

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



## **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 2023**

**AND**

### **CHANGE OF ADDRESS OF HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG**

#### **FINANCIAL HIGHLIGHTS**

- (1) Revenue for the year ended 31 December 2023 amounted to approximately HK\$187,960,000, representing a decrease of approximately HK\$3,220,000 or approximately 1.7% as compared to the revenue of approximately HK\$191,180,000 last year.
- (2) Gross profit for the year ended 31 December 2023 amounted to approximately HK\$65,211,000, representing a decrease of approximately HK\$15,955,000 or approximately 19.7% as compared to the gross profit of approximately HK\$81,166,000 last year. Overall gross profit margin was approximately 34.7% as compared to approximately 42.5% last year.
- (3) Loss for the year ended 31 December 2023 amounted to approximately HK\$33,610,000 as compared to the profit of approximately HK\$26,100,000 last year.
- (4) Loss attributable to owners of the Company for the year ended 31 December 2023 amounted to approximately HK\$23,734,000 as compared to the profit attributable to owners of the Company of approximately HK\$10,237,000 last year.
- (5) The Board does not recommend the payment of any final dividend for the year ended 31 December 2023.

## 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**”) announces the audited consolidated results of the Group for the year ended 31 December 2023 together with the comparative figures for the year ended 31 December 2022 as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*For the year ended 31 December 2023*

	<i>Notes</i>	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>Revenue</b>	4	<b>187,960</b>	191,180
Cost of sales		<u>(122,749)</u>	<u>(110,014)</u>
<b>Gross profit</b>		<b>65,211</b>	81,166
Other income and gains	5	<b>2,502</b>	2,921
Selling and distribution expenses		<b>(4,548)</b>	(4,561)
Administrative expenses		<b>(72,986)</b>	(72,160)
Other operating expense	8(ii)	<b>(22,188)</b>	–
Reversal of impairment loss on property, plant and equipment		–	19,998
Reversal of impairment loss on intangible asset		–	6,708
<b>(Loss)/Profit from operations</b>		<b>(32,009)</b>	34,072
Finance costs	7	<u>(827)</u>	<u>(1,170)</u>
<b>(Loss)/Profit before tax</b>	8	<b>(32,836)</b>	32,902
Income tax expense	9	<u>(774)</u>	<u>(6,802)</u>
<b>(Loss)/Profit for the year</b>		<u><b>(33,610)</b></u>	<u>26,100</u>
<b>Attributable to:</b>			
Owners of the Company		<b>(23,734)</b>	10,237
Non-controlling interests		<u><b>(9,876)</b></u>	<u>15,863</u>
		<u><b>(33,610)</b></u>	<u>26,100</u>
<b>(Loss)/Earnings per share</b>		<b>HK cents</b>	HK cents
– basic	11	<u><b>(1.46)</b></u>	<u>0.68</u>
– diluted	11	<u><b>(1.46)</b></u>	<u>0.68</u>

## CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	<b>2023</b>	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>(Loss)/Profit for the year</b>	<u><b>(33,610)</b></u>	<u>26,100</u>
<b>Other comprehensive income after tax:</b>		
<i>Item that may be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	<u><b>(3,534)</b></u>	<u>(12,207)</u>
<b>Other comprehensive income for the year, net of tax</b>	<u><b>(3,534)</b></u>	<u>(12,207)</u>
<b>Total comprehensive income for the year</b>	<u><b>(37,144)</b></u>	<u>13,893</u>
<b>Attributable to:</b>		
Owners of the Company	<b>(25,749)</b>	3,255
Non-controlling interests	<u><b>(11,395)</b></u>	<u>10,638</u>
	<u><b>(37,144)</b></u>	<u>13,893</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

		2023	2022
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>114,815</b>	109,997
Intangible asset		<b>27,000</b>	29,657
Investment property		<b>2,049</b>	2,217
Right-of-use assets		<b>12,001</b>	12,549
Deferred tax assets		<b>11,499</b>	12,547
		<hr/>	<hr/>
<b>Total non-current assets</b>		<b>167,364</b>	166,967
		<hr/>	<hr/>
<b>Current assets</b>			
Inventories		<b>4,535</b>	13,597
Trade receivables	<i>12</i>	–	–
Deposits, prepayments and other receivables	<i>13</i>	<b>31,388</b>	2,336
Restricted bank deposits		<b>8,579</b>	4,956
Bank and cash balances		<b>95,359</b>	117,494
		<hr/>	<hr/>
<b>Total current assets</b>		<b>139,861</b>	138,383
		<hr/>	<hr/>
<b>Current liabilities</b>			
Accruals and other payables		<b>80,037</b>	51,251
Contract liabilities	<i>4</i>	<b>9,322</b>	300
Convertible bonds	<i>14</i>	–	39,582
Lease liabilities		<b>86</b>	86
		<hr/>	<hr/>
<b>Total current liabilities</b>		<b>89,445</b>	91,219
		<hr/>	<hr/>
<b>Net current assets</b>		<b>50,416</b>	47,164
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		<b>217,780</b>	214,131
		<hr/>	<hr/>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2023

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>Non-current liabilities</b>		
Provision for environmental rehabilitation and restoration	4,811	4,919
Deferred tax liabilities	<u>15,481</u>	<u>15,802</u>
<b>Total non-current liabilities</b>	<u>20,292</u>	<u>20,721</u>
<b>NET ASSETS</b>	<u>197,488</u>	<u>193,410</u>
<b>Capital and reserves</b>		
Share capital	17,235	15,035
Reserves	<u>121,363</u>	<u>108,090</u>
Equity attributable to owners of the Company	138,598	123,125
Non-controlling interests	<u>58,890</u>	<u>70,285</u>
<b>TOTAL EQUITY</b>	<u>197,488</u>	<u>193,410</u>

*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 Unit 1102, 11/F, 29 Austin Road, Tsim Sha Tsui, Kowloon, 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 year ended 31 December 2023 was the production and sale of coal and minerals (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 and with the disclosure requirements of the Companies Ordinance (Cap. 622 of the Laws of Hong Kong).

**(b) Basis of measurement**

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

**(c) Functional and presentation currency**

The consolidated financial statements are presented in Hong Kong dollar ("**HK\$**"), which is the same as the functional currency of the Company.

### 3. ADOPTION OF AMENDED HONG KONG FINANCIAL REPORTING STANDARDS

#### (a) Adoption of amended HKFRSs

In the current year, 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 consolidated financial statements for the annual period beginning on 1 January 2023:

Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Except as detailed below, the adoption of these amended HKFRSs have no material impact on the Group's consolidated financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

#### *Amendments to HKAS 1 and HKFRS Practice Statement 2 - Disclosure of Accounting Policies*

Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

Amendments to HKFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures.

The Group has disclosed the material accounting policy information in the consolidated financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's consolidated financial statements.

**(b) Amended HKFRSs that have been issued but not yet effective**

The following amended HKFRSs, potentially relevant to the Group's consolidated financial statements, have been issued, but are 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	Classification of Liabilities as Current or Non-current <sup>1</sup>
Amendments to HKAS 1	Non-current Liabilities with Covenants <sup>1</sup>
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements <sup>1</sup>
Amendments to HKAS 21	Lack of Exchangeability <sup>2</sup>
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2024.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2025.

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

**4. REVENUE**

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

	<b>2023</b>	2022
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Sale of coal	<b><u>187,960</u></b>	<u>191,180</u>

The Group recognised sale of coal of approximately HK\$187,960,000 (2022: HK\$191,180,000) during the year ended 31 December 2023 under the Coal Mining Business. Sale of coal is recognised at a point in time and its external customers were located in the People's Republic of China (the "PRC") entirely.

The following table provides information about contract liabilities from contracts with customers:

	<b>2023</b>	2022
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Contract liabilities	<b><u>9,322</u></b>	<u>300</u>

The contract liabilities mainly relate to the advance consideration received from customers.



Movement in contract liabilities:

	<b>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
Balance as at 1 January	<b>300</b>	3,593
Increase in contract liabilities as a result of receipt in advance consideration received from customers	<b>197,006</b>	189,788
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	–	(1,701)
– during the year	<b>(187,960)</b>	(189,479)
Decrease in contract liabilities in relation to refund	–	(1,706)
Exchange difference	<b>(24)</b>	(195)
	<hr/>	<hr/>
Balance as at 31 December	<b>9,322</b>	<b>300</b>

**5. OTHER INCOME AND GAINS**

	<b>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
Interest income	<b>1,796</b>	264
Bad debts recovery	–	197
Government grants ( <i>note</i> )	<b>297</b>	1,975
Gain on disposals of property, plant and equipment, net	–	55
Gain on disposal of subsidiaries	<b>23</b>	–
Net foreign exchange gains	<b>127</b>	–
Sundry income	<b>259</b>	430
	<hr/>	<hr/>
	<b>2,502</b>	<b>2,921</b>

*Note:* During the year ended 31 December 2023, the Group received grants from the local PRC government for awarding the business development and supporting stabilisation of employment amounting to approximately HK\$110,000 and HK\$187,000 respectively (2022: received grants of approximately HK\$1,951,000 from the local PRC government for subsidising the staff training). There are no unfulfilled conditions or contingencies relating to these grants.

## 6. SEGMENT INFORMATION

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

For the year ended 31 December 2023 and 2022, the Group had only one reportable operating segment which is the Coal Mining Business. Thus, no operating segments had 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 (excluding deferred tax assets) by location of assets are detailed below:

	Revenue		Non-current assets	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
Hong Kong	–	–	113	94
The PRC except Hong Kong	<u>187,960</u>	<u>191,180</u>	<u>155,752</u>	<u>154,326</u>
Consolidated total	<u>187,960</u>	<u>191,180</u>	<u>155,865</u>	<u>154,420</u>

### Revenue from major customer:

For the year ended 31 December 2023, revenue of approximately HK\$138,293,000 (2022: HK\$148,176,000) was derived from an external customer (2022: one), which contributed 10% or more of the Group's revenue for the year.

## 7. FINANCE COSTS

	2023 HK\$'000	2022 HK\$'000
Interest on lease liabilities	23	9
Interest on convertible bonds	451	837
Effective interest on convertible bonds (Note 14)	<u>353</u>	<u>324</u>
	<u>827</u>	<u>1,170</u>

## 8. (LOSS)/PROFIT BEFORE TAX

The Group's (loss)/profit before tax is stated after charging/(crediting) the following:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Auditor's remuneration	1,500	1,450
Amortisation of intangible asset	2,009	1,244
Cost of inventories sold ( <i>note (i)</i> )	122,749	110,014
Depreciation of		
– Property, plant and equipment	17,211	12,972
– Investment property	120	126
– Right-of-use assets included within		
– Properties	930	1,012
– Ownership interests in leasehold land and buildings	267	260
Expense related to the settlement (included in other operating expense) ( <i>note (ii)</i> )	22,188	–
Loss/(Gain) on disposal of property, plant and equipment, net	130	(55)
Short-term leases expenses	66	69
Administrative fines ( <i>note (iii)</i> )	1,535	1,184
	<u>1,535</u>	<u>1,184</u>

*Notes:*

- (i) Cost of inventories sold includes staff costs, amortisation of intangible asset and depreciation of property, plant and equipment and right-of-use assets approximately HK\$50,514,000 (2022: HK\$45,157,000) which are included in the amounts disclosed separately.
- (ii) In April 2023, Inner Mongolia Yuanyuan Energy Group Co., Ltd (“**Inner Mongolia Yuanyuan Energy**”), a non-controlling shareholder of Inner Mongolia Yuan Yuan Energy Group Jinyuanli Underground Mining Company Limited (“**Inner Mongolia Jinyuanli**”), an indirect non wholly-owned subsidiary of the Company, asserted that the operating activities of Inner Mongolia Jinyuanli had caused damages to the land, properties and ancillary facilities owned by Inner Mongolia Yuanyuan Energy (the “**Damaged Properties**”).

On 18 July 2023, Inner Mongolia Jinyuanli and Inner Mongolia Yuanyuan Energy entered into a settlement agreement, pursuant to which Inner Mongolia Jinyuanli shall pay approximately RMB20,110,000 (equivalent to approximately HK\$22,188,000) to Inner Mongolia Yuanyuan Energy as a settlement for the Damaged Properties and the relocation costs. The aforesaid settlement amount was recognised as “Other operating expense” during the year ended 31 December 2023.

RMB3,000,000 (equivalent to approximately HK\$3,310,000) had been settled during the year ended 31 December 2023 and the remaining balance of approximately RMB17,110,000 (equivalent to approximately HK\$18,844,000) was included in the “Accruals and other payables” as at 31 December 2023.

- (iii) During the year ended 31 December 2023, the Group incurred several administrative fines in aggregate amount of RMB1,391,000 (equivalent to approximately HK\$1,535,000) (2022: RMB1,020,000 (equivalent to approximately HK\$1,184,000)) paid to the local government authorities in relation to workplace safety matters for the year.

## 9. INCOME TAX EXPENSE

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Deferred tax	<u>774</u>	<u>6,802</u>

No provision for Hong Kong Profits Tax has been made for the year ended 31 December 2023 as the Group did not generate any assessable profit arising in Hong Kong during the year (2022: 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% (2022: 25%). No provision for PRC Enterprise Income Tax has been made for the year ended 31 December 2023 as the PRC subsidiaries did not generate any assessable profits arising in the PRC during the year (2022: the PRC subsidiaries had available tax losses brought forward to offset the estimated assessable profit arising in the PRC).

## 10. DIVIDENDS

The Directors do not recommend the payment of any final dividend for the year ended 31 December 2023 (2022: Nil).

## 11. (LOSS)/EARNINGS PER SHARE

### Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share attributable to owners of the Company is based on the loss for the year ended 31 December 2023 attributable to owners of the Company of approximately HK\$23,734,000 (2022: profit of approximately HK\$10,237,000) and the weighted average number of ordinary shares of 1,623,422,371 (2022: 1,503,477,166) in issue during the year.

### Diluted (loss)/earnings per share

For the year ended 31 December 2023, diluted loss per share was equal to the basic loss per share as the adjustments to reflect the effect of deemed conversion of convertible bonds would decrease the loss per share attributable to owners of the Company and have anti-dilutive effect.

For the year ended 31 December 2022, diluted earnings per share was equal to the basic earnings per share as the adjustments to reflect the effect of deemed conversion of convertible bonds would increase the earnings per share attributable to owners of the Company and have anti-dilutive effect.

## 12. TRADE RECEIVABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade receivables	1,216	1,243
Impairment loss on trade receivables	<u>(1,216)</u>	<u>(1,243)</u>
	<u>—</u>	<u>—</u>

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.

## 13. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Deposits	405	407
Prepayments	2,612	1,284
Other receivables ( <i>note</i> )	<u>28,371</u>	<u>645</u>
	<u>31,388</u>	<u>2,336</u>

*Note:* As at 31 December 2023, the balance included a refundable deposit of approximately HK\$27,283,000 paid to a potential coal supplier which is an independent third party to the Group. The balance carried at an interest rate of 5.47% per annum which reference to the interest offered on Hong Kong dollar by banks in the interbank market for three months (3 months HIBOR) plus 0.25%. Total accrued interest amounting to approximately HK\$1,295,000 was recognised as “Other income and gains” (Note 5) during the year ended 31 December 2023, in which approximately HK\$1,283,000 was received during the year.

Subsequent to the end of the reporting date, HK\$13,500,000 (including interest amounting to approximately HK\$71,000) were settled.

## 14. CONVERTIBLE BONDS

On 18 July 2022, the Company issued the convertible bonds (the “**Convertible Bonds**”) in the aggregate principal amount of HK\$40,000,000 which could be converted into a maximum of 220,000,000 conversion shares of the Company at an initial conversion price of approximately HK\$0.1818 per conversion share at the option of the convertible bondholder(s) at any time during the period from 18 July 2022 to 16 July 2023. The net proceeds from the Convertible Bonds were approximately HK\$39,800,000.

The Convertible Bonds contained two components, liability and equity elements. The initial fair value of the liability component and the equity conversion component was determined based on net proceeds at issuance. The fair value of the liability component was calculated by using a market interest rate for an equivalent non-convertible bond. The residual amount, representing the value of the equity conversion component, was included in equity as “convertible bonds reserve”. The liability component was subsequently measured at amortised cost using the effective interest method.

The Convertible Bonds, with maturity date on 17 July 2023 (the “**Maturity Date**”), carried an interest rate of the average of the rate of interest offered on Hong Kong dollar by banks in the interbank market for one year (1-year HIBOR) on (i) 21 June 2022, and (ii) the Maturity Date, plus 0.25% per annum.

During the year ended 31 December 2023, the entire Convertible Bonds were converted into 220,000,000 new shares of the Company, and 110,000,000 new shares of the Company and 110,000,000 new shares of the Company were issued and allotted on 19 May 2023 and 14 July 2023 respectively at conversion price of approximately HK\$0.1818 per conversion share.

The movements of the components of the Convertible Bonds during the year ended 31 December 2023 are set out below:

	<b>Liability component at amortised cost</b> <i>HK\$'000</i>	<b>Convertible bonds reserve</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
As at 1 January 2022	–	–	–
Issuance of the Convertible Bonds	39,258	742	40,000
Effective interest expense ( <i>Note 7</i> )	324	–	324
	<hr/>	<hr/>	<hr/>
As at 31 December 2022	<b>39,582</b>	<b>742</b>	<b>40,324</b>
Effective interest expense ( <i>Note 7</i> )	<b>353</b>	–	<b>353</b>
Conversion to the ordinary shares of the Company	<b>(39,935)</b>	<b>(742)</b>	<b>(40,677)</b>
	<hr/>	<hr/>	<hr/>
As at 31 December 2023	<b>–</b>	<b>–</b>	<b>–</b>

## 15. EVENTS AFTER THE REPORTING DATE

### Memorandum of understanding in relation to the proposed investment

On 4 January 2024, Big Wish Group Limited, a direct wholly-owned subsidiary of the Company, Thaisan Jiujiu Investment Laos Trade Co., Ltd (老撾泰山久久投資貿易有限公司) (“**Thaisan Jiujiu**”) and the shareholders of Thaisan Jiujiu entered into a memorandum of understanding (the “**MOU**”) for the proposed investment in the equity interest of Thaisan Jiujiu. Subsequent to the end of the reporting date, a refundable deposit of RMB30,000,000 (equivalent to approximately HK\$33,000,000) was paid to Thaisan Jiujiu as earnest money in accordance with the terms of the MOU.

### Placing of new shares

On 9 February 2024, the Company entered into a placing agreement with Yuen Meta (International) Securities Limited (the “**Placing Agent**”) pursuant to which the Company had conditionally agreed to place through the Placing Agent, on a best effort basis, a maximum number of 322,692,000 placing shares at the placing price of HK\$0.185 per placing share to not less than six placees who and whose ultimate beneficial owners shall be independent third parties to the Company (the “**Placing**”).

The Placing was completed on 4 March 2024 and 322,692,000 new shares of the Company were issued and allotted at the placing price of HK\$0.185 per placing share. The gross proceeds from the Placing were approximately HK\$59,698,000 with issuance costs of approximately HK\$597,000, the net proceeds were approximately HK\$59,101,000. These shares rank pari passu in all respects with other shares in issue.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business and financial review

The Group recorded total revenue of approximately HK\$187,960,000 for the year ended 31 December 2023, representing a decrease of approximately HK\$3,220,000 or approximately 1.7% as compared to the revenue of approximately HK\$191,180,000 for the year ended 31 December 2022. The loss for the year ended 31 December 2023 amounted to approximately HK\$33,610,000 as compared to the profit of approximately HK\$26,100,000 for the year ended 31 December 2022. The loss attributable to owners of the Company for the year ended 31 December 2023 amounted to approximately HK\$23,734,000 as compared to profit attributable to owners of the Company of approximately HK\$10,237,000 for the year ended 31 December 2022.

The loss for the year ended 31 December 2023 is primarily attributable to (i) the recognition of the one-off expense of approximately HK\$22,188,000 in relation to the settlement agreement entered by an indirect non wholly-owned subsidiary of the Company as detailed below; (ii) the increase in depreciation expense resulting from the additions of mining machineries during the year ended 31 December 2023; and (iii) no reversal of impairment loss on property, plant and equipment and intangible asset has been made for the year ended 31 December 2023.

As a result, the Coal Mining Business segment reported a loss after tax of approximately HK\$22,170,000 for the year ended 31 December 2023 as compared to a profit after tax of approximately HK\$36,706,000 for the year ended 31 December 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 coal production capacity of 1,200,000 tonnes. During the year ended 31 December 2023, approximately 904,000 tonnes (2022: 909,000 tonnes) of coals were produced and approximately 901,000 tonnes (2022: 910,000 tonnes) of coals were sold.



In September 2020, Inner Mongolia Jinyuanli entered into a 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 a land premium of RMB11.6 million (equivalent to approximately HK\$13.0 million) was paid in November 2020. Thereafter, Inner Mongolia Jinyuanli had submitted the application for the grant of the real estate ownership certificates (不動產所有權證) pending for the approval.

During the year ended 31 December 2023, Inner Mongolia Jinyuanli had successfully renewed its: (i) safety production permit (安全生產許可證) granted by the Energy Administration of Inner Mongolia autonomous region (內蒙古自治區能源局); and (ii) coal mining license (採礦許可證) granted by the Tongliao Natural Resources Bureau (通遼市自然資源局), both of which were extended until 24 September 2026 and 26 October 2034 respectively.

At present, the local government authorities of the Inner Mongolia region visited Inner Mongolia Jinyuanli occasionally to review mainly the workplace safety and coal resources of the Inner Mongolia Coal Mine 958. During the year ended 31 December 2023, administrative fines of RMB1,391,000 (equivalent to approximately HK\$1,535,000) (2022: RMB1,020,000 (equivalent to approximately HK\$1,184,000)) were paid to the local government authorities for certain minor workplace safety matters.

In view of 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-financial assets of the Coal Mining Business cash-generating unit (the “Coal CGU”) at each of the reporting period.

The recoverable amount of the Coal CGU was 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 31 December 2022, 30 June 2023 and 31 December 2023 are set out below:

<b>Key assumptions</b>	31 December 2022	30 June 2023	<b>31 December 2023</b>
Projected annual coal production output for the period until the expiry date of the business license ( <i>note 1</i> )	900,000 tonnes	900,000 tonnes	<b>900,000 tonnes</b>
Average unit coal selling price per tonne (including value-added tax) ( <i>note 2</i> )	2023: RMB178 2024: RMB182 2025 onwards: increase with inflation rate	2023: RMB178 2024: RMB182 2025 onwards: increase with inflation rate	<b>2024: RMB188 2025: RMB193 2026 onwards: increase with inflation rate</b>
Inflation rate	2.5%	2.5%	<b>2.5%</b>
Pre-tax discount rate	<u>16.49%</u>	<u>16.21%</u>	<b><u>16.60%</u></b>

*Notes:*

- (1) The forecasted annual coal production output was estimated to be 900,000 tonnes based on the existing status of the Inner Mongolia Coal Mine 958.
- (2) The estimated unit selling price of coal (average unit selling price) was determined by referencing to: (i) the current unit selling price of coals; (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.

Based on the impairment assessment review for the year ended 31 December 2023, no reversal of impairment loss had been made on the carrying amounts of non-financial assets of the Coal Mining Business segment of the Group.

### **Selling and distribution expenses**

The selling and distribution expenses of the Group for the year ended 31 December 2023 in the amount of approximately HK\$4,548,000 was 100% attributed to the Coal Mining Business, representing a slight decrease of approximately HK\$13,000 as compared to approximately HK\$4,561,000 for the year ended 31 December 2022.

### **Administrative expenses**

The administrative expenses of the Group for the year ended 31 December 2023 amounted to approximately HK\$72,986,000, representing an increase of approximately HK\$826,000 as compared to approximately HK\$72,160,000 for the year ended 31 December 2022. The increase in administrative expense was mainly attributable to the increase of professional fees. The Group will continue to adopt cost saving measures in order to improve the financial performance.

### **Other operating expense**

In April 2023, Inner Mongolia Yuanyuan Energy Group Co., Ltd (“**Inner Mongolia Yuanyuan Energy**”), a non-controlling shareholder of Inner Mongolia Jinyuanli, asserted that the operating activities of Inner Mongolia Jinyuanli had caused damages to the land, properties and ancillary facilities owned by Inner Mongolia Yuanyuan Energy (the “**Damaged Properties**”).

On 18 July 2023, Inner Mongolia Jinyuanli and Inner Mongolia Yuanyuan Energy entered into a settlement agreement, pursuant to which Inner Mongolia Jinyuanli shall pay approximately RMB20,110,000 (equivalent to approximately HK\$22,188,000) to Inner Mongolia Yuanyuan Energy as a settlement for the Damaged Properties and the relocation costs. The aforesaid settlement amount was recognised as “Other operating expense” during the year ended 31 December 2023.

RMB3,000,000 (equivalent to approximately HK\$3,310,000) had been settled during the year ended 31 December 2023 and the remaining balance of approximately RMB17,110,000 (equivalent to approximately HK\$18,844,000) was included in the “Accruals and other payables” as at 31 December 2023.

The Directors considered that this event will not cause material adverse impacts to the Group’s operations.

### **Finance costs**

The finance costs of the Group for the year ended 31 December 2023 amounted to approximately HK\$827,000 as compared to approximately HK\$1,170,000 for the year ended 31 December 2022. The decrease in finance costs was mainly attributable to the conversion of the Convertible Bonds (as defined hereinafter) in May 2023 and July 2023.

### **Loss for the year**

The loss for the year ended 31 December 2023 amounted to approximately HK\$33,610,000 as compared to the profit of approximately HK\$26,100,000 for the year ended 31 December 2022. The loss attributable to owners of the Company for the year ended 31 December 2023 was approximately HK\$23,734,000 as compared to the profit attributable to owners of the Company of approximately HK\$10,237,000 for the year ended 31 December 2022.

### **Convertible bonds**

On 21 June 2022, the Company entered into a subscription agreement with Blossom Investment Consultant Limited (“**Blossom**”), pursuant to which the Company had conditionally agreed to issue, and Blossom 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 of the Company (with a nominal value of HK\$2,200,000) at an initial conversion price of approximately HK\$0.1818 per conversion share at the option of the convertible bondholder(s) at any time during the period from 18 July 2022 to 16 July 2023. The issuance of the Convertible Bonds was completed on 18 July 2022, the net proceeds from the Convertible Bonds were approximately HK\$39,800,000.

The Convertible Bonds, with maturity date on 17 July 2023 (the “**Maturity Date**”), carried an interest rate of the average of the rate of interest offered on Hong Kong dollar loans by banks in the interbank market for one year (1-year HIBOR) on (i) 21 June 2022, and (ii) the Maturity Date, plus 0.25% per annum.

The initial conversion price of approximately HK\$0.1818 per conversion share, represents (i) a premium of approximately 6.95% over the closing price of HK\$0.170 per share as quoted on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) as at the date of the subscription agreement; and (ii) a premium of approximately 2.49% over the average of the closing prices of the shares as quoted on the Stock Exchange for the last five consecutive trading days up to and including 20 June 2022 of HK\$0.1774 per share.

During the year ended 31 December 2023, the Convertible Bonds were transferred to independent third parties not connected to the Company and its connected person(s) within the meaning of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”), and the entire Convertible Bonds with an aggregate principal amount of HK\$40,000,000 were converted into 220,000,000 new shares of the Company. As such, 110,000,000 new shares of the Company and 110,000,000 new shares of the Company were issued and allotted on 19 May 2023 and 14 July 2023 respectively at conversion price of approximately HK\$0.1818 per conversion share.

#### **Use of proceed of the Convertible Bonds**

The net proceeds from the issue of the Convertible Bonds were approximately HK\$39,800,000. As disclosed in the announcement of the Company dated 9 February 2024, the Board resolved to change the use of the unutilised net proceeds of approximately HK\$15,462,000 from enhancing the mining and mineral related businesses to the potential investment in the copper mine located in the Lao People’s Democratic Republic (“**Laos**”) as refundable deposit announced by the Company on 4 January 2024.

Set forth below are the detailed breakdown of the utilisation of net proceeds from the issue of the Convertible Bonds:

	Original intended use of net proceeds	Accumulated amount of net proceeds utilised as at 31 December 2022	Accumulated amount of net proceeds utilised as at 30 June 2023	Accumulated amount of net proceeds utilised as at 31 December 2023	Unutilised net proceeds as at 31 December 2023	Revised allocation of the net proceeds as disclosed in the announcement dated 9 February 2024
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(1) Enhance the mining and mineral related businesses						
(i) Enhance the existing coal mining machineries and systems		8,708	10,526	13,781		
(ii) Coal trading business		-	26,474	7,757 <i>(note)</i>		
Subtotal	37,000	8,708	37,000	21,538	15,462	-
(2) Potential investment in the copper mine located in Laos as announced by the Company on 4 January 2024	-	-	-	-	-	15,462
(3) General working capital	2,800	2,800	2,800	2,800	-	-
Total	39,800	11,508	39,800	24,338	15,462	15,462

*Note:*

An amount of approximately HK\$18.7 million utilised in coal trading business had returned to the Group as at 31 December 2023.

As of the date of this announcement, the net proceeds from the issue of the Convertible Bonds have been fully utilised.

## **Liquidity and financial resources**

As at 31 December 2023,

- (a) the aggregate amount of the Group's: (i) restricted bank deposits; and (ii) bank and cash balances was approximately HK\$103,938,000 (2022: HK\$122,450,000);
- (b) the Group had no borrowing (2022: the Group's total borrowings comprised of the Convertible Bonds amounted to approximately HK\$39,582,000);
- (c) the Group's gearing ratio was zero (2022: approximately 0.20). The gearing ratio was calculated as the Group's total borrowings divided by total equity; and
- (d) the Group's current ratio was approximately 1.56 (2022: 1.52). The current ratio was calculated as total current assets divided by total current liabilities.

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

## **Pledge of assets**

As at 31 December 2023, the Group did not have any pledge of assets (2022: the entire issued share capital of two wholly-owned subsidiaries of the Company were pledged being the collaterals of the Convertible Bonds issued by the Company in July 2022).

## **Foreign currency risk**

The Group's sales and purchases are mainly transacted in Renminbi and the books are recorded in Hong Kong dollar. The management of the Company 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 consolidated financial position at present. The Group currently does not have a foreign currency hedging policy. The management of the Company 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, associates and joint ventures**

The Group did not acquire nor dispose of any material subsidiaries, associates and joint ventures during the year ended 31 December 2023.

## **Significant investment**

The Group did not purchase, sell or hold any significant investments during the year ended 31 December 2023.

## **Contingent liabilities**

The Group did not have any material contingent liabilities as at 31 December 2023.

## **Capital commitment**

As at 31 December 2023, the Group's capital expenditure contracted for but not provided in the consolidated financial statements in respect of property, plant and equipment amounted to approximately HK\$1,989,000 (2022: HK\$5,366,000).

## **Employees**

The Group employed 466 full-time employees as at 31 December 2023 (2022: 451) in Hong Kong and the PRC. Remuneration of the staff comprises monthly salaries, provident fund contributions, medical benefits, training programs, housing allowances and discretionary bonus 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 2023 were approximately HK\$78,716,000 (2022: HK\$83,194,000).

## **Events after the reporting date**

### *Memorandum of understanding in relation to the proposed investment*

On 4 January 2024, Big Wish Group Limited, a direct wholly-owned subsidiary of the Company, Thaisan Jiujiu Investment Laos Trade Co., Ltd (老撾泰山久久投資貿易有限公司) (“**Thaisan Jiujiu**”) and the shareholders of Thaisan Jiujiu entered into a memorandum of understanding (the “**MOU**”) for the proposed investment in the equity interest of Thaisan Jiujiu. Subsequent to the end of the reporting date, a refundable deposit of RMB30,000,000 (equivalent to approximately HK\$33,000,000) was paid to Thaisan Jiujiu as earnest money in accordance with the terms of the MOU.



### *Placing of new shares*

On 9 February 2024, the Company entered into a placing agreement with Yuen Meta (International) Securities Limited (the “**Placing Agent**”) pursuant to which the Company had conditionally agreed to place through the Placing Agent, on a best effort basis, a maximum number of 322,692,000 placing shares at the placing price of HK\$0.185 per placing share to not less than six placees who and whose ultimate beneficial owners shall be independent third parties not connected to the Company and its connected person(s) within the meaning of the Listing Rules (the “**Placing**”).

The placing price of HK\$0.185 per placing share represented: (i) a discount of approximately 18.86% to the closing price of HK\$0.228 per share as quoted on the Stock Exchange as at the date of the placing agreement; (ii) a discount of approximately 19.77% to the average closing price per share of approximately HK\$0.2306 as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of placing agreement; and (iii) a premium of approximately 65.18% to the net assets value per share of approximately HK\$0.112 based on the net assets value and the number of issued shares of 1,613,477,166 as at 30 June 2023.

The Directors consider that the Placing represents an opportunity to raise additional funding for the business operations and development of the Group and will further broaden the Group’s shareholders and capital base, providing working capital to the Group to meet any financial needs of the Group without any interest burden under current market sentiment.

The Placing was completed on 4 March 2024 and 322,692,000 new shares of the Company (with a nominal value of HK\$3,226,920) were issued and allotted at the placing price of HK\$0.185 per placing share. The gross proceeds from the Placing were approximately HK\$59,698,000 with issuance costs of approximately HK\$597,000, the net proceeds were approximately HK\$59,101,000. The net issue price was approximately HK\$0.183 per placing share. These shares rank pari passu in all respects with other shares in issue.

The Company intends to apply the net proceeds from the Placing as follows:

- (1) approximately HK\$35.0 million shall be applied for the potential investment in the copper mine located in Laos as announced by the Company on 4 January 2024 and other potential mining related investments;
- (2) approximately HK\$14.0 million will be applied to enhance the existing mining machineries and systems and other potential mining related business, including but not limited to the coals, commodities and minerals trading business; and
- (3) approximately HK\$10.1 million will be used for general working capital of the Group.

## **Prospects**

During 2023, the recovery of the domestic economy remained unstable in view of the current global political and economic environment. The Group's Coal Mining Business is still facing various challenges such as rising competitions from renewable energies, and tightening government regulations and industry practices. Furthermore, the incident of subsidence and deformation of land adjacent to the Inner Mongolia Coal Mine 958 during the year had caught the attention of our management the additional operation risk to our Coal Mining Business.

Looking forward, apart from strengthening the operation safety awareness among all the employees to ensure production safety, the Group will expedite to explore suitable business and investment opportunities arising from the mining and energy sectors not limited to the domestic market. The Group aims to diversify its business portfolio and increase the geographic diversity in order to benefit from the diversified return in the near future to enhance shareholders' value.

Furthermore, the Group will continue to monitor the development of the overall business environment and regulations to adjust our business strategy in a timely manner, as well as implement effective cost saving measures and funding management with an aim to enhance its financial position to seizing future business and investment opportunities.

## **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 C1 to the Listing Rules.

The Company has complied with the applicable code provisions as set out in the CG Code contained in Appendix C1 to the Listing Rules during the year ended 31 December 2023 except for the following deviations:

Under the code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer 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 the 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.

## **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 C3 to the Listing Rules as the required standard governing securities transactions by the Directors. The Company had made specific enquires to all the Directors and all the Directors confirmed that they had complied with the required standards set out in the Model Code during the year ended 31 December 2023.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

During the year ended 31 December 2023, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

## **ANNUAL GENERAL MEETING**

The 2023 annual general meeting of the Company (the “**2023 AGM**”) will be held on Friday, 7 June, 2024 at 11:00 a.m., details of which will be set out in the notice of the 2023 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, 3 June 2024 to Friday, 7 June 2024, both days inclusive, for the purpose of determining the shareholders who are entitled to attend and vote at the 2023 AGM.

In order to be eligible to attend and vote at the 2023 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on Friday, 31 May 2024.

## **REVIEW OF THE ANNUAL RESULTS BY AUDIT COMMITTEE**

An audit committee of the Company (the “**Audit Committee**”) 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 independent non-executive Directors, namely Mr. Lee Wai Ming (Chairman), Mr. Chang Xuejun and Mr. Ho Man, have reviewed the Group’s annual results for the year ended 31 December 2023 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 2023 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 2023. 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 any final dividend for the year ended 31 December 2023.

## **PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT**

This annual results announcement is published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.grandocean65.com](http://www.grandocean65.com)) respectively. The annual report of the Company for the year ended 31 December 2023 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.

## **CHANGE OF ADDRESS OF HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG**

The Board announces that the address of the head office and principal place of business of the Company in Hong Kong has been changed to Unit 1102, 11/F, 29 Austin Road, Tsim Sha Tsui, Kowloon, Hong Kong with effect from 25 March 2024.

The telephone and facsimile number and website of the Company remain unchanged.

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

Hong Kong, 25 March 2024

*As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Ng Ying Kit, Mr. Guo Jianpeng and Mr. Jiang Xin; one non-executive Director, namely Mr. Hu Xiutong; and three independent non-executive Directors, namely Mr. Lee Wai Ming, Mr. Chang Xuejun and Mr. Ho Man.*