,000,000,000	1,000,000

	Issued and fully paid	
	No. of shares of HK$0.01 each	**HK$'000**
At 31 December 2019, 1 January 2020 and 31 December 2020	1,503,477,166	15,035

28. Share Capital (Continued)

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 2020, total equity of approximately HK$105,497,000 (2019: HK$141,823,000) 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.

Consistent with industry practice, the Group monitors its capital structure on the basis of gearing ratio. During the year ended 31 December 2020, the Group's strategy was to maintain a zero or minimal gearing ratio (2019: zero).

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 2020, 89.61% (2019: 89.61%) of the shares were in public hands.

29. Share-Based Payments

Equity-settled share option scheme

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

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

Details of the specific categories of options as at 31 December 2020 and 31 December 2019 are as follows:

2020	Number of shares issuable under share options				
	At beginning of the year	Cancelled/ 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)	–		
Mr. Ren Hang					
– 27 July 2018	15,000,000	(15,000,000)	–	0.51	27/7/2018 to 26/7/2028
Subtotal	32,250,000	(32,250,000)	–		
Independent non-executive director					
Mr. Kwok Chi Shing					
– 30 April 2015	225,000	(225,000)	–	0.71	30/4/2015 to 29/4/2025
Subtotal	225,000	(225,000)	–		
Employees/others					
– 30 April 2015	450,000	(450,000)	–	0.71	30/4/2015 to 29/4/2025
– 27 July 2018	120,000,000	(120,000,000)	–	0.51	27/7/2018 to 26/7/2028
Subtotal	120,450,000	(120,450,000)	–		
Total	152,925,000	(152,925,000)	–		

29. Share-Based Payments (Continued)

Equity-settled share option scheme (Continued)

2019	Number of shares issuable under share options				
	At beginning of 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		

29. 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.

As of 31 December 2020, 152,925,000 share options lapsed/cancelled as at 31 December 2020. 17,250,000, 450,000 share options granted to Mr. Ng Ying Kit and the employee respectively were cancelled in view of the recent change of board composition and the exercise price of the share option has been higher than the average share price at all time since issue. 15,225,000, 45,000,000 and 75,000,000 share options granted to directors, employees and other eligible participant were lapsed as they left the company during the year. The total share-based compensation reserve of HK$43,476,000 was released to accumulated losses during the year.

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

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

30. Statement of Financial Position of the Company

	Note	2020 HK$'000	2019 HK$'000
		As at 31 December	
Non-current assets			
Right-of-use assets		–	822
Investments in subsidiaries		**89**	11
		89	833
Current assets			
Due from subsidiaries		**110,439**	110,272
Prepayment		**1,549**	1,223
Bank and cash balances		**11,113**	27,403
		123,101	138,898
Current liabilities			
Due to subsidiaries		**75**	–
Accruals and other payables		**1,648**	1,110
Lease liabilities		–	847
		1,723	1,957
Net current assets		**121,378**	136,941
Total assets less current liabilities		**121,467**	137,774
NET ASSETS		**121,467**	137,774
Capital and reserves			
Share capital		**15,035**	15,035
Reserves	31(a)	**106,432**	122,739
TOTAL EQUITY		**121,467**	137,774

Approved by the Board of Directors on 19 March 2021 and is signed on its behalf by:

NG Ying Kit
Director

TAO Ye
Director

31. 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 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	29	–	–	–	(1,907)	1,907	–
At 31 December 2019		96,935	3,917	135,282	43,476	(156,871)	122,739
At 1 January 2020		**96,935**	**3,917**	**135,282**	**43,476**	**(156,871)**	**122,739**
Total comprehensive income for the year		**–**	**–**	**–**	**–**	**(16,307)**	**(16,307)**
Share option lapsed and cancelled	29	**–**	**–**	**–**	**(43,476)**	**43,476**	**–**
At 31 December 2020		**96,935**	**3,917**	**135,282**	**–**	**(129,702)**	**106,432**

(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 (2019: 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.

31. 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 (2019: 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.

32. 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 (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:

	2019 HK$'000
Deposits, prepayments and other receivables	19
Net assets disposed of	19
Direct cost to the disposal	30
Gain on disposal of subsidiaries	331
Cash consideration received	380
Net cash inflow arising on disposal:	
Cash consideration received	380
Direct cost to the disposal	(30)
	350

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

(b) Reconciliation of liabilities arising from financing activities

	Other loans HK$'000	**Lease Liabilities** (note 33) HK$'000
At 1 January 2019	13,653	3,288
Change from cash flows:		
Finance cost paid	(74)	–
Repayment of principal portion of lease liabilities	(14,051)	(2,733)
Total changes from financing cash flows:	(14,125)	(2,733)
Other changes:		
Additions	–	698
Interest expenses	491	139
Exchange adjustment	(19)	–
Total other changes	472	837
At 31 December 2019 and 1 January 2020	**–**	**1,392**
Change from cash flows:		
Repayment of principal portion of lease liabilities	**–**	**(2,880)**
Total changes from financing cash flows:	**–**	**(2,880)**
Other changes:		
Additions	**–**	**5,149**
De-recognition upon early termination	**–**	**(3,789)**
Interest expenses	**–**	**128**
Total other changes	**–**	**1,488**
At 31 December 2020	**–**	**–**

33. Leases

Nature of leasing activities

The Group leases an office premises, motor vehicle and obtained ownership interests in leasehold land and buildings situated in Inner Mongolia. The leases of office premises and motor vehicle typically run for a period of one to two years and the leasehold land and building have a lease term of 50 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.

Right-of-use assets

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

	Ownership interests in leasehold land and buildings HK$'000	**Motor vehicle** HK$'000	**Properties** HK$'000	**Total** HK$'000
Balance at 1 January 2019	–	–	3,288	3,288
Additions	–	698	–	698
Depreciation charge for the year	–	(163)	(2,466)	(2,629)
Balance at 31 December 2019 and 1 January 2020	**–**	**535**	**822**	**1,357**
Additions	**12,999**	**–**	**5,149**	**18,148**
Depreciation charge for the year	**(43)**	**(233)**	**(2,538)**	**(2,814)**
Impairment for the year	**(400)**	**–**	**–**	**(400)**
De-recognition upon termination during the year	**–**	**(302)**	**(3,433)**	**(3,735)**
Exchange difference	**710**	**–**	**–**	**710**
Balance at 31 December 2020	**13,266**	**–**	**–**	**13,266**

33. Leases (Continued)

Lease liabilities

	Motor vehicle HK$'000	Properties HK$'000	Total HK$'000
Balance at 1 January 2019	–	(3,288)	(3,288)
Additions	(698)	–	(698)
Interest expenses	(21)	(118)	(139)
Lease payment	174	2,559	2,733
Balance at 31 December 2019 and 1 January 2020	**(545)**	**(847)**	**(1,392)**
Additions	**–**	**(5,149)**	**(5,149)**
Interest expenses	**(21)**	**(107)**	**(128)**
Lease payment	**251**	**2,629**	**2,880**
De-recognition upon termination during the year	**315**	**3,474**	**3,789**
Balance at 31 December 2020	**–**	**–**	**–**

Right-of-use assets, together with the property, plant and equipment and intangible asset are allocated to the Coal CGU for impairment testing. The review led to the recognition of an impairment loss on right-of-use assets of approximately HK$400,000 (2019: HK$Nil) in profit or loss. Details set out in note 17(b) to the consolidated financial statements.

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

34. Related Party Transactions

In addition to those related party transactions and balances disclosed elsewhere in the consolidated financial statements, the Group had compensation of key management personnel during the year. The key management personnel of the Company comprises all directors, details of their remuneration are disclosed in note 14 to the consolidated financial statements.

35. Principal Subsidiaries

Particulars of the principal subsidiaries as at 31 December 2020 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
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 business

(1) Sino-foreign equity joint venture.

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

35. 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	
	2020	2019	**2020**	2019	**2020**	2019
Principal place of business/ country of incorporation	PRC/PRC		PRC/PRC		PRC/PRC	
% of ownership interests/ voting rights held by NCI	**49%/49%**	49%/49%	**49%/49%**	49%/49%	**43.8%/43.8%**	43.8%/43.8%
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At 31 December:						
Non-current assets	**29,125**	15,748	**212**	270	**127,428**	145,158
Current assets	**50,087**	62,827	**46,023**	43,528	**37,315**	55,955
Non-current liabilities	**–**	–	**–**	–	**(5,199)**	(4,873)
Current liabilities	**(146)**	(1)	**(150)**	(139)	**(119,170)**	(117,803)
Net assets	**79,066**	78,574	**46,085**	43,659	**40,374**	78,437
Accumulated NCI	**38,658**	38,417	**22,574**	21,385	**17,962**	34,633
Year ended 31 December:						
Revenue	**–**	–	**–**	–	**133,012**	178,301
(Loss)/profit	**(4,480)**	(1)	**(451)**	(457)	**(40,962)**	17,408
Total comprehensive income/(loss)	**491**	(1)	**2,443**	(1,410)	**(38,062)**	16,700
Total comprehensive income/ (loss) allocated to NCI	**240**	–	**1,197**	(691)	**(16,671)**	7,315
Dividends paid to NCI	**–**	–	**–**	–	**–**	–
Net cash (used in)/generated from operating activities	**(4,824)**	1	**(395)**	(381)	**9,702**	8,022
Net cash (used in)/generated from investing activities	**(11,198)**	–	**16**	18	**(18,068)**	4,353
Net cash generated from/ (used in) financing activities	**–**	63,993	**–**	4,427	**–**	(16,069)
Net (decrease)/increase in cash and cash equivalents	**(16,022)**	63,994	**(379)**	4,064	**(8,366)**	(3,694)

36. Events after the Reporting Date and Effect of COVID-19

Disposal of subsidiaries

Pursuant to the sale and purchase agreement dated 9 February 2021 entered into between Glory Skytop International Limited ("**Glory Skytop**"), an indirect wholly-owned subsidiary of the Company as the vendors and Qingdao Dongyuanhai Investment Holding Company Limited as the purchaser (the "**Purchaser**"), Glory Skytop has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase all of Glory Skytop's equity interest held in Qingdao Xinghua Resources Holding Company Limited and its wholly-owned subsidiaries including Qingdao Xinghua Recycle Economic Company Limited and Qingdao Wester Smart Equipment Research and Design Institute Company Limited at a consideration of US$5.1 million (equivalent to approximately HK$39.5 million). The completion of disposal is subject to the fulfilment of the conditions precedent which had been disclosed in the Company's announcement dated 9 February 2021.

The assessment of the impact of the Coronavirus Disease 2020

The World Health Organisation declared coronavirus and Covid-19 a global health emergency on 30 January 2020. Since then, the Group has experienced significant disruption to its operations in the following aspects:

- interruptions to production of coal and temporary closure of mining site;
- development of the tyre recycling business plan being slower than expected;
- significant uncertainty concerning when government lockdowns will be lifted, social distancing requirements will be eased and the long-term effects of the pandemic on the demand for the Group's primary products.

Governments in the countries in which the Group operates also implemented various measures which might mitigate some of the impacts of the Covid-19 pandemic to the results and liquidity position of the Group. To an appropriate extend, the Group applies for such government financial assistance. Details of financial assistance from government available throughout the period remain subject to uncertainty.

The Directors of the Company will continue to assess the implications of Covid-19 pandemic to the Group's business from time to time. Depending on the duration of the Covid-19 pandemic and continued negative impact on economic activities, the Group might experience further negative results, and liquidity restraints and incur additional impairments on its assets in 2021. However, the exact impact(s) in the remaining period of 2021 and thereafter cannot be predicted at the moment.