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

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

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

FINANCIAL HIGHLIGHTS

(1) Revenue for the year ended 31 December 2020 amounted to approximately HK$133,012,000, representing a decrease of approximately 25.4% as compared to the revenue of approximately HK$178,301,000 last year.

(2) Gross profit for the year ended 31 December 2020 amounted to approximately HK$48,339,000, representing a decrease of approximately 38.5% as compared to the gross profit of approximately HK$78,657,000 last year. Overall gross profit margin was approximately 36.3% as compared to approximately 44.1% last year.

(3) Loss attributable to owners of the Company for the year ended 31 December 2020 amounted to approximately HK$42,505,000 while the loss attributable to owners of the Company amounted to approximately HK$10,629,000 last year.

(4) The Board does not recommend the payment of any final dividend for the year ended 31 December 2020.

ANNUAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Grand Ocean Advanced Resources Company Limited (the "**Company**", together with its subsidiaries, the "**Group**") presents the audited consolidated results of the Group for the year ended 31 December 2020 together with the comparative figures for the year ended 31 December 2019 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020

	Note	**2020** *HK$'000*	2019 *HK$'000*
Revenue	*5*	**133,012**	178,301
Cost of sales		**(84,673)**	(99,644)
Gross profit		**48,339**	78,657
Other income and gains	*6*	**5,812**	916
Selling and distribution expenses		**(3,039)**	(5,128)
Administrative expenses		**(82,983)**	(62,985)
Impairment loss on property, plant and equipment		**(27,592)**	(11,265)
Impairment loss on intangible asset		**(7,330)**	(2,840)
Impairment loss on right-of-use assets		**(400)**	–
Loss from operations		**(67,193)**	(2,645)
Finance costs	*8*	**(128)**	(630)
Loss before tax		**(67,321)**	(3,275)
Income tax credit	*9*	**4,445**	86
Loss for the year		**(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)
Loss per share		**HK cents**	HK cents
– basic	*12*	**(2.83)**	(0.71)
– diluted	*12*	**(2.83)**	(0.71)

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	2020	2019
	HK$'000	*HK$'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		**73,001**	105,577
Intangible asset		**19,505**	26,528
Investment property		**2,598**	–
Right-of-use assets		**13,266**	1,357
Due from non-controlling shareholders	*14*	**16,795**	15,748
Deferred tax assets		**19,823**	13,388
Total non-current assets		**144,988**	162,598
Current assets			
Inventories		**5,766**	5,022
Trade and bills receivables	*13*	**7,460**	13,470
Deposits, prepayments and other receivables		**6,598**	12,584
Due from non-controlling shareholders	*14*	**214**	–
Restricted bank deposits		**4,771**	4,758
Bank and cash balances		**93,502**	121,644
Total current assets		**118,311**	157,478
Current liabilities			
Accruals and other payables		**49,571**	58,922
Contract liabilities		**7,251**	3,794
Lease liabilities		**–**	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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2020

	2020	2019
	HK$'000	*HK$'000*
Non-current liabilities		
Lease liabilities	**–**	268
Provision for environmental and restoration	**5,191**	4,868
Deferred tax liabilities	**16,610**	14,842
Total non-current liabilities	**21,801**	19,978
NET ASSETS	**184,676**	236,258
Capital and reserves		
Share capital	**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

Notes:

1. GENERAL INFORMATION

Grand Ocean Advanced Resources Company Limited (the "**Company**") was incorporated in the Cayman Islands on 7 April 2000 as an exempted company with limited liability under the Companies Law (2000 Revision) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its business office is Suite 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 4.

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.

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

(b) Impairment 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.

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.

*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.

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).

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

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

As at 31 December 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).

5. REVENUE

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

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

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	2019
	HK$'000	*HK$'000*
Receivables *(note 13)*	**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	2019
	HK$'000	*HK$'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

6. OTHER INCOME AND GAINS

	2020	2019
	HK$'000	*HK$'000*
Refund of unutilised donations	**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

7. 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	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'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

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

Revenue from major customers:

	2020	2019
	HK$'000	*HK$'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**	–

8. FINANCE COSTS

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

9. INCOME TAX CREDIT

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

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

(a) No provision for Hong Kong Profits Tax was 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 expense and loss before tax multiplied by the PRC Enterprise Income Tax rate is as follows:

	2020	2019
	HK$'000	*HK$'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)

10. LOSS FOR THE YEAR

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

	2020	2019
	HK$'000	*HK$'000*
Auditor's remuneration	**1,450**	1,450
Amortisation of mining right (included in cost of sales)	**987**	1,720
Cost of inventories sold[#]	**84,673**	99,644
Depreciation charge		
– Property, plant and equipment	**12,948**	15,970
– Investment property	**112**	–
– Right-of-use assets 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	**27,592**	11,265
Impairment loss on intangible asset	**7,330**	2,840
Impairment loss on right-of-use assets	**400**	–
Reversal of impairment loss on trade receivables	**(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 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 government authorities to perfect the land and real estate ownership title, the Group is currently in the process of obtaining the relevant land title and real estate ownership certificates; (ii) an amount of approximately HK$1,080,000 representing the administrative fines paid to the local government authority in relation to the waste gangue sold 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.

11. DIVIDENDS

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

12. LOSS PER SHARE

Basic loss per share

The calculation of basic losses per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of approximately HK$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 years 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.

13. TRADE AND BILLS RECEIVABLES

	2020	2019
	HK$'000	*HK$'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

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

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

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

14. DUE FROM NON-CONTROLLING SHAREHOLDERS

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

	2020	2019
	HK$'000	*HK$'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.

15. 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 Skyop'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 extent, the Group applies for such government financial assistance. Details of financial assistance from Government available throughout the period remain subject to uncertainty.

The Directors 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

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, 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 announcement, Inner Mongolia Jinyuanli is undergoing the procedures in obtaining the title certificates for the Land and Buildings.

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.

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.

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 of approximately RMB6.9 million (approximately HK$7.8 million in the PRC). 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.

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	Utilisation up to 31 December 2017	Utilisation up to 31 December 2018	Utilisation up to 30 June 2019	**Balance up to 30 June 2019 (before change of use of proceeds)**	Change of use of proceeds	**Balance up to 30 June 2019 (after change of use of proceeds)**	Utilisation up to 31 December 2019	Utilisation up to 31 December 2020	**Remaining balance up to 31 December 2020**
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	***HK$ million***	*HK$ million*	***HK$ million***	*HK$ million*	*HK$ million*	***HK$ million***
Repayment of the overdue construction payables of the Coal Mining Business and 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	**-**
	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.

CORPORATE GOVERNANCE

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

The Company has complied with the applicable code provisions as set out in the CG Code during the year ended 31 December 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 independent non-executive Director ("**INED**") with effect from 31 October 2019, the Board comprised two INEDs, hence failed to meet the requirements of having the nomination committee of the Company ("**Nomination Committee**") comprising a majority of INEDs and chaired by the chairman of the Board or an INED under code provision A.5.1 of the CG Code. Following the appointment of Mr. Ho Man as an INED with effect from 22 January 2020, the Company is in compliance with the requirements under 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 of the Company ("**Audit Committee**") comprising only non-executive directors with a minimum of three members under Rule 3.21 of the Listing Rules; and (iii) the remuneration committee of the Company ("**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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the required standard governing securities transactions by the Directors. The Company made specific enquires to all the Directors and all the Directors have confirmed that they had complied with the required standards set out in the Model Code during the year ended 31 December 2020.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

ANNUAL GENERAL MEETING

The 2020 annual general meeting of the Company (the "**2020 AGM**") will be held on Friday, 11 June 2021 11 a.m., details of which will be set out in the notice of the 2020 AGM, which will be published and despatched to the shareholders of the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 7 June 2021 to Friday, 11 June 2021, both days inclusive, for the purpose of determining the shareholders who are entitled to attend and vote at the 2020 AGM.

In order to be eligible to attend and vote at the 2020 AGM, all transfers of the shares of the Company accompanied by the relevant share certificates and transfer forms must be lodged to the Company's Hong Kong branch share registrar and transfer office, Tricor Abacus Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Friday, 4 June 2021.

REVIEW OF THE ANNUAL RESULTS BY AUDIT COMMITTEE

An audit committee of the Company has been established for the purpose of reviewing the financial information of the Group and overseeing the financial reporting system, risk management and internal control systems to ensure the integrity of the financial statements of the Group and the effectiveness of internal control and risk management systems of the Group. The Audit Committee, comprising three INEDs, namely Mr. Lee Wai Ming (Chairman), Mr. Chang Xuejun and Mr. Ho Man, have reviewed the Group's consolidated financial statements for the year ended 31 December 2020 and are satisfied that the preparation of the results is in compliance with appropriate accounting policies and practices.

SCOPE OF WORK OF BDO LIMITED

The figures in respect of this announcement of the Group's annual results for the year ended 31 December 2020 have been agreed by the Group's independent auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements and the related notes thereto for the year ended 31 December 2020. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with the Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagement issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by BDO Limited on this annual results announcement.

DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 December 2020.

PUBLICATION OF ANNUAL RESULTS

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.grandocean65.com) respectively. The annual report of the Company for the year ended 31 December 2020 containing all the information required by the Listing Rules will be despatched to shareholders of the Company and published on the above websites in due course.

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

Hong Kong, 19 March 2021

As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Ng Ying Kit and Mr. Tao Ye; a non-executive director, namely Mr. Zhou Hongliang; and three independent non-executive Directors, namely Mr. Lee Wai Ming, Mr. Chang Xuejun and Mr. Ho Man.

* *For identification purpose only*