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)

UNAUDITED INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022

FINANCIAL HIGHLIGHTS

(1) Revenue for the six months ended 30 June 2022 amounted to approximately HK$105,220,000, representing an increase of approximately 46.8% as compared to the corresponding period in 2021.

(2) Gross profit for the six months ended 30 June 2022 amounted to approximately HK$50,657,000, representing an increase of approximately 119.0% as compared to the corresponding period in 2021. Overall gross profit margin was approximately 48.1% for the six months ended 30 June 2022 as compared to approximately 32.3% for the corresponding period in 2021.

(3) 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 corresponding period in 2021.

(4) 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.

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

RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Grand Ocean Advanced Resources Company Limited (the "**Company**") announces the unaudited interim results of the Company and its subsidiaries (collectively, referred hereafter as the "**Group**") for the six months ended 30 June 2022 together with the relevant comparative figures as follows. The unaudited interim results have been reviewed by the audit committee of the Company.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	Note	Six months ended 30 June **2022** *HK$'000* **(Unaudited)**	2021 *HK$'000* (Unaudited)
Profit/(Loss) for the period		**16,685**	(5,106)
Other comprehensive income after tax:			
Item that may be reclassified to profit or loss:			
Exchange difference on translating foreign operations		**(6,625)**	599
Release of translation reserves upon disposal of subsidiaries	*12*	**-**	(2,060)
Other comprehensive income for the period, net of tax		**(6,625)**	(1,461)
Total comprehensive income for the period		**10,060**	(6,567)
Attributable to:			
Owners of the Company		**3,779**	(6,157)
Non-controlling interests		**6,281**	(410)
		10,060	(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)
Non-current assets			
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
Total non-current assets		**138,204**	154,850
Current assets			
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
Total current assets		**124,630**	105,149
Current liabilities			
Accruals and other payables		**48,666**	54,611
Contract liabilities		**3,490**	3,593
Lease liabilities		**344**	596
Total current liabilities		**52,500**	58,800
Net current assets		**72,130**	46,349
Total assets less current liabilities		**210,334**	201,199

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	As at 30 June 2022 *HK$'000* **(Unaudited)**	As at 31 December 2021 *HK$'000* (Audited)
Non-current liabilities		
Provision for environmental rehabilitation and restoration	**5,114**	5,346
Deferred tax liabilities	**16,385**	17,078
Total non-current liabilities	**21,499**	22,424
NET ASSETS	**188,835**	178,775
Capital and reserves		
Share capital	**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
TOTAL EQUITY	**188,835**	178,775

Notes:

1. GENERAL INFORMATION

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)[1]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
HKFRS 17	Insurance Contracts[1]

1 Effective for annual periods beginning on or after 1 January 2023

2 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		30 June	31 December
	2022	2021	2022	2021
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(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

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	2021
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Coal Mining Business		
Customer A	**60,606**	-
Customer B	**-**	21,240
Customer C	**N/A**[1]	8,069
Customer D	**N/A**[1]	7,904

[1] The corresponding revenue did not contribute over 10% of the total revenue of the Group.

5. FINANCE COSTS

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

6. INCOME TAX (EXPENSE)/CREDIT

	Six months ended 30 June	
	2022	2021
	HK$'000	*HK$'000*
	(Unaudited)	(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).

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):

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

(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

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

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.

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)**
Net assets disposed of	**78,568**
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**
Total consideration	**39,660**
Consideration received in cash	**39,660**
Net cash outflow arising on Disposal:	
Cash consideration received	**39,660**
Cash and bank balances disposed of	**(61,468)**
Net outflow of cash and cash equivalents included in cash flows from investing activities	**(21,808)**

13. 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.

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 leaded 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).

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 announcement, 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.

Impairment assessment review 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 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	**900,000 tonnes**
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	**2022:RMB165** **2023:RMB168** **2024 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 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 is 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 is mainly attributable to the decrease of staff cost. 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.

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).

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.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") comprises three independent non-executive Director(s) (the "**INED(s)**"), 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 Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (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 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 resignation of the chief executive officer of the Company, the Board does not have any chairman and chief executive officer. 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 for Securities Transactions by the Directors of Listed Issuers (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.

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.

DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2022.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND 2022 INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.grandocean65.com) respectively. The interim report of the Company for the six months ended 30 June 2022 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, 31 August 2022

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Ng Ying Kit, Mr. Tao Ye and Mr. Guo Jianpeng; 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.