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 2015

FINANCIAL HIGHLIGHTS

1) Revenue of the Group for the six months ended 30 June 2015 was approximately HK$96,748,000, representing a decrease of 36.9% as compared to the corresponding period in 2014.

2) Gross profit for the six months ended 30 June 2015 amounted to approximately HK$30,476,000, representing a decrease of approximately 21.9% as compared to the corresponding period in 2014. Overall gross profit margin was approximately 31.5% as compared to approximately 25.4% for the last corresponding period.

3) The Group recorded an unaudited consolidated net loss attributable to owners of the Company of approximately HK$28,504,000 for the six months ended 30 June 2015.

4) The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 June 2015.

RESULTS

The board of directors (the "**Board**") 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 2015 together with the relevant comparative figures as follows. These 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	
		2015	2014
HK$'000	*Notes*	**(Unaudited)**	(Unaudited)
Revenue	*4*	**96,748**	153,396
Cost of sales		**(66,272)**	(114,399)
Gross profit		**30,476**	38,997
Other income		**1,219**	816
Selling and distribution expenses		**(10,017)**	(4,578)
Administrative expenses		**(46,141)**	(35,142)
Other operating expenses		**(2,545)**	(26)
(Loss)/profit from operations		**(27,008)**	67
Finance costs	*5*	**(2,527)**	(5,013)
Loss before tax	*7*	**(29,535)**	(4,946)
Income tax expenses	*6*	**(107)**	(3,595)
Loss for the period		**(29,642)**	(8,541)
Attributable to:			
Owners of the Company		**(28,504)**	(6,312)
Non-controlling interests		**(1,138)**	(2,229)
		(29,642)	(8,541)
			(Restated)
Loss per share			
Basic	*9*	**HK$(6.15) cents**	HK$(2.42) cents
Diluted		**HK$(6.15) cents**	HK$(2.42) cents

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

HK$'000	**Six months ended 30 June 2015 (Unaudited)**	Six months ended 30 June 2014 (Unaudited)
Loss for the period	**(29,642)**	(8,541)
Other comprehensive income after tax:		
Item that may be reclassified to profit or loss:		
Exchange difference on translating foreign operations	**(767)**	(1,222)
Other comprehensive income and total comprehensive income for the period, net of tax	**(30,409)**	(9,763)
Attributable to:		
Owners of the Company	**(29,144)**	(7,534)
Non-controlling interests	**(1,265)**	(2,229)
	(30,409)	(9,763)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

HK$'000	*Notes*	**As at 30 June 2015 (Unaudited)**	As at 31 December 2014 (Audited)
Non-current assets			
Property, plant and equipment	*10*	**567,225**	582,488
Prepaid land lease payments		**2,627**	2,708
Intangible asset		**85,428**	87,696
Deferred tax assets		**23,675**	23,708
Goodwill		**2,907**	2,907
Deposits		**1,301**	1,303
Total non-current assets		**683,163**	700,810
Current assets			
Inventories		**32,572**	30,122
Prepaid land lease payments		**71**	71
Trade and bills receivables	*11*	**69,129**	55,073
Deposits, prepayments and other receivables		**16,811**	6,434
Current tax assets		**932**	933
Restricted bank deposits		**7,940**	7,938
Bank and cash balances		**105,457**	105,358
Total current assets		**232,912**	205,929
Current liabilities			
Trade payables	*12*	**5,282**	6,501
Accrued charges and other payables		**212,976**	212,828
Due to non-controlling shareholders	*13*	**20,400**	21,827
Due to a director	*14*	**19,582**	6,611
Other loans		**–**	6,350
Total current liabilities		**258,240**	254,117
Net current liabilities		**(25,328)**	(48,188)
Total assets less current liabilities		**657,835**	652,622

HK$'000	*Notes*	**As at 30 June 2015 (Unaudited)**	As at 31 December 2014 (Audited)
Non-current liabilities			
Other payables		**2,292**	4,351
Due to non-controlling shareholders	*13*	**3,616**	3,518
Due to a director	*14*	**21,783**	25,193
Other loans		**59,112**	59,041
Deferred tax liabilities		**12,064**	12,064
Total non-current liabilities		**98,867**	104,167
NET ASSETS		**558,968**	548,455
Capital and reserves			
Share capital	*15*	**251,739**	229,239
Other reserves		**406,911**	375,631
Accumulated losses		**(188,004)**	(146,002)
Equity attributable to owners of the Company		**470,646**	458,868
Non-controlling interests		**88,322**	89,587
TOTAL EQUITY		**558,968**	548,455

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 3103, 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**").

Pursuant to the special resolution passed at the annual general meeting held on 15 June 2015, the Certificate of Incorporation on Change of Name of the Company issued by the Registrar of Companies in the Cayman Islands on 16 June 2015 and the Certificate of Registration of Alteration of Name of Registered Non-Hong Kong Company issued by the Registrar of Companies in Hong Kong on 9 July 2015, the English name of the Company was changed from "DeTeam Company Limited" to "Grand Ocean Advanced Resources Company Limited" and the Chinese name of the Company was changed from "弘海有限公司" (for identification purpose only) to "弘海高新資源有限公司" as its dual foreign name.

The Company is an investment holding company. The principal activities of its subsidiaries are manufacture and sale of plastic woven bags, paper bags and plastic barrels, production and sale of coal and provision of low-rank coal upgrading services.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited condensed consolidated financial statements for the six months ended 30 June 2015 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.

These condensed consolidated financial statements should be read in conjunction with the 2014 annual financial statements of the Group for the year ended 31 December 2014.

The accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements for the six months ended 30 June 2015 are consistent with those used in the Group's annual financial statements for the year ended 31 December 2014 except as stated in note 3 below.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**") that are relevant to its operations and effective for its accounting period beginning on 1 January 2015. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current period and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position. The Group does not plan to adopt these standards prior to their mandatory effective date.

4. SEGMENT INFORMATION

The Group has three reportable segments as follows:

Bags	–	Manufacture and sale of plastic woven bags, paper bags and plastic barrels;
Coal	–	Production and sale of coal; and
Coal upgrading	–	Provision of low-rank coal upgrading services.

The Group's reportable segments are strategic business units that offer different products. They are managed separately because each business requires different technology and marketing strategies.

4. SEGMENT INFORMATION (CONTINUED)

Segment profit or loss represents the profit earned by each segment without allocation of corporate income and expense and central administration costs. Segment assets excluded goodwill, corporate assets and deferred tax assets. Segment liabilities excluded corporate liabilities and deferred tax liabilities.

HK$'000	**Bags (unaudited)**	**Coal (unaudited)**	**Coal upgrading (unaudited)**	**Total (unaudited)**
Six months ended 30 June 2015				
Revenue from external customers	**5,780**	**90,968**	**–**	**96,748**
Segment loss	**(5,941)**	**(506)**	**(6,321)**	**(12,768)**
Interest revenue	**1**	**24**	**2**	**27**
Interest expense	**–**	**477**	**269**	**746**
Income tax expense	**–**	**107**	**–**	**107**
Depreciation and amortisation	**3,706**	**24,783**	**2,148**	**30,637**
Gain on disposals of property, plant and equipment	**–**	**845**	**–**	**845**
Capital expenditure	**–**	**1,435**	**11,887**	**13,322**
As at 30 June 2015				
Segment assets	**263,699**	**575,417**	**159,832**	**998,948**
Segment liabilities	**18,586**	**392,866**	**131,073**	**542,525**

HK$'000	Bags (unaudited)	Coal (unaudited)	Coal upgrading (unaudited)	Total (unaudited)
Six months ended 30 June 2014				
Revenue from external customers	76,020	73,416	3,960	153,396
Segment profit/(loss)	14,313	(4,052)	(6,222)	4,039
Interest revenue	1	14	4	19
Interest expense	62	1,887	–	1,949
Income tax expense	3,588	–	7	3,595
Depreciation and amortisation	4,175	24,760	287	29,222
Capital expenditure	–	3,640	85	3,725
As at 31 December 2014	(Audited)	(Audited)	(Audited)	(Audited)
Segment assets	272,292	569,241	132,941	974,474
Segment liabilities	20,873	386,929	122,800	530,602

4. SEGMENT INFORMATION (CONTINUED)

Reconciliations of reportable segment revenue, profit or loss, assets and liabilities:

	Six months ended 30 June	
	2015	2014
HK$'000	**(Unaudited)**	(Unaudited)
Revenue	**96,748**	153,396
Profit or loss		
Total (loss)/profit of reportable segments	**(12,768)**	4,039
Unallocated corporate income	**8**	375
Unallocated corporate expenses	**(16,882)**	(12,955)
Consolidated loss for the period	**(29,642)**	(8,541)

	30 June	31 December
	2015	2014
HK$'000	**(Unaudited)**	(Audited)
Assets		
Total assets of reportable segments	**998,948**	974,474
Corporate assets	**84,838**	88,604
Deferred tax assets	**23,675**	23,708
Goodwill	**2,907**	2,907
Elimination of intersegment assets	**(194,293)**	(182,954)
Consolidated total assets	**916,075**	906,739
Liabilities		
Total liabilities of reportable segments	**542,525**	530,602
Corporate liabilities	**69,663**	70,621
Deferred tax liabilities	**12,064**	12,064
Elimination of intersegment liabilities	**(267,145)**	(255,003)
Consolidated total liabilities	**357,107**	358,284

5. FINANCE COSTS

HK$'000	Six months ended 30 June **2015** **(unaudited)**	2014 (unaudited)
Interest on other loans-wholly repayable within five year	**1,674**	2,425
Interest on loan from non-controlling shareholders	**477**	1,942
Interest on loan from a director	**198**	129
Imputed interest expense	**876**	–
Bank charges	**33**	517
Total borrowing costs	**3,258**	5,013
Amount capitalised	**(731)**	–
	2,527	5,013

6. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made as the Group has no estimated assessable Hong Kong profits for the six months ended 30 June 2015 (six months ended 30 June 2014: Nil).

Taxes on profits assessable in the People's Republic of China (the "**PRC**") have been provided at the applicable rates of tax in the PRC in which the subsidiaries operate, based on existing legislation, interpretations and practices in respect thereof.

According to the applicable PRC tax regulations, interest income arising from loan to a subsidiary established in the PRC is subject to a 7% withholding tax.

7. LOSS BEFORE TAX

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

HK$'000	Six months ended 30 June **2015** **(unaudited)**	2014 (unaudited)
Interest income	**(36)**	(21)
Amortisation of mining right	**2,141**	1,982
Cost of inventories sold	**66,272**	114,399
Depreciation of property, plant and equipment	**28,973**	29,428
Directors' emoluments	**3,239**	2,602
Gain on disposals of property, plant and equipment	**(845)**	–
Government grant	**(339)**	(419)
Operating lease rentals in respect of land and buildings	**1,756**	2,116

8. DIVIDEND

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: Nil).

9. LOSS PER SHARE

Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the six months ended 30 June 2015 attributable to owners of the Company of approximately HK$28,504,000 (six months ended 30 June 2014: HK$6,312,000) and the weighted average number of ordinary shares of 463,623,935 (30 June 2014 (restated): 260,850,584) in issue during the period.

The weight average numbers of ordinary shares for the purpose of calculating basic loss per share have been retrospectively adjusted to reflect the share consolidation during the year 2014.

Diluted loss per share

The effects of all potential ordinary shares are anti-dilutive for the period ended 30 June 2015. There were no potential ordinary shares in issue for the six months ended 30 June 2014.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2015, the Group had addition to property, plant and equipment of approximately HK$13,570,000 (six months ended 30 June 2014: HK$5,225,000).

11. TRADE AND BILLS RECEIVABLES

As at 30 June 2015, the ageing analysis of trade receivables of approximately HK$68,376,000 (31 December 2014: HK$51,535,000), based on the invoice date and net of allowance, is as follows:

HK$'000	**30 June 2015 (unaudited)**	31 December 2014 (audited)
0 to 90 days	**18,348**	18,571
91 to 180 days	**3,399**	5,182
181 to 365 days	**20,809**	27,459
Over 365 days	**25,820**	323
	68,376	51,535

The general credit terms of sales of bags and barrels, sales of coal and coal upgrading business are 30 days. Overdue balances are reviewed regularly by the management.

12. TRADE PAYABLES

As at 30 June 2015, the ageing analysis of trade payables, based on the date of receipt of goods, is as follows:

HK$'000	**30 June 2015 (unaudited)**	31 December 2014 (audited)
0 to 90 days	**139**	1,135
91 to 180 days	**835**	1,514
181 to 365 days	**504**	1,730
Over 365 days	**3,804**	2,122
	5,282	6,501

13. DUE TO NON-CONTROLLING SHAREHOLDERS

The analysis of the carrying amount of the amounts due to non-controlling shareholders is as follows:

HK$'000	**30 June 2015 (unaudited)**	31 December 2014 (audited)
Current liabilities		
Advances *(note a)*	**5,575**	5,583
Other payables *(note b)*	**5,463**	6,869
Loans *(note c)*	**9,362**	9,375
	20,400	21,827
Non-current liabilities		
Loans *(note c)*	**3,616**	3,518
	24,016	25,345

Notes:

(a) The advances are unsecured, interest-free and repayable on demand.

(b) As at 30 June 2015, other payables are unsecured, interest-free and repayable on normal business terms.

(c) The loans from non-controlling shareholders are unsecured, bear interest at 0% to 10.2% per annum and are repayable in years 2015 and 2017 respectively.

14. DUE TO A DIRECTOR

HK$'000	**30 June 2015 (unaudited)**	31 December 2014 (audited)
Current liabilities		
Other payables *(note a)*	**11,582**	2,611
Loans *(note b)*	**8,000**	4,000
	19,582	6,611
Non-current liabilities		
Loans *(note b)*	**21,783**	25,193
	41,365	31,804

Notes:

(a) The other payables, including licence fees payable of approximately HK$3,079,000 (31 December 2014: HK$2,583,000), are unsecured, interest-free and repayable on demand.

(b) The loans from a Director are unsecured, bear interest at 0% to 5% per annum and are repayable in years from 2015 to 2017.

15. SHARE CAPITAL

	Authorised Ordinary shares of HK$0.50 each	
	No. of shares	*HK$'000*
As at 31 December 2014 (audited) and 30 June 2015 (unaudited)	2,000,000,000	1,000,000

	Issued and fully paid Ordinary shares of HK$0.50 each	
	No. of shares	*HK$'000*
As at 31 December 2014 (audited)	458,477,166	229,239
Issue of shares pursuant to a placing agreement *(note)*	45,000,000	22,500
As at 30 June 2015 (unaudited)	503,477,166	251,739

Note:

Pursuant to a placing agreement dated 4 June 2015, the Company issued 45,000,000 new shares at a placing price of HK$0.82 per share on 11 June 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial and business review

The Group recorded a total revenue of HK$96,748,000 for the six months ended 30 June 2015, representing a decrease of approximately 36.9% as compared to the corresponding period in 2014. Revenue from production and sale of coal segment was approximately HK$90,968,000, which contributed approximately 94.0% of total revenue of the Group. The loss for the period attributable to the owners of the Company increased from approximately HK$6,312,000 to approximately HK$28,504,000 during the period under review as a result of a significant decrease of revenue generated from the manufacture and sale of plastic woven bags, paper bags and plastic barrels segment and provision of low-rank coal upgrading services.

Production and sale of coal

During the period, approximately 795,000 tonnes (six months ended 30 June 2014: 775,000 tonnes) of coal was produced and approximately 786,000 tonnes (six months ended 30 June 2014: 481,000 tonnes) of coal was sold. Despite the fact that the coal price in the PRC was still remaining at a modest level, the production and sale of coal segment performed well and demonstrated steady growth during the period under review. The segment loss for the production and sale of coal business reduced from approximately HK$4,052,000 for the six months ended 30 June 2014 to approximately HK$506,000 for the six months ended 30 June 2015. The results was mainly attributable to the combined effect of (i) the increase in output of coal and revenue; (ii) the increase in the gross profit margin; and (iii) higher transportation costs being booked in selling and distribution expenses.

Provision of low-rank coal upgrading services

In the first half of year 2015, a segment loss of approximately HK$6,321,000 was incurred as a result of the gradual relocation of equipment and machineries from our coal upgrading plant located at Dehui City, Jilin Province, the PRC to our coal upgrading plant located at Xilinhaote City, Inner Mongolia, the PRC during the period. The segment loss from the provision of low-rank coal upgrading services business was mainly attributed to the wage costs, the costs incurred for the relocation of equipment and machineries and other administrative expenses.

Manufacture and sale of plastic woven bags, paper bags and plastic barrels

In the first half of year 2015, the performance of the manufacture and sale of plastic woven bags, paper bags and plastic barrels business suffered from further reduction of orders from its major customers. This segment reported a loss of approximately HK$5,941,000 for the six months ended 30 June 2015 as compared to a profit of approximately HK$14,313,000 for the corresponding period in 2014. In view of the performance, the Company has taken necessary measures to reduce costs and is currently considering remedial steps to recover this business segment. During the period under review, an aggregate about 200 workers have been dismissed as a result of scaling down of labour power, which incurred compensation payment of approximately HK$2,200,000 being recognised in other operating expenses.

Selling and distribution expenses

The selling and distribution expenses of approximately HK$10,017,000 mainly represents the transportation costs and leasing of a station platform charges incurred from the production and sale of coal business. The increase of approximately HK$5,439,000 or approximately 118.8% from approximately HK$4,578,000 for the corresponding period in 2014 was mainly due to the increased average transportation costs for the delivery of coal and which was in line with the increase in the quantity of sale of coal.

Administrative expenses

The administrative expenses amounted to approximately HK$46,141,000 during the six months ended 30 June 2015, representing an increase of approximately HK$10,999,000 or approximately 31.3% from approximately HK$35,142,000 for the corresponding period in 2014. The increase in administrative expenses was primarily due to the increase in wage costs and the fair value of the share options granted during the period of approximately HK$5,438,000.

Finance costs

The finance costs of the Group decreased from approximately HK$5,013,000 for the six months ended 30 June 2014 to approximately HK$2,527,000 for the six months ended 30 June 2015, which was mainly attributable to the reduced interest expenses as a result of the repayment of certain amounts due to non-controlling shareholders in the second half of the year 2014.

Loss for the period

Net loss attributable to the owners of the Company increased to approximately HK$28,504,000 for the six months ended 30 June 2015 as compared to approximately HK$6,312,000 for the corresponding period in 2014. The loss for the period was mainly due to (i) a significant decrease in revenue of the manufacture and sale of plastic woven bags and plastic barrels business; (ii) the relocation of equipment and machineries for the provision for low-rank coal upgrading services business; and (iii) the fair value of share options granted to management, employees and other eligible persons during the period.

Loans from a director

On 2 January 2014, the Company as borrower entered into a loan agreement with Mr. Xu Bin ("**Mr. Xu**"), presently the Chairman, an executive director and a controlling shareholder (as defined under the Listing Rules) of the Company, as lender, for an unsecured loan of HK$4,000,000 at an interest rate of 5% per annum. This loan, which has been applied as general working capital of the Company, will be repayable on 31 December 2015.

On 24 March 2014, Beijing Guochuan New Energy Development Co., Ltd., an indirect wholly-owned subsidiary of the Company, as borrower, entered into a loan agreement with Mr. Xu as lender for an unsecured and interest-free loan of RMB20,000,000 (approximately HK$25,000,000) as general working capital. The repayment date of this loan had been extended to 31 October 2017.

On 5 May 2014, the Company as borrower entered into a loan agreement with Mr. Xu as lender for an unsecured loan of HK$1,000,000 at an interest rate of 5% per annum. This loan, which had been applied as general working capital of the Company, will be repayable on 30 June 2016.

On 7 May 2014, the Company as borrower entered into a loan agreement with Mr. Xu as lender for an unsecured loan of HK$3,000,000 at an interest rate of 5% per annum. This loan, which had been applied as general working capital of the Company, will be repayable on 31 March 2016.

On 8 May 2014, the Company as borrower entered into a loan agreement with Mr. Xu as lender, pursuant to which Mr. Xu agreed to grant unsecured loans up to 8 tranches with an aggregate principal amount of up to HK$200,000,000 to the Company during the availability period at an interest rate of 5% per annum.

Capital structure, liquidity and financial resources

Issue of new shares

The Company entered into a placing agreement (the "**Placing Agreement**") dated 4 June 2015 with a placing agent, pursuant to which the placing agent had conditionally agreed to place up to 45,000,000 new shares of the Company on a best effort basis, to not less than six placees who are independent third parties at a placing price of HK$0.82 per share (the "**Placing**").

The placing price represented (i) a discount of approximately 8.89% to the closing price of HK$0.900 per share quoted on the Stock Exchange on 3 June 2015; and (ii) a discount of approximately 3.76% to the average closing price of HK$0.852 per share as quoted on the Stock Exchange for the last five trading days of the share immediately prior to the date of the Placing Agreement.

On 11 June 2015, 45,000,000 new shares were placed at HK$0.82 per share to not less than six placees who were independent third parties. The net proceeds from the Placing were approximately HK$35.30 million, which has been used as general working capital of the Group. Further details are set out in the Company's announcements dated 4 June 2015 and 11 June 2015 respectively.

As at 30 June 2015,

(a) the Group's aggregate amount of (i) restricted bank deposits; and (ii) bank and cash balances was approximately HK$113,397,000 (31 December 2014 : approximately HK$113,296,000). The management will continue to closely monitor the financial position of the Group to maintain its financial capacity.

(b) the Group's total borrowings comprised (i) loans from non-controlling shareholders; (ii) loans from a director; and (iii) other loans, totaling approximately HK$124,493,000 (31 December 2014 : approximately HK$122,540,000).

(c) the Group's total gearing ratio was approximately 22.3% (31 December 2014 : approximately 22.3%). The gearing ratio was calculated as the Group's total borrowings divided by total equity.

(d) the current ratio of the Group was approximately 0.90 (31 December 2014 : approximately 0.81).

Pledge of assets

As at 30 June 2015, the Group had no pledge of assets (31 December 2014 : Nil).

Foreign currency risk

The Group's sale and purchases are mainly transacted in Renminbi and the books are recorded in Hong Kong dollars. Since the exchange rate fluctuation between Hong Kong dollar and Renminbi is relatively small, the foreign exchange risk is very low and no hedging strategy has been adopted.

Significant investments

The Group did not purchase, sell or hold any significant investments during the six months period ended 30 June 2015 and as at 30 June 2015.

Acquisition and disposal of material subsidiaries and associates

The Group did not acquire or dispose of any material subsidiaries and associates during the six months period ended 30 June 2015.

Contingent liabilities

The Group has no material contingent liabilities as at 30 June 2015.

Capital commitment

As at 30 June 2015, the Group had capital commitment amounting to approximately HK$54,759,000 (31 December 2014: approximately HK$65,073,000).

Employees

The Group employed 648 full time employees as at 30 June 2015 (31 December 2014: 919). Remuneration of the staff comprised monthly salaries, provident fund contributions, medical benefits, training programs and housing allowances. Staff costs (including Directors' emoluments) for the six months period ended 30 June 2015 were HK$41,508,000 (six months ended 30 June 2014: HK$43,026,000).

Prospects

The Group's restructuring efforts over the past few years to transform into a technology-based and resources-focused company have started to bear fruits. The Group is advancing and optimizing natural resources by applying technical value-adding process and is currently principally engaged in coal-related businesses. The core and newly transforming businesses are buttressed by three main streams, namely coal production, technology-based coal upgrading and coal trading. Despite the coal price in the PRC still remaining at a modest level, rapid urbanization and unabated economic development in China are expected to continue to drive the demand for coal as it is the major fossil fuel for power and heat generation in China.

The Group's coal production and sale business is expected to continue to benefit from the optimum efficiency of the coal mine located in Houlinguole City, Inner Mongolia. The management will continue to strive to reduce the cost of production through efficiency enhancement and stringent cost control, with an aim of mitigating the impact of easing coal prices. In addition, the Group will serve to implement the strategy of "light-asset approach" by securing additional coal resources and integrating resources-related business onto our platform.

With the Central Government's commitment to rectify the nation's severe environmental pollution problems, regulations on carbon dioxide emission are likely to be tightened further. These factors are likely to lift the demand for cleaner and more efficient coal and other means of fuel.

To cope with the potential demand for cleaner coal resources and to take advantage of the abundant supply of low-rank coal in Inner Mongolia, the Group has initiated the relocation of its equipment and machinery from its coal upgrading plant located at Dehui City, Jilin Province, the PRC (the "**Dehui Plant**") to Xilinhaote City, Inner Mongolia, the PRC (the"**Xilinhaote Plant**"). The Xilinhaote plant is currently under construction where the first phase of designed annual production capacity of 500,000 tonnes of upgraded coal output is scheduled and anticipated to commence production in the fourth quarter of 2015 and later phases of 1,500,000 tonnes of upgraded coal output to commence production in 2016 and 2017, with the plant's an aggregate designed annual production capacity of 2 million tonnes of upgraded coal output.

Upon completion and inauguration of the respective stages of the plant, the upgraded coal output is targeting for the electricity power plants in the surrounding areas. The Group believes that its upgraded coal, with edges of relatively high fuel efficiency and lower pollutant emission compared to low-rank coal, is likely to benefit from strong market potential.

To enhance operation efficiency and broaden the spectrum of coal applications, the Group will establish a technology advancing research institute in Changchun City, Jilin Province, the PRC. This research institute will be manned by a team of experts and technicians who originally worked for the Dehui Plant before relocation. With access to a full range of operating data, the institute will be deployed to fine-tune the coal upgrading techniques and workflow, aiming to improve the efficiency of the upgrading operation and widen the application of the upgraded coal.

On the other hand, the Group is planning to set up an integrated coal trading platform to intensify its coal trading business in China.

The manufacture and sale of plastic woven bag, paper bags and plastic barrels are under prudent review by the management. Due to further retreat in revenue contribution, the Group intends to restructure this business segment in order to bring efficiency and contributions to the Group. The Group will keep on monitoring the feasibilities and operations at this area.

Facing tough challenges from the economies, the management well understands that restructuring of business lines will be essential for the future growth of the Group. The Group is determined to carve a vertically integrated resources-based business comprises mining, technology development and trading services backed by proven technology. Despite lacklustre coal price movement, the management remains confident in the growth potential of the low-rank coal upgrading business. The Group believes that its core businesses have jointly provided a solid foundation for its future business development, especially in the natural resources sector.

Dividend

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: Nil).

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 2015.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") comprises three independent non-executive Directors (the "**INEDs**"), namely Mr. Kwok Chi Shing, Mr. Kwok Siu Man and Mr. Huang Shao Ru. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system 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 2015.

CORPORATE GOVERNANCE

The Company has complied with the Corporate Governance Code contained in Appendix 14 to the Listing Rules during the six months ended 30 June 2015, except for the following deviation:

Code provision A4.1 of the CG Code

Non-executive Directors should be appointed for a specific term, subject to re-election. Certain of our INEDs who held such offices as at 30 June 2015 are not appointed for a specific term. However, the Directors (including executive and non-executive) are subject to retirement by rotation at least once every three years at the annual general meeting of the Company. The Board believes that this retirement by rotation requirement serves the same purpose as that of code provision A.4.1.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code of conduct governing Director's securities transactions. All Directors have confirmed, following specific enquiries by the Company, that they had complied with the required standards set out in the Model Code throughout the period under review.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares listed on the Stock Exchange during the six months ended 30 June 2015. Neither the Company nor any of its subsidiaries has purchased or sold any of such shares.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND 2015 INTERIM REPORT

This interim results announcement is published on the website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk and the Company's website at http://www.irasia.com/listco/hk/grandocean. The 2015 interim report for the six months ended 30 June 2015 will be available on both websites and despatched to the Shareholders in due course.

By order of the Board
Grand Ocean Advanced Resources Company Limited
Xu Bin
Chairman and Executive Director

Hong Kong, 28 August 2015

As at the date of this announcement, the Board comprises five executive Directors, namely Mr. Xu Bin (Chairman), Mr. Tse Kam Fow (Deputy Chairman), Mr. Zhang Fusheng (Chief Executive Officer), Mr. Wang Hon Chen and Mr. Ng Ying Kit; and three independent non-executive Directors, namely Mr. Kwok Chi Shing, Mr. Kwok Siu Man and Mr. Huang Shao Ru.