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 2021

FINANCIAL HIGHLIGHTS

(1) Revenue for the year ended 31 December 2021 amounted to approximately HK$183,016,000, representing an increase of approximately 37.6% as compared to the revenue of approximately HK$133,012,000 last year.

(2) Gross profit for the year ended 31 December 2021 amounted to approximately HK$73,865,000, representing an increase of approximately 52.8% as compared to the gross profit of approximately HK$48,339,000 last year. Overall gross profit margin was approximately 40.4% as compared to approximately 36.3% last year.

(3) Profit for the year ended 31 December 2021 amounted to approximately HK$31,975,000 as compared to the loss of approximately HK$62,876,000 last year.

(4) Profit attributable to owners of the Company for the year ended 31 December 2021 amounted to approximately HK$14,372,000 as compared to the loss attributable to owners of the Company of approximately HK$42,505,000 last year.

(5) The Board does not recommend the payment of any final dividend for the year ended 31 December 2021.

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**") presents the audited consolidated results of the Group for the year ended 31 December 2021 together with the comparative figures for the year ended 31 December 2020 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021

	Note	**2021** ***HK$'000***	2020 *HK$'000*
Revenue	*5*	**183,016**	133,012
Cost of sales	*10*	**(109,151)**	(84,673)
Gross profit		**73,865**	48,339
Other income and gains	*6*	**3,385**	5,812
Selling and distribution expenses	*10*	**(3,779)**	(3,039)
Administrative expenses	*10*	**(74,323)**	(82,983)
Impairment loss on trade and other receivables		**(213)**	–
Reversal/(provision) of impairment loss on property, plant and equipment		**24,981**	(27,592)
Reversal/(provision) of impairment loss on intangible asset		**7,312**	(7,330)
Reversal/(provision) of impairment loss on right-of-use assets		**400**	(400)
Profit/(loss) from operations		**31,628**	(67,193)
Finance costs	*8*	**(38)**	(128)
Profit/(loss) before tax		**31,590**	(67,321)
Income tax credit	*9*	**385**	4,445
Profit/(loss) for the year	*10*	**31,975**	(62,876)
Attributable to:			
Owners of the Company		**14,372**	(42,505)
Non-controlling interests		**17,603**	(20,371)
		31,975	(62,876)
Earnings/(loss) per share		**HK cents**	HK cents
– basic	*12*	**0.96**	(2.83)
– diluted	*12*	**0.96**	(2.83)

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	2021	2020
	HK$'000	*HK$'000*
Profit/(loss) for the year	**31,975**	(62,876)
Other comprehensive income after tax:		
Item that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**1,002**	11,294
Other comprehensive income for the year, net of tax	**1,002**	11,294
Total comprehensive income for the year	**32,977**	(51,582)
Attributable to:		
Owners of the Company	**13,630**	(36,326)
Non-controlling interests	**19,347**	(15,256)
	32,977	(51,582)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Note	**2021** **HK$'000**	2020 HK$'000
Non-current assets			
Property, plant and equipment		**90,610**	73,001
Intangible asset		**26,476**	19,505
Investment property		**2,543**	2,598
Right-of-use assets		**14,409**	13,266
Due from non-controlling shareholders	*14*	**–**	16,795
Deferred tax assets		**20,812**	19,823
Total non-current assets		**154,850**	144,988
Current assets			
Inventories		**7,221**	5,766
Trade and bills receivables	*13*	**–**	7,460
Deposits, prepayments and other receivables		**6,584**	6,598
Due from non-controlling shareholders	*14*	**–**	214
Restricted bank deposits		**4,932**	4,771
Bank and cash balances		**86,412**	93,502
Total current assets		**105,149**	118,311
Current liabilities			
Accruals and other payables		**54,611**	49,571
Contract liabilities		**3,593**	7,251
Lease liabilities		**596**	–
Total current liabilities		**58,800**	56,822
Net current assets		**46,349**	61,489
Total assets less current liabilities		**201,199**	206,477

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2021

	2021	2020
	HK$'000	*HK$'000*
Non-current liabilities		
Provision for environmental and restoration	**5,346**	5,191
Deferred tax liabilities	**17,078**	16,610
Total non-current liabilities	**22,424**	21,801
NET ASSETS	**178,775**	184,676
Capital and reserves		
Share capital	**15,035**	15,035
Reserves	**104,093**	90,462
Equity attributable to owners of the Company	**119,128**	105,497
Non-controlling interests	**59,647**	79,179
TOTAL EQUITY	**178,775**	184,676

Notes:

1. GENERAL INFORMATION

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

The Company is an investment holding company. The principal activities of its subsidiaries during the financial year ended 31 December 2021 was the production and sale of coal (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 (the "**Listing Rules**") 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.

Based on the cash flow forecasts of the Company and its subsidiaries (the "**Group**"), the directors are of the opinion that the Group will be able to meet its financial obligations as they fall due for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing consolidated financial statements.

(c) Functional and presentation currency

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

(d) Use of judgments and estimates

The preparation of financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these financial statements, are disclosed in note 4.

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

(a) Application of new or amended HKFRSs

The HKICPA has issued a number of new or amended HKFRSs that are first effective for annual periods beginning on or after 1 January 2021. Of these, the following new or amended HKFRSs are relevant to the Group.

Amendments to HKFRS 16	Covid-19-Related Rent Concession beyond 30 June 2021
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

None of these new or amended HKFRSs has a material impact on the Group's results and financial position for the current or prior period. The Group has not early applied any new or amended HKFRSs that is not yet effective for the current accounting period except for the Amendment to HKFRS 16, COVID-19-Related Rent Concessions beyond 30 June 2021.

There were no rent concessions granted to the Group for the year ended 31 December 2021, therefore the early adoption of Amendments to HKFRS 16 has no impact to the consolidated financial statements.

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

The Group has not early applied new or amended HKFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2021. These new or amended HKFRSs include the following which may be relevant to the Group.

Amendments to HKAS 16	Proceeds before Intended Use[1]
Amendments to HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41	Annual Improvements to HKFRSs 2018-2020[1]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[1]
Amendments to HKFRS 3	Reference to the Conceptual Framework[1]
HKFRS 17	Insurance Contracts[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current[2]
HK Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

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

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

3 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 Group is in the process of making an assessment of the expected impact of these amendments and new standards in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. As the Group has not completed its assessment, further impacts may be identified in due course.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Estimated useful lives of property, plant and equipment

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned.

(b) Impairment of non-financial assets

Determining whether the property, plant and equipment, intangible asset and right-of-use assets are impaired requires an estimation of the recoverable amount of the cash-generating unit ("**CGU**") to which the property, plant and equipment, intangible asset and right-of-use assets belong, by value-in-use and fair value less costs of disposal approaches. The Group estimates the future cash flows expected to be generated from the CGU and a suitable discount rate in order to calculate the present value. Where the future cash flows are less than expected, or there are changes in facts and circumstances which result in revisions of the estimated future cash flows, further impairment on the property, plant and equipment, intangible asset and right-of-use assets may arise.

The carrying amount of property, plant and equipment, intangible asset and right-of-use assets as at 31 December 2021 were approximately HK$90,610,000 (2020: HK$73,001,000), HK$26,476,000 (2020: HK$19,505,000) and HK$14,409,000 (2020: HK$13,266,000) respectively. Reversals of impairment losses on property, plant and equipment, intangible asset and right-of-use assets of approximately HK$24,981,000 (2020: impairment loss of HK$27,592,000), HK$7,312,000 (2020: impairment loss of HK$7,330,000) and HK$400,000 (2020: impairment loss of HK$400,000) were recognised for the year ended 31 December 2021.

*Coal Mining Business cash-generating unit (the "**Coal CGU**")*

As at 31 December 2021, the carrying amounts of the Group's property, plant and equipment, intangible asset and right-of-use assets allocated to the Coal CGU were approximately HK$90,454,000 (2020: HK$72,236,000), HK$26,476,000 (2020: HK$19,505,000) and HK$13,824,000 (2020: HK$13,266,000) respectively. Reversals of impairment losses of HK$24,981,000 (2020: impairment loss of HK$27,592,000), HK$7,312,000 (2020: impairment loss of HK$7,330,000) and HK$400,000 (2020: impairment loss of HK$400,000) were recognised for the year ended 31 December 2021.

The recoverable amount of the assets of the Coal CGU has been determined and approved by the directors based on the higher of fair value less cost of disposal and value-in-use approach. Value-in-use calculation is derived by reference to the discounted cash flow forecasts for the period until the expiry date of the business license.

(c) Deferred tax assets

The estimates of deferred tax assets require estimates over future taxable profit and corresponding applicable income tax rates of respective years. The change in future income tax rates and timing would affect income tax expense or credit, as well as deferred tax balance. The Group had previously concluded that these tax losses could be utilised based on the estimated future taxable income according to the cash flow forecast for that subsidiary prepared by the management and deferred tax assets were recognised.

The carrying amount of deferred tax assets as at 31 December 2021 was approximately HK$20,812,000 (2020: HK$19,823,000).

(d) Income taxes

Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. Deferred tax assets of approximately HK$385,000 (2020: HK$4,445,000) were credited to profit or loss mainly based on the estimated assessable income.

(e) Impairment loss on financial assets at amortised cost

The Group uses a provision matrix to calculate expected credit loss ("**ECLs**") for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For other financial assets at amortised cost are measured by 12-month ECLs.

At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

As at 31 December 2021, accumulated impairment loss on trade receivables amounted to approximately HK$1,351,000 (2020: HK$1,102,000).

(f) Allowance for slow-moving inventories

Allowance for slow-moving inventories is made based on the ageing and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed. Reversal of allowance amounting to approximately HK$51,000 was made in the year ended 31 December 2021 (2020: allowance amounting to approximately HK$283,000).

5. REVENUE

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

	2021	2020
	HK$'000	*HK$'000*
Sale of coal	**183,016**	133,012

The Group recognised sale of coal of approximately HK$183,016,000 (2020: HK$133,012,000) during the year ended 31 December 2021 under the Coal CGU. Sale of coal is recognised at a point in time and its external customers were located in the PRC entirely.

The following table provides information about receivables and contract liabilities from contracts with customers.

	2021	2020
	HK$'000	*HK$'000*
Receivables *(note 13)*	**–**	7,460
Contract liabilities	**(3,593)**	(7,251)

The contract liabilities mainly relate to the advance consideration received from customers. HK$7,251,000 (2020: HK$2,275,000) of the contract liabilities as of 31 December 2020 has been recognised as revenue for the year ended 31 December 2021.

Movement in contract liabilities:

	2021	2020
	HK$'000	*HK$'000*
Balance as at 1 January	**7,251**	3,794
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	**(7,251)**	(2,275)
– during the year	**(175,765)**	(130,737)
Decrease in contract liabilities in relation to refund	**–**	(1,239)
Increase in contract liabilities as a result of receipt in advance consideration received from customers	**179,198**	137,284
Exchange difference	**160**	424
Balance as at 31 December	**3,593**	7,251

6. OTHER INCOME AND GAINS

	2021	2020
	HK$'000	*HK$'000*
Refund of unutilised donations	**–**	2,250
Reversal of impairment loss on trade receivables	**–**	1,872
Gain on reversal of impairment of trade receivables	**–**	396
Interest income	**308**	791
Government subsidy	**–**	324
Gain on de-recognition of right-of-use assets and lease liabilities	**–**	54
Sundry income	**464**	125
Gain on disposal of subsidiaries	**2,031**	–
Gain on disposals of property, plant and equipment	**84**	–
Net foreign exchange gains	**498**	–
	3,385	5,812

7. SEGMENT INFORMATION

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

For the year ended 31 December 2021 and 2020, 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 by location of assets are detailed below:

	Revenue		**Non-current assets**	
	2021	2020	**2021**	2020
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**–**	–	**18**	27
The PRC except Hong Kong	**183,016**	133,012	**134,020**	125,138
Consolidated total	**183,016**	133,012	**134,038**	125,165

For the year ended 31 December 2021, revenue from three customers (2020: five) with whom transaction have exceed 10% of the Group's revenue for the year. Detail were as below:

Revenue from major customers:

	2021	2020
	HK$'000	*HK$'000*
Coal segment		
Customer A	**21,332**	60,671
Customer B	**–**	19,220
Customer C	**21,319**	18,509
Customer D	**–**	17,687
Customer E	**–**	13,428
Customer F	**18,993**	–

8. FINANCE COSTS

	2021	2020
	HK$'000	*HK$'000*
Interest on lease liabilities	**38**	128

9. INCOME TAX CREDIT

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

	2021	2020
	HK$'000	*HK$'000*
Current tax	**–**	–
Deferred tax	**(385)**	(4,445)
	(385)	(4,445)

(a) No provision for Hong Kong Profits Tax was made for the year ended 31 December 2021 as the Group did not generate any assessable profits arising in Hong Kong during the year (2020: HK$Nil).

Under the laws 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% (2020: 25%). No provision for PRC Enterprise Income Tax was made for the financial year ended 31 December 2021 as the PRC subsidiaries did not have any assessable profits during the year.

(b) The reconciliation between income tax credit and profit/(loss) before tax multiplied by the PRC Enterprise Income Tax rate is as follows:

	2021	2020
	HK$'000	*HK$'000*
Profit/(loss) before tax	**31,590**	(67,321)
Tax at the PRC Enterprise Income Tax rate of 25% (2020: 25%)	**7,897**	(16,830)
Tax effect of expenses that are not deductible	**66**	930
Tax effect of income that are not taxable	**(1,913)**	(2,108)
Tax effect of temporary differences not recognised	**(8,504)**	889
Tax effect of tax losses not recognised	**1,185**	11,298
Effect of different tax rates	**884**	1,376
Income tax credit	**(385)**	(4,445)

10. PROFIT/(LOSS) FOR THE YEAR

The Group's profit/(loss) for the year is stated after charging/(crediting) the followings:

	2021	2020
	HK$'000	*HK$'000*
Auditor's remuneration	**1,450**	1,450
Amortisation of mining right	**1,017**	987
Cost of inventories sold#	**109,151**	84,673
Depreciation charge		
– Property, plant and equipment	**12,439**	12,948
– Investment property	**131**	112
– Right-of-use assets included within		
– Properties	**1,004**	2,538
– Motor vehicle	**–**	233
– Ownership interests in leasehold land and buildings	**270**	43
(Gain)/loss on disposals/write off of property, plant and equipment	**(43)**	2,913
(Reversal of)/Impairment loss on inventories	**(51)**	283
Short-term leases expenses	**72**	67
Net foreign exchange loss	**–**	3,778
Administrative fines*	**1,098**	12,105

Cost of inventories sold includes staff costs, amortisation of mining right and depreciation of approximately HK$46,658,000 (2020: HK$37,220,000) which are included in the amounts disclosed separately.

* During the year ended 31 December 2021, the Group incurred several administrative fines including an amount of approximately HK$1,098,000 paid to the local government authority in relation to workplace safety matters.

During the year ended 31 December 2020, the Group incurred several administrative fines included mainly (i) the illustrative administrative fines of approximately HK$8,498,000 in relation to the use of land and the construction of building in the past. Given the directive from the government authorities to perfect the land and real estate ownership title, the Group is currently in the process of obtaining the relevant land title and real estate ownership certificates; (ii) an amount of approximately HK$1,080,000 represented the administrative fines paid to the local government authority in relation to the sale and production of waste gangue in 2018; and (iii) the provision made related to the over-production in 2016 of RMB2,000,000 (approximately HK$2,200,000), representing the maximum amount of penalty as a result of over-production based on relevant coal mining regulations in the PRC.

11. DIVIDENDS

The Directors do not recommend the payment of any final dividend for the year ended 31 December 2021 (2020: Nil).

12. EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share

The calculation of basic profit/(losses) per share attributable to owners of the Company is based on the profit/(loss) for the year attributable to owners of the Company of approximately HK$14,372,000 (2020: loss for the year attributable to owners of the company of approximately HK$42,505,000) and the weighted average number of ordinary shares of 1,503,477,166 (2020: 1,503,477,166) in issue during the year.

Diluted earnings/(loss) per share

There is no diluted earnings per share because there were no dilutive potential shares in exercise during the year ended 31 December 2021. The share options outstanding during the year ended 31 December 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.

13. TRADE AND BILLS RECEIVABLES

	2021	2020
	HK$'000	*HK$'000*
Trade receivables	**1,351**	1,312
Impairment loss on trade receivables	**(1,351)**	(1,102)
	–	210
Bills receivable	**–**	7,250
	–	7,460

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.

The ageing analysis of trade receivables, based on the date of delivery, and net of allowance, is as follows:

	2021	2020
	HK$'000	*HK$'000*
0 to 90 days	**–**	–
Over 365 days	**–**	210
	–	210

14. DUE FROM NON-CONTROLLING SHAREHOLDERS

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

	2021	2020
	HK$'000	*HK$'000*
Non-current assets		
Other receivable *(note)*	**–**	16,795
Current assets		
Other receivable	**–**	214

Note:

The other receivable represents USD2 million unpaid capital committed 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 other receivable became zero following the disposal of Qingdao Xinghua completed in April 2021. The carrying amount of the balance was denominated in USD.

15. DISPOSAL OF SUBSIDIARIES

Disposal of Qingdao Xinghua Resources Holding Company Limited and its 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 vendors and Qingdao Dongyuanhai Investment Holding Company Limited as the purchaser (the "**Purchaser**"), Glory Skytop had conditionally agreed to sell and the Purchaser had conditionally agreed to purchase all of Glory Skytop's equity interest held in Qingdao Xinghua Resources Holding Company Limited ("**Qingdao Xinghua**") and its wholly-owned subsidiaries (collectively referred to as "**Qingdao Xinghua Group**") at a consideration of US$5.1 million (or HK$39,660,000 equivalent) which were 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 Disposal Date were as follows:

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business and financial review

The Group recorded total revenue of approximately HK$183,016,000 for the year ended 31 December 2021, representing an increase of approximately HK$50,004,000 or approximately 37.6% as compared to the revenue of approximately HK$133,012,000 for the year ended 31 December 2020. The profit for the year ended 31 December 2021 amounted to approximately HK$31,975,000 as compared to the loss of approximately HK$62,876,000 for the year ended 31 December 2020. The profit attributable to the owners of the Company for the year ended 31 December 2021 amounted to approximately HK$14,372,000 as compared to the loss attributable to the owners of the Company of approximately HK$42,505,000 for the corresponding period in 2020.

During 2021, China continued to promote the structural reform on the supply side of coal industry, leading to tight domestic coal supply in some regions including Inner Mongolia region. The tightened coal industry policies on the supply side has leaded to the significant surge of the coal price in the Inner Mongolia region around the mid of 2021. The turnaround of the Group's results was primarily due to the increase in the selling price of coals produced in the second half of 2021 and the annual coal production output, reflecting the increase in the demand of coals in the Inner Mongolia region in 2021 as a result of tightened coal supply.

As a result, the Coal Mining Business reported profit after tax of approximately HK$40,351,000 for the year ended 31 December 2021 as compared to a loss after tax of approximately HK$41,413,000 for the corresponding period in 2020. Furthermore, the increase in the selling price of coals has also leaded to the reversals of impairment losses in an aggregate amount of approximately HK$32,693,000 on certain property, plant and equipment, intangible assets and right-of-use assets of the coal mining business segment of the Group.

The Coal Mining Business is reported as the only business segment of Group for the year ended 31 December 2021.

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 year ended 31 December 2021, approximately 978,000 tonnes of coals were produced (year ended 31 December 2020: 880,000 tonnes) and approximately 973,000 tonnes of coals were sold (year ended 31 December 2020: 880,000 tonnes).

In 2020, local government authorities of Inner Mongolia region (the "**Review Authorities**") were commissioned by the State Government of the PRC to conduct an extensive compliance review (the "**Compliance Review**") on all the coal mines located in the Inner Mongolia region, covering inspections on all aspects of corporate matters such as production safety, sales activities, taxation, mining resources and annual reporting etc during the past 20 years.

In September 2020, the Review Authorities completed their first Compliance Review (the "**First Compliance Review**") on the Group's Inner Mongolia Coal Mine 958. Subsequently in the fourth quarter of 2020, Inner Mongolia Jinyuanli followed the directives of the Review Authorities to: (i) pay an administrative fine in an amount of RMB960,000 (approximately HK$1.1 million) in relation to the sale and production of approximately 0.28 million tonnes of accumulated waste gangue in 2018; (ii) pay administrative fines in the amounts of RMB5 million (approximately HK$5.6 million) and RMB2.6 million (approximately HK$2.9 million) respectively for the use of land and the construction of buildings in the past years; and (iii) enter into the Contract for State-Owned Construction Land Use Right Assignment (國有建設用地使用權出讓合同) with the Huolinguole Natural Resources Bureau (霍林郭勒市自然資源局) whereas a land premium of RMB11.6 million (approximately HK$13.0 million) was paid in November 2020. As at the date of this announcement, Inner Mongolia Jinyuanli had submitted the application for the grant of the real estate ownership certificates (不動產所有權證) pending for the approval.

Subsequent to the completion of the First Compliance Review, Inner Mongolia Jinyuanli had successfully renewed its: (i) safety production permit (安全生產許可證) approved by the State administration of Coal Mine Safety of Inner Mongolia (內蒙古煤礦安全監察局); and (ii) coal mining license (採礦許可證) approved by the Tongliao Natural Resources Bureau (通遼市自然資源局), both of which were extended for a term of three years until 24 September 2023 and 26 October 2023 respectively.

In the first half of 2021, the Review Authorities revisited Inner Mongolia Jinyuanli to commence a more in-depth Compliance Review (the "**Second Compliance Review**") in connection with workplace safety and coal resources issues. Administrative fines of RMB365,000 (approximately HK$440,000) were paid in the first half of 2021 and subsequently RMB545,000 (approximately HK$658,000) were paid in the second half of 2021 for certain workplace safety matters. As at the date of this announcement, the Review Authorities have yet to give their final conclusions of the Compliance Review of the Group's Inner Mongolia Coal Mine 958.

Further in March 2021, the local government authorities adopted additional measures to limit the monthly 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 uncertainties brought by the COVID-19 Omicron outbreak, new environment protection scheme and current conditions of our production facilities, the annual coal production output of our Inner Mongolia Coal Mine 958 is expected to remain at around 900,000 tonnes.

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 Sta**r"), 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 year 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 had 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 year 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. In view of the then business environment and absence of reassuring business prospects, the Board decided to divest its investment in the Tyre Recycling JVC.

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) 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 and recognised a net gain of approximately HK$2.0 million.

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 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 31 December 2020, 30 June 2021 and 31 December 2021 are set out below:

Key assumptions	31 December 2020	30 June 2021	**31 December 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)*	2021:RMB135 2022:RMB138 2023 onwards: increase with inflation rate	2021:RMB135 2022:RMB138 2023 onwards: increase with inflation rate	**2022:RMB165** **2023:RMB168** **2024 onwards: increase with inflation rate**
Inflation rate	2.5%	2.5%	**2.5%**
Pre-tax discount rate *(note 2)*	15.95%	15.12%	**16.66%**

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 outbreak of COVID-19.

(2) The estimated unit selling price of coal (average unit selling price) was determined by referencing to: (i) the average unit selling price of coals of approximately RMB176 per tonne (including value-added tax) (representing a year-on-year increase of approximately 15.8%) during the year ended 31 December 2021; (ii) the prevailing market price of coals in the Inner Mongolia Region; (iii) the historical average unit selling price of coals of RMB158 per tonne (including value-added tax) produced by Inner Mongolia Jinyuanli over past three years; and (iv) the selling price of the coals recorded a significant increase in the second half of 2021 with highest unit selling price of RMB220 per tonne (including value-added tax) in fourth quarter of 2021.

On the other hand, the pre tax discount rate was increased to 16.66% to reflect the risks associated with the fluctuations in coal prices under such volatile market condition.

Based on the impairment assessment review for the financial year ended 31 December 2021 above, reversals of impairment losses in an aggregate amount of approximately HK$32,693,000 was recorded on all the carrying amounts property, plant and equipment, intangible assets and right-of-use assets of the coal mining business segment of the Group.

Selling and distribution expenses

The selling and distribution expenses of the Group in the amount of approximately HK$3,779,000 for the year ended 31 December 2021 was 100% attributed to the Coal Mining Business, representing an increase of approximately 24.4% as compared to the corresponding period in year 2020 of approximately HK$3,039,000. The increase in selling and distribution expenses was caused by the increase in the quantity of coals sold and logistics costs during the year.

Administrative expenses

The administrative expenses of the Group for the year ended 31 December 2021 amounted to approximately HK$74,323,000, representing a decrease of approximately HK$8,660,000 as compared to approximately HK$82,983,000 for the corresponding period in year 2020. The decrease in administrative expenses was mainly attributable to less amount of administrative fines paid by Inner Mongolia Jinyuanli during the year. The management of the Company will continue to adopt cost saving measures in order to improve the financial performance of the Group.

Finance costs

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

Profit/(loss) for the year

The profit for the year ended 31 December 2021 amounted to approximately HK$31,975,000 as compared to the loss of approximately HK$62,876,000 for the year ended 31 December 2020. The net profit attributable to the owners of the Company for the year ended 31 December 2021 was approximately HK$14,372,000 as compared to the net loss attributable to the owners of the Company of approximately HK$42,505,000 for the corresponding period in year 2020.

Liquidity and financial resources

As at 31 December 2021,

(a) the aggregate amount of the Group's: (i) restricted bank deposits; and (ii) bank and cash balances was approximately HK$91,344,000 (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 1.79 (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 31 December 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 to 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 year ended 31 December 2021.

Significant investment

The Group did not purchase, sell or hold any significant investments during the year ended 31 December 2021.

Contingent liabilities

The Group did not have any material contingent liabilities as at 31 December 2021.

Capital commitment

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

Employees

The Group employed 447 full-time employees as at 31 December 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 year ended 31 December 2021 were HK$80,691,000 (for the year ended 31 December 2020 : HK$63,493,000).

Prospects

During 2021, the Group continued to tackle and overcome business challenges and issues brought by industry policies change and the lingering COVID-19 pandemic. Furthermore, the Compliance Reviews conducted by the Review Authorities in the past two years had raised our attention that government authorities would further tighten the regulations and practices of the coal industry in the Inner Mongolia region on an on-going basis, bringing additional operation and compliance risks to our Coal Mining Business.

Notwithstanding the foregoing, the operations and financial performance of our Coal Mining Business remained stable and satisfactory in 2021.

When facing the transformation of macro economy, unprecedented strict safety and environmental protection regulations and other severe challenges, the Directors and management of the Company will keep close on the market development trend in order to seize strategic opportunities arising from energy sectors as the Group's new growth drivers. On the basis of sustaining our Coal Mining Business, the Board will put more efforts to originate and screen potential projects in the mining and exploration business as well as the new energy sectors, leveraging the advantages of our management expertise in the mining and exploration industry.

Furthermore, the Company will also deepen the implementation of pandemic prevention measures to mitigate the operation risk and protect the health of our employees.

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

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 year ended 31 December 2021 except for the following deviations:

Under the code provision A.2.1 of the CG Code, the roles of Chairman and Chief Executive Officer should separate and should not be performed by the same individual. Following the passing away of the former Chairman and executive Director of the Company, and resignation of the Chief Executive Officer of the Company, the Board does not have any Chairman and Chief Executive Officer. 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 10 to the Listing Rules as the required standard governing securities transactions by the Directors. The Company made specific enquires 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 year ended 31 December 2021.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

ANNUAL GENERAL MEETING

The 2021 annual general meeting of the Company (the "**2021 AGM**") will be held on Friday, 24 June 2022 at 11:00 a.m., details of which will be set out in the notice of the 2021 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, 20 June 2022 to Friday, 24 June 2022, both days inclusive, for the purpose of determining the shareholders who are entitled to attend and vote at the 2021 AGM.

In order to be eligible to attend and vote at the 2021 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 Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Friday, 17 June 2022 .

REVIEW OF THE ANNUAL RESULTS BY AUDIT COMMITTEE

An audit committee of the Company 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 INEDs, namely Mr. Lee Wai Ming (Chairman), Mr. Chang Xuejun and Mr. Ho Man, have reviewed the Group's consolidated financial statements for the year ended 31 December 2021 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 2021 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 2021. 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 final dividend for the year ended 31 December 2021.

PUBLICATION OF ANNUAL RESULTS

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.grandocean65.com) respectively. The annual report of the Company for the year ended 31 December 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, 28 March 2022

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Ng Ying Kit, Mr. Tao Ye and Mr. Guo Jianpeng; a non-executive director, namely Mr. Zhou Hongliang; and three independent non-executive Directors, namely Mr. Lee Wai Ming, Mr. Chang Xuejun and Mr. Ho Man.

* *For identification purpose only*