



弘海  
GRAND OCEAN  
0065.HK

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

Incorporated in the Cayman Islands with limited liability  
Stock code : 65

INTERIM REPORT  
**2022**

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# FINANCIAL HIGHLIGHTS

	Six months ended 30 June		Change
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	
<b>Operating Results</b>			
Revenue	105,220	71,675	46.8%
Gross profit	50,657	23,128	119.0%
Finance costs	5	23	-78.3%
Profit/(Loss) for the period attributable to owners of the Company	7,569	(4,003)	289.1%
Earnings/(Loss) per share – Basic	HK0.5 cents	HK(0.3) cents	266.7%
	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)	Change
	<b>Financial Position</b>		
Total assets	262,834	259,999	1.1%
Total liabilities	73,999	81,224	-8.9%
Bank and cash balances (excluding restricted bank deposits)	104,558	86,412	21.0%
Equity attributable to owners of the Company	122,907	119,128	3.2%
<b>Financial Ratios</b>			
Current ratio	2.37	1.79	32.4%
Gearing ratio	–	–	N/A

# MANAGEMENT DISCUSSION AND ANALYSIS

## Business and financial review

The Group recorded total revenue of approximately HK\$105,220,000 for the six months ended 30 June 2022, representing an increase of approximately HK\$33,545,000 or approximately 46.8% as compared to the revenue of approximately HK\$71,675,000 for the six months ended 30 June 2021. The profit for the six months ended 30 June 2022 amounted to approximately HK\$16,685,000 as compared to the loss of approximately HK\$5,106,000 for the six months ended 30 June 2021. The profit attributable to owners of the Company for the six months ended 30 June 2022 amounted to approximately HK\$7,569,000 as compared to the loss attributable to owners of the Company of approximately HK\$4,003,000 for the corresponding period in 2021.

Starting from the second half of 2021, China promotes the structural reform on the supply side of coal industry, leading to tight domestic coal supply in some regions including Inner Mongolia region. The tightened coal industry policies on the supply side had led to the significant surge of the coal price in the Inner Mongolia region since fourth quarter of 2021. The turnaround of the Group's results for the six months ended 30 June 2022 was primarily due to the increase in the selling price of coals and the coal production output as compared to the corresponding period in 2021.

As a result, the Coal Mining Business segment reported a profit after tax of approximately HK\$21,135,000 for the six months ended 30 June 2022 as compared to a loss after tax of approximately HK\$2,127,000 for the corresponding period in 2021. During the six months ended 30 June 2022, the Coal Mining Business is reported as the only business segment of the 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 (the "**Inner Mongolia Coal Mine 958**") in the Inner Mongolia region with an allowed annual production capacity of 1.2 million tonnes. During the six months ended 30 June 2022, approximately 499,000 tonnes of coals were produced (six months ended 30 June 2021: 451,000 tonnes) and approximately 495,000 tonnes of coals were sold (six months ended 30 June 2021: 446,000 tonnes).

### Business and financial review (Continued)

#### The Coal Mining Business (Continued)

In 2020, local government authorities of Inner Mongolia region (the “**Review Authorities**”) were commissioned by the State Government of the PRC to conduct an extensive compliance review (the “**Compliance Review**”) on all the coal mines located in the Inner Mongolia region, covering inspections on all aspects of corporate matters such as production safety, sales activities, taxation, mining resources and annual reporting etc. during the past 20 years. In September 2020, the Review Authorities completed their first Compliance Review (the “**First Compliance Review**”) on the Group’s Inner Mongolia Coal Mine 958. Subsequently in the fourth quarter of 2020, Inner Mongolia Jinyuanli followed the directives of the Review Authorities to: (i) pay an administrative fine in an amount of RMB960,000 (approximately HK\$1.1 million) in relation to the sale and production of approximately 0.28 million tonnes of accumulated waste gangue in 2018; (ii) pay 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 land and the construction of buildings in the past years; and (iii) enter 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) whereas a land premium of RMB11.6 million (approximately HK\$13.0 million) was paid in November 2020. As at the date of this report, Inner Mongolia Jinyuanli had submitted the application for the grant of the real estate ownership certificates (不動產所有權證) and it is pending for the approval.

Subsequent to the completion of the First Compliance Review, Inner Mongolia Jinyuanli had 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 until 24 September 2023 and 26 October 2023 respectively. In 2021, the Review Authorities revisited Inner Mongolia Jinyuanli to commence a more in-depth Compliance Review (the “**Second Compliance Review**”) in connection with workplace safety and coal resources issues.

During the year ended 31 December 2021 and six months ended 30 June 2022, administrative fines of RMB910,000 (approximately HK\$1,098,000) and RMB170,000 (approximately HK\$205,000) were paid for certain workplace safety matters respectively.

In view of the uncertainties brought by the COVID-19 outbreak and current conditions of our production facilities, the annual coal production output of our Inner Mongolia Coal Mine 958 is expected to remain at around 900,000 tonnes.

## Business and financial review (Continued)

### Impairment assessment review on property, plant and equipment, intangible asset and right-of-use asset of the Coal Mining Business segment

The management of the Company has performed an impairment assessment review on 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**”) at each of the reporting period. The recoverable amounts of the Coal CGU were estimated based on the value in use calculation, 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 appropriateness and reasonableness of the assumptions applied in the cash flow projections, and conduct a valuation on the Coal CGU.

The key assumptions and parameters adopted in the cash flow projections of the Coal CGU as at 30 June 2021, 31 December 2021 and 30 June 2022 are set out below:

Key assumptions	30 June 2021	31 December 2021	30 June 2022
Projected annual coal production output for the period until the expiry date of the business license (note 1)	900,000 tonnes	900,000 tonnes	<b>900,000 tonnes</b>
Average unit coal selling price per tonne (including value-added tax) (note 2)	2021:RMB135 2022:RMB138 2023 onwards: increase with inflation rate	2022:RMB165 2023:RMB168 2024 onwards: increase with inflation rate	<b>2022:RMB165 2023:RMB168 2024 onwards: increase with inflation rate</b>
Inflation rate	2.5%	2.5%	<b>2.5%</b>

### **Business and financial review (Continued)**

#### **Impairment assessment review on property, plant and equipment, intangible asset and right-of-use asset of the Coal Mining Business segment (Continued)**

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 since year 2020, 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.
- (2) The estimated unit selling price of coal was determined by referencing to: (i) the current unit selling price of coals of approximately RMB180 per tonne (including value-added tax); (ii) the prevailing market price of coals in the Inner Mongolia Region; (iii) the historical average unit selling price of coals produced by Inner Mongolia Jinyuanli over past few years; and (iv) the increase in the selling price of the coals produced since fourth quarter of 2021.

#### **Selling and distribution expenses**

The selling and distribution expenses of the Group in the amount of approximately HK\$1,889,000 for the six months ended 30 June 2022 was 100% attributed to the Coal Mining Business segment. The increase in selling and distribution expenses by approximately HK\$116,000 as compared to approximately HK\$1,773,000 for the corresponding period in 2021 was mainly attributable to the increase in quantity of coals sold.

#### **Administrative expenses**

The administrative expenses of the Group for the six months ended 30 June 2022 amounted to approximately HK\$28,322,000, representing a decrease of approximately HK\$581,000 as compared to approximately HK\$28,903,000 for the corresponding period in 2021. The slight decrease in administrative expenses was mainly attributable to the decrease in staff cost. The management of the Company will continue to adopt cost saving measures in order to improve the financial performance of the Group.

### **Business and financial review (Continued)**

#### **Finance costs**

The finance costs of the Group represented the interest on lease liabilities in relation to the leasing of the Hong Kong office.

#### **Profit for the period**

The profit for the six months ended 30 June 2022 was approximately HK\$16,685,000 as compared to loss of approximately HK\$5,106,000 for the corresponding period in 2021.

The profit attributable to owners of the Company for the six months ended 30 June 2022 was approximately HK\$7,569,000 as compared to the loss attributable to owners of the Company of approximately HK\$4,003,000 for the corresponding period in 2021.

#### **Liquidity and financial resources**

As at 30 June 2022,

- (a) the aggregate amount of the Group's: (i) restricted bank deposits; and (ii) bank and cash balances was approximately HK\$114,430,000 (as at 31 December 2021: approximately HK\$91,344,000);
- (b) the Group had no borrowing (as at 31 December 2021: Nil);
- (c) the Group's gearing ratio was zero (as at 31 December 2021: 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 2.37 (as at 31 December 2021: approximately 1.79). 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 30 June 2022, the Group did not have any pledge of assets (as at 31 December 2021: Nil).



### **Business and financial review (Continued)**

#### **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 Company noticed the recent fluctuations in the exchange rate between Renminbi and Hong Kong dollar, and is of the opinion that it does not have any material adverse impact on 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.

#### **Acquisition and disposal of material subsidiaries and associates**

The Group did not acquire nor dispose of any material subsidiaries and associates during the six months ended 30 June 2022.

#### **Significant investment**

The Group did not purchase, sell or hold any significant investments during the six months ended 30 June 2022.

#### **Contingent liabilities**

The Group did not have any material contingent liabilities as at 30 June 2022.

#### **Capital commitment**

As at 30 June 2022, the Group had no capital commitment (as at 31 December 2021: Nil).

#### **Employees**

The Group employed 444 full-time employees as at 30 June 2022 (as at 31 December 2021: 447) 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 six months ended 30 June 2022 were approximately HK\$30,615,000 (for the six months ended 30 June 2021: HK\$31,004,000).

### Event after reporting period

On 21 June 2022, the Company entered into a subscription agreement with Blossom Investment Consultant Limited (the “**Subscriber**”), pursuant to which the Company had conditionally agreed to issue, and the Subscriber had conditionally agreed to subscribe for, convertible bonds in the aggregate principal amount of HK\$40,000,000 (the “**Convertible Bonds**”) which could be converted into a maximum of 220,000,000 conversion shares at an initial conversion price of approximately HK\$0.1818 per conversion share. The issuance of the Convertible Bonds was completed on 18 July 2022 with net proceeds of approximately HK\$39,800,000. The Convertible Bonds, which will mature on 17 July 2023 (the “**Maturity Date**”), are secured by share charges of entire issued share capital of two wholly-owned subsidiaries of the Company, carrying an interest rate of the average of the rate of interest offered on Hong Kong dollars by banks in the interbank market for one year (1-year HIBOR) on 21 June 2022 and the Maturity Date plus 0.25% per annum.

### Prospects

Benefit from the rebound of China’s economy, certain policies on restriction of imported coal to China and the increased demand in the domestic coal market, the overall market prices of coal among the coal industry have been increased significantly since the second half of 2021.

Given the current favorable coal market conditions, our Coal Mining Business recorded a satisfactory financial performance during the first half of 2022. Nevertheless, under the guidance of China’s energy supply and price stabilisation policy, the selling price of our coal has recently dropped slightly as compared to the fourth quarter of 2021. In view of current market trend, we expect the market selling price of coal will remain at current level in the second half of 2022.

On the other hand, the management of the Company will closely monitor the market conditions in order to seize strategic opportunities arising from the energy and mining sectors as the Group’s new growth drivers, leveraging the competitive edge of our management expertise in the mining and exploration industry.

Furthermore, the Group will further strengthen work safety awareness among all employees to ensure production safety and closely monitor the development of the pandemic, economic development and policy changes to timely adjust our business strategy.

Moving forward, the Group will continue to implement further cost saving measures and funding management with an aim to strengthen its capital base and enhance its financial position for future business opportunities. The Company aims to broaden its business scope and benefit from the diversified return in the future to create greater return to our shareholders.

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Six months ended 30 June	
		2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Revenue	4	105,220	71,675
Cost of sales		(54,563)	(48,547)
<b>Gross profit</b>		<b>50,657</b>	23,128
Other income		881	2,463
Selling and distribution expenses		(1,889)	(1,773)
Administrative expenses		(28,322)	(28,903)
<b>Profit/(Loss) from operations</b>		<b>21,327</b>	(5,085)
Finance costs	5	(5)	(23)
<b>Profit/(Loss) before tax</b>	7	<b>21,322</b>	(5,108)
Income tax (expense)/credit	6	(4,637)	2
<b>Profit/(Loss) for the period</b>		<b>16,685</b>	(5,106)
<b>Attributable to:</b>			
Owners of the Company		7,569	(4,003)
Non-controlling interests		9,116	(1,103)
<b>Profit/(Loss) for the period</b>		<b>16,685</b>	(5,106)
<b>Earnings/(Loss) per share</b>			
– basic	9	HK0.5 cents	HK(0.3) cents
– diluted	9	HK0.5 cents	HK(0.3) cents

# CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	<b>Six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<i>Note</i>	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Profit/(Loss) for the period</b>	<b>16,685</b>	(5,106)
<b>Other comprehensive income after tax:</b>		
<i>Item that may be reclassified to profit or loss:</i>		
Exchange difference on translating foreign operations	<b>(6,625)</b>	599
Release of translation reserves upon disposal of subsidiaries	12	(2,060)
<b>Other comprehensive income for the period, net of tax</b>	<b>(6,625)</b>	(1,461)
<b>Total comprehensive income for the period</b>	<b>10,060</b>	(6,567)
<b>Attributable to:</b>		
Owners of the Company	<b>3,779</b>	(6,157)
Non-controlling interests	<b>6,281</b>	(410)
	<b>10,060</b>	(6,567)

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	10	82,625	90,610
Intangible asset	10	24,642	26,476
Investment property		2,369	2,543
Right-of-use assets	10	13,170	14,409
Deferred tax assets		15,398	20,812
<b>Total non-current assets</b>		<b>138,204</b>	154,850
<b>Current assets</b>			
Inventories		7,936	7,221
Trade and bills receivables	11	117	–
Deposits, prepayments and other receivables		2,147	6,584
Restricted bank deposits		9,872	4,932
Bank and cash balances		104,558	86,412
<b>Total current assets</b>		<b>124,630</b>	105,149
<b>Current liabilities</b>			
Accruals and other payables		48,666	54,611
Contract liabilities		3,490	3,593
Lease liabilities		344	596
<b>Total current liabilities</b>		<b>52,500</b>	58,800
<b>Net current assets</b>		<b>72,130</b>	46,349
<b>Total assets less current liabilities</b>		<b>210,334</b>	201,199

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Note</i>	<b>As at 30 June 2022 HK\$'000 (Unaudited)</b>	As at 31 December 2021 HK\$'000 (Audited)
<b>Non-current liabilities</b>			
Provision for environmental rehabilitation and restoration		5,114	5,346
Deferred tax liabilities		16,385	17,078
<b>Total non-current liabilities</b>		<b>21,499</b>	22,424
<b>NET ASSETS</b>			
<b>Capital and reserves</b>			
Share capital	13	15,035	15,035
Reserves		107,872	104,093
Equity attributable to owners of the Company		122,907	119,128
Non-controlling interests		65,928	59,647
<b>TOTAL EQUITY</b>		<b>188,835</b>	178,775

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company										Non-controlling interests HK\$'000 (Unaudited)	Total equity HK\$'000 (Unaudited)
	Share capital HK\$'000 (Unaudited)	Share premium HK\$'000 (Unaudited)	Capital reserve HK\$'000 (Unaudited)	Distributable reserve HK\$'000 (Unaudited)	Future development fund HK\$'000 (Unaudited)	Safety fund HK\$'000 (Unaudited)	Foreign currency translation reserve HK\$'000 (Unaudited)	Accumulated losses HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)			
At 1 January 2022	15,035	96,935	(1,628)	135,282	49,017	125,938	20,511	(321,962)	119,128	59,647	178,775	
Profit for the period	-	-	-	-	-	-	-	7,569	7,569	9,116	16,685	
Other comprehensive income												
Exchange difference on translating of foreign operations	-	-	-	-	-	-	(3,790)	-	(3,790)	(2,835)	(6,625)	
Total comprehensive income for the period	-	-	-	-	-	-	(3,790)	7,569	3,779	6,281	10,060	
Net appropriations	-	-	-	-	3,209	6,594	-	(9,803)	-	-	-	
At 30 June 2022	15,035	96,935	(1,628)	135,282	52,226	132,532	16,721	(324,196)	122,907	65,928	188,835	
At 1 January 2021	15,035	96,935	(1,628)	135,282	42,720	112,956	21,252	(317,055)	105,497	79,179	184,676	
Loss for the period	-	-	-	-	-	-	-	(4,003)	(4,003)	(1,103)	(5,106)	
Other comprehensive income												
Release of translation reserve upon disposal of subsidiaries	-	-	-	-	-	-	(2,060)	-	(2,060)	-	(2,060)	
Exchange difference on translating of foreign operations	-	-	-	-	-	-	(94)	-	(94)	693	599	
Total comprehensive income for the period	-	-	-	-	-	-	(2,154)	(4,003)	(6,157)	(410)	(6,567)	
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	(38,879)	(38,879)	
Net appropriations	-	-	-	-	2,890	6,161	-	(9,051)	-	-	-	
At 30 June 2021	15,035	96,935	(1,628)	135,282	45,610	119,117	19,098	(330,109)	99,340	39,890	139,230	

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	<b>Six months ended 30 June</b>	
	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Net cash inflow/(outflow) from operating activities	<b>22,651</b>	(11,102)
Net cash outflow from investing activities	<b>(1,689)</b>	(29,019)
Net cash outflow from financing activities	<b>(257)</b>	(516)
Net increase/(decrease) in cash and cash equivalents	<b>20,705</b>	(40,637)
Effect of foreign exchange rate change	<b>(2,559)</b>	(127)
Cash and cash equivalents at 1 January	<b>86,412</b>	93,502
Cash and cash equivalents at 30 June	<b>104,558</b>	52,738
Analysis of balances of cash and cash equivalents:		
Bank and cash balances	<b>104,558</b>	52,738



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 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 six months ended 30 June 2022 was the production and sale of coal (the “**Coal Mining Business**”).

## 2. Basis of Preparation and Accounting Policies

These unaudited condensed consolidated financial statements for the six months ended 30 June 2022 have been prepared in accordance with the applicable disclosures required by Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) and the Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

These condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements of the Group set out in the annual report of the Company for the year ended 31 December 2021.

The accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements for the six months ended 30 June 2022 are consistent with those used in the Group’s annual consolidated financial statements for the year ended 31 December 2021 except as stated in note 3 below.

### 3. Adoption of New and Amended Hong Kong Financial Reporting Standards

#### (a) Adoption of amended Hong Kong Financial Reporting Standards (“HKFRSs”)

In the current interim period, the Group has applied, for the first time, the following amended HKFRSs issued by the HKICPA, which are relevant to and effective for the Group’s condensed consolidated financial statements for the annual period beginning on 1 January 2022:

Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41	Annual Improvements to HKFRSs 2018-2020
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRS 3	Reference to the Conceptual Framework

The adoption of the above mentioned amended HKFRSs have no material impact on the Group’s condensed consolidated financial statements.

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

The following new and amended HKFRSs, potentially relevant to the Group’s condensed consolidated financial statements, have been issued, but not yet effective and have not been early adopted by the Group. The Group’s current intention is to apply these changes on the date they become effective.

Amendments to HKAS 1	Classifications of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>1</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>1</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>1</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>2</sup>
HKFRS 17	Insurance Contracts <sup>1</sup>

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

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

- <sup>1</sup> Effective for annual periods beginning on or after 1 January 2023
- <sup>2</sup> The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined

The directors of the Company anticipate that the application of these new and amended HKFRSs will have no material impact on the Group's condensed consolidated financial performance and positions and/or the disclosures to the condensed consolidated financial statements of the Group.

### 4. Segment Information

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

For the six months ended 30 June 2022 and 2021, the Group had only one reportable operating segment which is Coal Mining Business. Thus, no operating segments have been aggregated to form the above reporting 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	
	Six months ended 30 June 2022	2021	30 June 2022	31 December 2021
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Audited)
Hong Kong	–	–	97	18
The PRC except Hong Kong	105,220	71,675	122,709	134,020
Consolidated total	105,220	71,675	122,806	134,038

#### 4. Segment Information (Continued)

##### Revenue from major customers:

For the six months ended 30 June 2022, revenue from one customer (six months ended 30 June 2021: three customers) with whom transaction have exceeded 10% of the Group's revenue for the period. Details were as below:

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
<b>Coal Mining Business</b>		
Customer A	60,606	–
Customer B	–	21,240
Customer C	N/A <sup>1</sup>	8,069
Customer D	N/A <sup>1</sup>	7,904

<sup>1</sup> The corresponding revenue did not contribute over 10% of the total revenue of the Group.

#### 5. Finance Costs

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Interest on lease liabilities	5	23

#### 6. Income Tax (Expense)/Credit

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Deferred tax	(4,637)	2

No provision for Hong Kong Profits Tax has been made for the six months ended 30 June 2022 as the Group did not generate any assessable profits arising in Hong Kong during the period (six months ended 30 June 2021: Nil).

## 6. Income Tax (Expense)/Credit (Continued)

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% (six months ended 30 June 2021: 25%). No provision for PRC Enterprise Income Tax was made for six months ended 30 June 2022 as the PRC subsidiaries had available tax losses brought forward to offset the estimated assessable profit arising in the PRC (six months ended 30 June 2021: the PRC subsidiaries did not generate any assessable profits arising in the PRC during the period).

## 7. Profit/(Loss) before Tax

The Group’s profit/(loss) before tax has been arrived at after charging/(crediting):

	<b>Six months ended 30 June</b>	
	<b>2022</b>	2021
	<b>HK\$’000</b>	HK\$’000
	<b>(Unaudited)</b>	(Unaudited)
Interest income	<b>(113)</b>	(75)
Amortisation of mining right (included in cost of sales)	<b>702</b>	466
Depreciation of property, plant and equipment	<b>5,978</b>	5,553
Depreciation of investment property	<b>65</b>	65
Depreciation of right-of-use assets	<b>641</b>	636
Gain on disposal of property, plant and equipment, net	<b>(71)</b>	–
Cost of inventories sold	<b>54,563</b>	48,547
Directors’ emoluments	<b>1,240</b>	1,149
Short-term lease expenses	<b>72</b>	36

## 8. Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

## 9. Earnings/(Loss) per Share

The calculation of basic earnings/(loss) per share attributable to owners of the Company for the six months ended 30 June 2022 is based on the profit attributable to owners of the Company of approximately HK\$7,569,000 (six months ended 30 June 2021: loss of approximately HK\$4,003,000) and on the weighted average number of 1,503,477,166 (six months ended 30 June 2021: 1,503,477,166) ordinary shares outstanding during the period.

For the six months ended 30 June 2022 and 2021, diluted earnings/(loss) per share was equal to the basic earnings/(loss) per share as there was no potential ordinary share in issue for both periods.

## 10. Property, Plant and Equipment, Intangible Asset and Right-Of-Use Assets

(a) During the six months ended 30 June 2022, the Group had additions to property, plant and equipment of approximately HK\$1,957,000 (six months ended 30 June 2021: HK\$1,274,000).

### (b) Impairment assessment

The management of the Company has performed an impairment assessment review on 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") at each of the reporting period. No impairment loss had been made for the six months ended 30 June 2022 and 2021 as the recoverable amounts of the Coal CGU were higher than its carrying amounts.

The recoverable amounts of the Coal CGU were estimated based on the value in use calculation, determined by discounting the future cash flows to be generated from the continuing use of these assets (the "Cash Flow Projections").

The management of the Company prepared the Cash Flow Projections based on the Coal CGU's past performance and management expectations of market development. Pre-tax discount rate of approximately 16.2% (six months ended 30 June 2021: approximately 15.1%) is used and reflects specific risk relating to the operating segment. The management of the Company also prepared relevant scenarios and sensitivity in determining the recoverable amounts of the Coal CGU, taking into account the risks of temporary suspension of coal production associated with the lockdown or other measures taken by the state government in relation to the COVID-19 pandemic.

## 10. Property, Plant and Equipment, Intangible Asset and Right-Of-Use Assets (Continued)

### (c) Valuation

The recoverable amounts of the Coal CGU have been determined with reference to the valuation prepared by an independent valuation firm.

## 11. Trade and Bills Receivables

	<b>30 June 2022 HK\$'000 (Unaudited)</b>	31 December 2021 HK\$'000 (Audited)
Trade receivables	<b>1,292</b>	1,351
Impairment loss on trade receivables	<b>(1,292)</b>	(1,351)
Bills receivables	<b>117</b>	–
	<b>117</b>	–

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.

## 12. Disposal of Subsidiaries

*For the six months ended 30 June 2021*

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 vendor and Qingdao Dongyuanhai Investment Holding Company Limited as the purchaser (the "**Purchaser**"), Glory Skytop had conditionally agreed to sell and the Purchaser had conditionally agreed to purchase all of Glory Skytop's equity interest held in Qingdao Xinghua Resources Holding Company Limited ("**Qingdao Xinghua**") and its wholly-owned subsidiaries (collectively referred to as "**Qingdao Xinghua Group**") which were engaged in the provision of environmental-friendly tyre recycling services in the PRC, at a consideration of US\$5.1 million (or HK\$39,660,000 equivalent) ("**the Disposal**"). The Disposal was completed on 7 April 2021.



## 12. Disposal of Subsidiaries (Continued)

*For the six months ended 30 June 2021 (Continued)*

The net assets of Qingdao Xinghua Group at the date of the Disposal were as follows:

	2021 HK\$'000
Property, plant and equipment	490
Due from a non-controlling shareholder	16,714
Other receivables	30
Cash and cash equivalents	61,468
Other payables	(134)
<b>Net assets disposed of</b>	<b>78,568</b>
Non-controlling interests	(38,879)
Cumulative exchange difference in respect of net assets of subsidiaries reclassified from equity to profit or loss	(2,060)
Gain on disposal of subsidiaries	2,031
<b>Total consideration</b>	<b>39,660</b>
<b>Consideration received in cash</b>	<b>39,660</b>
<b>Net cash outflow arising on Disposal:</b>	
Cash consideration received	39,660
Cash and bank balances disposed of	(61,468)
<b>Net outflow of cash and cash equivalents included in cash flows from investing activities</b>	<b>(21,808)</b>

### 13. Share Capital

	Authorised	
	Number of shares of HK\$0.01 each	HK\$'000
As at 1 January 2021, 31 December 2021, 1 January 2022 and 30 June 2022	100,000,000,000	1,000,000
	Issued and fully paid	
	Number of shares of HK\$0.01 each	HK\$'000
As at 1 January 2021, 31 December 2021, 1 January 2022 and 30 June 2022	1,503,477,166	15,035

### 14. Event After the Reporting Period

On 21 June 2022, the Company entered into a subscription agreement with Blossom Investment Consultant Limited (the "**Subscriber**"), pursuant to which the Company had conditionally agreed to issue, and the Subscriber had conditionally agreed to subscribe for, convertible bonds in the aggregate principal amount of HK\$40,000,000 (the "**Convertible Bonds**") which could be converted into a maximum of 220,000,000 conversion shares at an initial conversion price of approximately HK\$0.1818 per conversion share. The issuance of the Convertible Bonds was completed on 18 July 2022 with net proceeds of approximately HK\$39,800,000. The Convertible Bonds, which will mature on 17 July 2023 (the "**Maturity Date**"), are secured by share charges of entire issued share capital of two wholly-owned subsidiaries of the Company, carrying an interest rate of the average of the rate of interest offered on Hong Kong dollars by banks in the interbank market for one year (1-year HIBOR) on 21 June 2022 and the Maturity Date plus 0.25% per annum.

## OTHER INFORMATION

### **Interim dividend**

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

### **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 30 June 2022, none of the Directors and the chief executive of the Company had any interests and short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which 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 and short positions which they have taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange.

## OTHER INFORMATION

### Substantial shareholders

As at 30 June 2022, so far as is known to the Directors or 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 Division 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 number of issued shares of the Company as at 30 June 2022
Liu Chang Deng	Beneficial owner	156,154,315	10.39%

Save as disclosed above, as at 30 June 2022, 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.

### Purchase, sale or redemption of the Company's listed securities

During the six months ended 30 June 2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

### Competing interest

None of the Directors or the controlling shareholders (as defined under the Listing Rules) of the Company had an interest in a business which competed or might compete with the business of the Group during the six months ended 30 June 2022.

## OTHER INFORMATION

### **Audit Committee**

The Audit Committee comprises three INEDs, namely Mr. Lee Wai Ming, Mr. Chang Xuejun and Mr. Ho Man. 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. The Audit Committee has reviewed the unaudited interim financial statements and the interim report of the Company for the six months ended 30 June 2022.

### **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 contained in Appendix 14 to the Listing Rules during the six months ended 30 June 2022 except for the following deviations:

Under the code provision A.2.1 of the CG Code, the roles of chairman and chief executive should 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 resignation of the chief executive officer of the Company, the Board does not have any chairman and chief executive officer at present. The duties and responsibilities of the Group's business are handled by the existing executive Directors and senior management of the Group so as to achieve the overall commercial objectives of the Company. The Company is looking for suitable persons to fill the vacancy of the chairman and chief executive officer.

### **Model Code For Securities Transactions by Directors**

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the required standard governing securities transactions by the Directors. The Company has made specific enquiries 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 six months ended 30 June 2022.

# CORPORATE PROFILE

## Board of Directors

### Executive Directors

Mr. NG Ying Kit  
Mr. TAO Ye  
Mr. GUO Jianpeng

### Non-Executive Director

Mr. ZHOU Hongliang

### Independent Non-Executive Directors

Mr. LEE Wai Ming  
Mr. CHANG Xuejun  
Mr. HO Man

## Company Secretaries

Ms. WAN Shui Wah  
(resigned on 4 May 2022)  
Mr. HUEN Felix Ting Cheung  
(resigned on 25 July 2022)  
Ms. CHENG On Yi  
(appointed on 25 July 2022)

## Authorised Representatives

Mr. NG Ying Kit  
Ms. WAN Shui Wah  
(resigned on 4 May 2022)  
Mr. GUO Jianpeng  
(appointed on 4 May 2022)

## Audit Committee

Mr. LEE Wai Ming (*Chairman*)  
Mr. CHANG Xuejun  
Mr. HO Man

## Remuneration Committee

Mr. CHANG Xuejun (*Chairman*)  
Mr. HO Man  
Mr. TAO Ye

## Nomination Committee

Mr. LEE Wai Ming (*Chairman*)  
(appointed on 6 April 2022)  
Mr. HO Man  
Mr. TAO Ye

## 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](http://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 2A  
Block 3, Building D  
P.O. Box 1586  
Gardenia Court  
Camana Bay  
Grand Cayman KY1-1100  
Cayman Islands

## CORPORATE PROFILE

### **Hong Kong Branch Share Registrar and Transfer Office**

Tricor Abacus Limited  
17/F, Fair East Finance Centre  
16 Harcourt Road  
Hong Kong

### **Principal Banker**

Hang Seng Bank Limited

### **Independent Auditor**

BDO Limited  
Certified Public Accountants

### **Legal Advisers**

As to Hong Kong Law:  
Patrick Mak & Tse

As to Cayman Islands Law:  
Conyers Dill & Pearman

### **Stock Code**

65

## DEFINITIONS

In this interim report, unless the context otherwise requires, the following expressions shall have the following meaning:

“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 director(s) 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;



## DEFINITIONS

“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;
“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.