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 2021

FINANCIAL HIGHLIGHTS

(1) Revenue for the six months ended 30 June 2021 was approximately HK$71,675,000, representing an increase of approximately 43.2% as compared to the corresponding period in 2020.

(2) Gross profit for the six months ended 30 June 2021 amounted to approximately HK$23,128,000, representing an increase of approximately 7.1% as compared to the corresponding period in 2020. Overall gross profit margin was approximately 32.3% for the six months ended 30 June 2021 as compared to approximately 43.1% for the corresponding period in 2020.

(3) The Group recorded an unaudited consolidated net loss attributable to the owners of the Company of approximately HK$4,003,000 for the six months ended 30 June 2021.

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

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 2021 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	
		2021	2020
HK$'000	*Notes*	**(Unaudited)**	(Unaudited)
Revenue	*4*	**71,675**	50,051
Cost of sales		**(48,547)**	(28,466)
Gross profit		**23,128**	21,585
Other income		**2,463**	3,453
Selling and distribution expenses		**(1,773)**	(1,195)
Administrative expenses		**(28,903)**	(23,853)
Impairment of property, plant and equipment		**–**	(24,861)
Impairment of intangible asset		**–**	(6,595)
Loss from operations		**(5,085)**	(31,466)
Finance costs	*5*	**(23)**	(49)
Loss before tax		**(5,108)**	(31,515)
Income tax credit/(expense)	*6*	**2**	(707)
Loss for the period	*7*	**(5,106)**	(32,222)
Attributable to:			
Owners of the Company		**(4,003)**	(21,673)
Non-controlling interests		**(1,103)**	(10,549)
Loss for the period		**(5,106)**	(32,222)
Loss per share			
– basic	*9*	**HK(0.3) cents**	HK(1.4) cents
– diluted	*9*	**HK(0.3) cents**	HK(1.4) cents

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	Six months ended 30 June	
	2021	2020
HK$'000	**(Unaudited)**	(Unaudited)
Loss for the period	**(5,106)**	(32,222)
Other comprehensive income after tax:		
Items that may be reclassified to profit or loss:		
Exchange difference on translating foreign operations	**599**	(3,869)
Release of translation reserves upon disposal of a subsidiary	**(2,060)**	–
Other comprehensive income and total comprehensive income for the period, net of tax	**(6,567)**	(36,091)
Attributable to:		
Owners of the Company	**(6,157)**	(23,916)
Non-controlling interests	**(410)**	(12,175)
	(6,567)	(36,091)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

HK$'000	*Notes*	**As at 30 June 2021 (Unaudited)**	As at 31 December 2020 (Audited)
Non-current assets			
Property, plant and equipment	*10*	**68,832**	73,001
Intangible asset	*10*	**19,240**	19,505
Investment property		**2,560**	2,598
Right-of-use assets	*10*	**14,355**	13,266
Due from non-controlling shareholders	*13*	**–**	16,795
Deferred tax assets		**20,026**	19,823
Total non-current assets		**125,013**	144,988
Current assets			
Inventories		**6,788**	5,766
Trade and bills receivables	*11*	**13,896**	7,460
Contract assets	*12*	**1,951**	–
Deposits, prepayments and other receivables		**10,275**	6,598
Due from non-controlling shareholders	*13*	**6,220**	214
Restricted bank deposits		**4,829**	4,771
Bank and cash balances		**52,738**	93,502
Total current assets		**96,697**	118,311
Current liabilities			
Accrued charges and other payables		**48,439**	49,571
Contract liabilities		**10,931**	7,251
Lease liabilities		**1,011**	–
Total current liabilities		**60,381**	56,822
Net current assets		**36,316**	61,489
Total assets less current liabilities		**161,329**	206,477

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

HK$'000	**As at 30 June 2021 (Unaudited)**	As at 31 December 2020 (Audited)
Non-current liabilities		
Lease liabilities	**86**	–
Provision for environmental and restoration	**5,245**	5,191
Deferred tax liabilities	**16,768**	16,610
Total non-current liabilities	**22,099**	21,801
NET ASSETS	**139,230**	184,676
Capital and reserves		
Share capital	**15,035**	15,035
Other reserves	**414,414**	407,517
Accumulated losses	**(330,109)**	(317,055)
Equity attributable to owners of the Company	**99,340**	105,497
Non-controlling interests	**39,890**	79,179
TOTAL EQUITY	**139,230**	184,676

Notes:

1. GENERAL INFORMATION

Grand Ocean Advanced Resources Company Limited was incorporated in the Cayman Islands on 7 April 2000 as an exempted company with limited liability under the Companies Law (2000 Revision) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its business office is Suite 1602, Sino Plaza, 255-257 Gloucester Road, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The Company is an investment holding company. The principal activities of its subsidiaries during the financial period ended 30 June 2021 is 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 2021 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 financial statements of the Group set out in the annual report of the Company for the year ended 31 December 2020 (the "**2020 Annual Report**").

The accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements for the six months ended 30 June 2021 are consistent with those used in the Group's annual financial statements for the year ended 31 December 2020 except as stated in note 3 below.

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

The HKICPA has issued a number of new or amended Hong Kong Financial Reporting Standards ("**HKFRSs**") that are first effective for the current accounting period of the Group:

Amendments to HKFRS 16	COVID-19-Related Rent Concessions
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

The new or amended HKFRSs that are effective from 1 January 2021 did not have any significant impact on the Group's accounting policies.

The following new or amended HKFRSs, potentially relevant to the Group's 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 HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021[1]
Amendments to HKAS 16	Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 9 – Financial Instruments and Amendments to HKFRS 16 – Leases[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current[3]
HKFRS 17	Insurance Contracts[3]
Amendments to HKAS 8	Definition of Accounting Estimate[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting policies[3]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a single Transaction[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [4]
Annual Improvements to HKFRSs 2018-2020 Cycle	Amendment to HKFRS 9 Financial Instruments[2]
Annual Improvements to HKFRSs 2018-2020 Cycle	Amendment to illustrative examples accompanying HKFRS 16, Leases [2]

1 Effective for annual periods beginning on or after 1 April 2021

2 Effective for annual periods beginning on or after 1 January 2022

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

4 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 other new or amended HKFRSs will have no material impact on the results and the financial position of the Group.

4. SEGMENT INFORMATION

The Group determines its operating segments based on the business from products/services perspective. Reportable segment of the Group is the Coal Mining Business.

For the six months ended 30 June 2021, the Group has only one reportable operating segment which is Coal Mining Business. Thus, no operating segments have been aggregated to form the above reporting operating segment.

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
	2021	2020	**2021**	2020
HK$'000	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Audited)
Hong Kong	**–**	–	**1,110**	27
The PRC except Hong Kong	**71,675**	50,051	**103,877**	125,138
Consolidated total	**71,675**	50,051	**104,987**	125,165

For the six months ended 30 June 2021, revenue from three customers (six months ended 30 June 2020 : one) with whom transaction have exceeded 10% of the Group's revenue for the period. Details were as below:

	Six months ended 30 June	
	2021	2020
HK$'000	**(Unaudited)**	(Unaudited)
Coal segment		
Customer A	**21,240**	38,426
Customer B	**8,069**	–*
Customer C	**7,904**	–*

* Less than 10% of the Group's revenue

5. FINANCE COSTS

	Six months ended 30 June	
	2021	2020
HK$'000	**(Unaudited)**	(Unaudited)
Interest on lease liabilities	**23**	49

6. INCOME TAX CREDIT/(EXPENSE)

	Six months ended 30 June	
	2021	2020
HK$'000	**(Unaudited)**	(Unaudited)
Deferred tax	**2**	(707)

No provision for Hong Kong Profits Tax has been made for the six months ended 30 June 2021 as the Group did not generate any assessable profits arising in Hong Kong during the period (six months ended 30 June 2020: 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 2020: 25%). No provision for PRC Enterprise Income Tax has been made for the six months ended 30 June 2021 as the PRC subsidiaries did not have any assessable profits during the period.

7. LOSS FOR THE PERIOD

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

	Six months ended 30 June	
	2021	2020
HK$'000	**(Unaudited)**	(Unaudited)
Interest income	**(75)**	(477)
Amortisation of mining right (included in cost of sales)	**466**	446
Depreciation of property, plant and equipment	**5,553**	6,671
Depreciation of investment property	**65**	50
Depreciation of right-of-use assets	**636**	1,391
Gain on disposal of property, plant and equipment	**–**	(232)
Impairment loss on property, plant and equipment	**–**	24,861
Impairment loss on intangible asset	**–**	6,595
Impairment of inventories	**–**	551
Reversal of impairment loss on trade receivables	**–**	(1,831)
Cost of inventories sold	**48,547**	28,466
Directors' emoluments	**1,149**	1,444
Short-term lease expenses	**36**	33

8. DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

9. LOSS PER SHARE

Basic loss per share

The calculation of basic loss per share attributable to the owners of the Company is based on the loss attributable to the owners of the Company for the six months ended 30 June 2021 of approximately HK$4,003,000 (six months ended 30 June 2020: HK$21,673,000) and the weighted average number of ordinary shares (the "**Shares**") of 1,503,477,166 (six months ended 30 June 2020: 1,503,477,166) of the Company in issue during the period.

Diluted loss per share

There is no diluted earnings per share because there were no dilutive potential shares in exercise during the period ended 30 June 2021. The share options outstanding during the period ended 30 June 2020 had an anti-dilutive effect on the basic loss per share, the exercise of outstanding share options were not assumed in the computation of diluted loss per share.

10. PROPERTY, PLANT AND EQUIPMENT

(a) During the six months ended 30 June 2021, the Group had additions to property, plant and equipment of approximately HK$1,274,000 (six months ended 30 June 2020: HK$397,000).

In addition, the Group has entered into lease agreement for Hong Kong office during the six months ended 30 June 2021. Right-of-use assets amounted to approximately HK$1,589,000 has been recognised for the current period.

(b) Impairment assessment

The management of the Company has performed an impairment assessment review on all the carrying amounts of the property, plant and equipment, intangible asset and right-of-use assets under the non-current assets of the Coal Mining Business cash generating unit (the "**Coal CGU**") at each of the reporting period. In opinion of the management, there is no indication that an impairment loss recognised during the period ended 30 June 2021 as the recoverable amount is higher than the carrying amount of the Coal CGU. Therefore, no impairment loss has been made for the six months ended 30 June 2021.

For the six months ended 30 June 2020, the coal production output of the Coal CGU decreased due to the impact of the COVID-19 pandemic and the aggravating fatigue of the mining infrastructure and malfunction of certain major machineries. The Group performed an impairment assessment review on the non-current assets under the Coal CGU to assess the recoverable amounts of the property, plant and equipment and intangible asset. Accordingly, impairment losses of: (i) approximately HK$24,861,000 on the property, plant and equipment; and (ii) approximately HK$6,595,000 on intangible asset respectively, were recognised in the Group's condensed consolidated statement of profit or loss for the six months ended 30 June 2020.

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

The management of the Group prepared the Cash Flow Projections based on past performance and its expectations of market development. Pre-tax discount rate of 15% (six months ended 30 June 2020: 16%) is used and reflects specific risk relating to the operating segment. The management of the Group also prepared relevant scenarios and sensitivity in determining the recoverable amount of the Coal CGU.

Therefore, the Cash Flow Projections have been prepared after taking into account the risks to further 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

An independent professional valuer has been engaged by the Company to review the reasonableness and appropriateness of the assumptions applied in the Cash Flow Projections.

11. TRADE AND BILLS RECEIVABLES

HK$'000	**30 June 2021 (Unaudited)**	31 December 2020 (Audited)
Trade receivables	**12,187**	1,312
Impairment loss on trade receivables	**(1,113)**	(1,102)
	11,074	210
Bills receivables	**2,822**	7,250
	13,896	7,460

As at 30 June 2021, the aging analysis of trade receivables of approximately HK$11,074,000 (as at 31 December 2020: HK$210,000), based on the date of delivery and net of allowance, is as follows:

HK$'000	**30 June 2021 (Unaudited)**	31 December 2020 (Audited)
0 to 90 days	**10,862**	–
Over 365 days	**212**	210
	11,074	210

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. CONTRACT ASSETS

HK$'000	**30 June 2021 (Unaudited)**	31 December 2020 (Audited)
Contract assets arising from:		
Sale of coal	**1,951**	–

The contract assets primarily relate to the Group's right to receive remaining payments from customers and not billed because rights are conditioned on the satisfaction of quality over the products delivered at the reporting date. The contract assets are transferred to trade receivables when the rights become unconditional.

13. DUE FROM NON-CONTROLLING SHAREHOLDERS

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

HK$'000	**30 June 2021 (Unaudited)**	31 December 2020 (Audited)
Non-current assets		
Other receivable *(note a)*	**–**	16,795
Current assets		
Other receivable *(note b)*	**6,220**	214

Notes:

(a) The other receivable represents USD2 million unpaid capital commitment by Ecostar (Qingdao) Holdings Corporation (伊克斯達(青島)控股有限公司) for the formation of an indirect non-wholly owned subsidiary of the Company, namely Qingdao Xinghua Resources Holding Company Limited 青島星華資源控股有限公司 ("**Qingdao Xinghua**") to be contributed on or before the expiry of a 3-year period from the establishment of Qingdao Xinghua on 27 November 2019. The disposal of Qingdao Xinghua has been completed in April 2021 (Note 14).

(b) The other receivable represents the loan and interest due from Inner Mongolia Yuan Yuan Energy Group Company Limited (內蒙古源源能源集團有限責任公司) with a principal amount of RMB5 million. Such loan is unsecured, interest bearing at 3.6% per annum and repayable in December 2021.

(c) The carrying amounts of the amounts due from non-controlling shareholders were denominated in USD and RMB respectively.

14. DISPOSAL OF SUBSIDIARIES

Pursuant to the sale and purchase agreement dated 9 February 2021 entered into between Glory Skytop International Limited ("**Glory Skytop**"), an indirect wholly-owned subsidiary of the Company as the vendor and Qingdao Dongyuanhai Investment Holding Company Limited as the purchaser ("**Purchaser**"), Glory Skytop has conditionally agreed to sell and the Purchaser has 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**"), at a consideration of US$5.1 million which are engaged in the provision of environmental-friendly tyre recycling services in PRC ("**Disposal**"). The Disposal was completed on 7 April 2021.

The net assets of Qingdao Xinghua Group at the date of 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**
Gain on disposal of subsidiaries:	
Consideration received	**39,660**
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**
	2,031
Consideration received by 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)**

MANAGEMENT DISCUSSION AND ANALYSIS

Business and financial review

The Group recorded total revenue of approximately HK$71,675,000 for the six months ended 30 June 2021, representing an increase of approximately HK$21,624,000 or approximately 43.2% as compared to the revenue of approximately HK$50,051,000 for the six months ended 30 June 2020. The loss attributable to the owners of the Company for the six months ended 30 June 2021 amounted to approximately HK$4,003,000 as compared to the loss attributable to the owners of the Company of approximately HK$21,673,000 for the corresponding period in 2020. The decrease in loss was mainly attributable to the increase in revenue following the resumption of coal production in the second half of 2020. Besides, no impairment loss on property, plant and equipment and intangible assets has been made for the six months ended 30 June 2021 whereas approximately HK$31,456,000 impairment loss was made for the six months ended 30 June 2020. For the six months ended 30 June 2021, 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 2021, approximately 451,000 tonnes of coals were produced (six months ended 30 June 2020: 343,000 tonnes) and approximately 446,000 tonnes of coals were sold (six months ended 30 June 2020: 340,000 tonnes). The increase in production output was due to the release of the COVID-19 pandemic related lockdown policies of the Inner Mongolia region in the mid of 2020 allowing our labours to return to their working positions.

Due to aggravating fatigue of the mining infrastructure and malfunction of certain major machineries since it was developed in 2009, including but not limited to the coal shearer, excavators, conveyor belts and shielding frames, the annual production capacity of the Inner Mongolia Coal Mine 958 is projected to be approximately 900,000 tonnes based on existing status.

In 2020, local government authorities of the 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 during the past 20 years, covering inspections on all aspects of corporate matters such as production safety, sales activities, taxation, coal resources and annual reporting etc.

In September 2020, the Review Authorities completed their first Compliance Review (the "**First Compliance Review**") on the Group's Inner Mongolia Coal Mine 958. In the fourth quarter of year 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) for the Buildings pending for approval.

In the first half of 2021, the Review Authorities revisited Inner Mongolia Jinyuanli to commence a more in-depth Compliance Review (the "**Second Compliance Review**"), particularly on workplace safety and coal resources issues. In June 2021, an administrative fine of RMB365,000 (approximately HK$438,000) was demanded for certain workplace safety matters. As at the date of this announcement, the Review Authorities has yet to give their conclusion or directive on the coal resources issue.

Further in March 2021, local government authorities adopted additional measures to limit the power consumption of enterprises as part of the new environment protection scheme of the Inner Mongolia region. Inner Mongolia Jinyuanli was obliged to temporarily suspend its coal production for 10 days during the month in order to comply with the new environmental protection measures.

In view of the above, the management of the Group is aware of the rapid change of business environment in the past 10 years, and it is the decision of the Board and the management of Inner Mongolia Jinyuanli to maintain a better cash position under the current business environment. As such, the annual coal production output is expected to remain at 900,000 tonnes before investing further capital to rebuild mining infrastructures and replacing major production machineries.

The disposal of 51% equity interests in a joint venture company

On 8 November 2019, the Company's indirect wholly owned subsidiary, Glory Skytop International Limited ("**Glory Skytop**"), entered into a joint venture agreement with Ecostar (Qingdao) Holdings Corporation (伊克斯達(青島)控股有限公司) ("**Ecostar**") and Hope Star (Hong Kong) International Limited ("**Hope Star**"), to establish a joint venture company (the "**Tyre Recycling JVC**") with a registered capital of US$10 million (approximately HK$78.6 million) for the purpose of developing environmental-friendly tyre recycling plants in the PRC.

On 27 November 2019, the Tyre Recycling JVC, namely Qingdao Xinghua Resources Holding Company Limited (青島星華資源控股有限公司) ("**Qingdao Xinghua**"), was established in Qingdao, Shandong Province, the PRC, owned as to 51% by Glory Skytop, 20% by Ecostar and 29% by Hope Star. By end of 2019, the Group contributed US$5.1 million (approximately HK$39.5 million) by way of cash representing 51% of the total registered capital of Qingdao Xinghua. Since then, the management of Qingdao Xinghua has been engaged in negotiations with local government authorities in connection with the feasibility of the development of an environmental friendly tyre recycling plant (the "**Tyre Recycling Plant**") in the China (Shandong) Pilot Free Trade Zone (中國(山東)自由貿易試驗區). In 2020, Qingdao Xinghua Recycle Economic Company Limited* (青島星華循環經濟有限公司) ("**QDXH Recycle**") with a paid-up registered capital of RMB10 million (approximately HK$11.9 million) and Qingdao Wester Smart Equipment Research and Design Institute Company Limited* (青島韋斯泰智能裝備研究設計院有限公司) ("**QWSE Research**") with an unpaid registered capital of RMB1 million (approximately HK$1.2 million) were established in the PRC in May 2020 and July 2020 respectively. The equity interests of QDXH Recycle and QWSE Research were wholly-owned by Qingdao Xinghua which were effectively owned as to 51% by the Group, as such, each of QDXH Recycle and QWSE Research was an indirect 51 % non-wholly owned subsidiary of the Group.

Due to the outbreak of COVID-19 in early 2020, the development progress had been considerably slower than expected to formulating a concrete development plan for the Tyre Recycling Plant and the Tyre Recycling JVC had yet to commence any operations or developments of the Tyre Recycling Plant. It was anticipated by the Board that extensive financings would be required for the ongoing capital investments for the Tyre Recycling Plant before a positive return could be channeled to the Group in short to medium term. Because of the business environment and absence of reassuring business prospects, the Directors considered that it was an opportune time for the Group to divest its investment in the Tyre Recycling JVC in the first half of 2021.

In February 2021, Glory Skytop as the vendor entered into the sale and purchase agreement with Qingdao Dongyuanhai Investment Holding Company Limited (青島東遠海投資控股有限公司) as the purchaser, whereas Glory Skytop had conditionally agreed to sell, and the Purchaser had conditionally agreed to purchase all of Glory Skytop's 51% equity interests held in the Tyre Recycling JVC (along with the corresponding equity interests in QDXH Recycle and QWSE Research held by the Tyre Recycling JVC) at a consideration of US$5.1 million (approximately HK$39.7 million) (the "**Tyre Recycling JVC Disposal**"). The Tyre Recycling JVC Disposal was completed in April 2021 with an expected net gain of approximately HK$2.0 million subject to the review and final audit by the auditors of the Company.

Impairment Loss on Property, Plant and Equipment and Intangible Asset of the Coal Mining Business segment

The management of the Company has performed an impairment assessment review on all the carrying amounts of the property, plant and equipment, intangible asset and right-of-use assets under the non-current assets of the Coal Mining Business cash generating unit (the "**Coal CGU**") at each of the reporting period. The recoverable amounts of the Coal CGU were estimated based on their values in use, determined by discounting the future cash flows to be generated from the continuing use of these assets. The key assumptions of the cash flow projections were made based on the current business and financial conditions of Inner Mongolia Jinyuanli. An independent professional valuer has been engaged by the Company to review the reasonableness and fairness of the assumptions applied in the cash flow projections.

The key assumptions and parameters adopted in the cash flow projections of the Coal CGU as at 30 June 2020, 31 December 2020 and 30 June 2021 are set out below:

Key assumptions	30 June 2020	31 December 2020	**30 June 2021**
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)*	2020:RMB131 2021:RMB134 2022 onwards: increase with inflation rate	2021:RMB135 2022:RMB138 2023 onwards: increase with inflation rate	**2021:RMB135** **2022:RMB138** **2023 onwards: increase with inflation rate**
Inflation rate	2.5%	2.5%	**2.5%**

Notes :

(1) The forecasted annual production output of the Group's Inner Mongolia Coal Mine 958 was adjusted from 1,003,600 tonnes to 900,000 tonnes 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 (average selling price) was determined by referencing to: (i) the average unit selling price of coals sold during the period ended 30 June 2021; (ii) the prevailing market price of coals in the Inner Mongolia Region; and (iii) the historical average unit selling price of coals produced by Inner Mongolia Jinyuanli over past few years. The average selling price of the coals produced by Inner Mongolia Coal Mine 958 remained stable during the period ended 30 June 2021 as compared to the same corresponding period in year 2020.

Unlike the price of coals of relatively high calorific value (5,000KJ/Kg or above) with a transparent index that could be quoted on http://www.cqcoal.com, the price level of the coals produced by Inner Mongolia Jinyuanli with relative low calorific value was quoted from local reference for the Inner Mongolia region – http://www.imcec.cn. The management of Inner Mongolia Jinyuanli relied on such reference in determining the selling price of its coal during the business negotiations with their buyers (with a +/-10% variance taking into account factors such as the means of transportation, size of purchase orders and payment terms etc), which we considered a relevant reference of coal price in the locality of Huolinguole City, Inner Mongolia, the PRC.

Selling and distribution expenses

The selling and distribution expenses of the Group in the amount of approximately HK$1,773,000 for the six months ended 30 June 2021 was 100% attributed to the Coal Mining Business, representing an increase of approximately 48.4% as compared to the corresponding period in year 2020 of approximately HK$1,195,000. The increase in selling and distribution expenses was generally in line with the increase in the quantity of coals sold for the period.

Administrative expenses

The administrative expenses of the Group for the six months ended 30 June 2021 amounted to approximately HK$28,903,000, representing an increase of approximately HK$5,050,000 as compared to approximately HK$23,853,000 for the corresponding period in year 2020. The increase in administrative expenses is mainly attributable to the additional staff social insurance and compensation of RMB3.0 million (approximately HK$3.6 million). 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.

Loss for the period

The net loss attributable to the owners of the Company for the six months ended 30 June 2021 was approximately HK$4,003,000 as compared to the loss attributable to the owners of the Company of approximately HK$21,673,000 for the corresponding period in 2020.

Liquidity and financial resources

As at 30 June 2021,

(a) the aggregate amount of the Group's: (i) restricted bank deposits; and (ii) bank and cash balances was approximately HK$57,567,000 (as at 31 December 2020 : approximately HK$98,273,000);

(b) the Group had no borrowing (as at 31 December 2020 : Nil);

(c) the Group's gearing ratio was zero (as at 31 December 2020 : 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 1.60 (as at 31 December 2020: approximately 2.08). 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 2021, the Group did not have any pledge of assets (as at 31 December 2020: Nil).

Foreign currency risk

The Group's sales and purchases are mainly transacted in Renminbi and the books are recorded in Hong Kong dollars. The management of the Group noted the recent fluctuation in the exchange rate between Renminbi and Hong Kong dollar, and is of the opinion that it does not have any material adverse impact 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

Apart from the Tyre Recycling JVC Disposal (as discussed under the paragraph headed "The disposal of 51% equity interests in a joint venture company"), the Group did not acquire nor dispose of any material subsidiaries and associates during the period ended 30 June 2021.

Significant investment

The Group did not purchase, sell or hold any significant investments during the period ended 30 June 2021.

Contingent liabilities

The Group did not have any material contingent liabilities as at 30 June 2021.

Capital commitment

As at 30 June 2021, the Group had no capital commitment (as at 31 December 2020: HK$: Nil).

Employees

The Group employed 473 full-time employees as at 30 June 2021 (as at 31 December 2020: 472) 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 2021 were HK$31,004,000 (for the six months ended 30 June 2020 : HK$20,741,000).

PROSPECTS

The business environment of the PRC is anticipated to becoming more challenging in the second half of 2021 as a result of the ongoing COVID-19 pandemic and the recent policy and regulatory reforms over various industries. The blunt executions of the changing coal industry policies and practices in the Inner Mongolia region has raised further operational and compliance risks to the Group's Coal Mining Business.

Notwithstanding the management of Inner Mongolia Jinyuanli has settled the issues directed by the Review Authorities during the First Compliance Review in 2020, it has come to our attention that the government authorities would further tighten the regulations and industry practices on an on-going basis in the Inner Mongolia region. It is expected that there will be more uncertainties coming in the near future which may weaken the future profitability of the Coal Mining Business, thus the management has decided to halt the plan to invest capital to elevate its coal production capacity.

Facing the adjustments in the transformation of macro economy, unprecedented strict safety and environmental protection regulations and other severe challenges, the Directors and management of the Company keeps close watch on the market trend and intends to seize strategic opportunities arising from the development of new energy and/or industry(ies) to replace the old growth drivers with a new one. On the basis of ensuring the development of traditional mining business, the Board will firmly proceed the origination and screening of certain key projects, exemplify the advantage of industry synergy and professional management of mining and exploration, while significantly facilitating the preliminary works for projects. Such key projects would mainly focus on which include but is not limited to mineral mining, exploration business and new energy sectors.

Further, the Company will also deepen the implementation of normalised pandemic prevention deployment to effectively prevent pandemic risk. The Company will enhance fundraising and financing management, reasonably control liability scale, and secure the safe and effective turnover of the fund chain.

Meanwhile, since various uncertainties still exist amidst the COVID-19 pandemic and external environment, supervision pressures on safe production and environmental production have edged up. As the uncertainties and unstable factors in production and market of coal remain, the actual implementation of the above operation plans may be subject to adjustments according to the actual circumstances of the Company. Thus, the operation plans disclosed herein would not constitute any commitment to results to investors by the Company. Investors should be informed and aware of the risks in this connection.

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 2021.

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 2021 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 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 a 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 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 2021.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2021, 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 2021.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND 2021 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 2021 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, 27 August 2021

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.