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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 2023

FINANCIAL HIGHLIGHTS

(1) Revenue for the six months ended 30 June 2023 amounted to approximately HK$81,743,000, representing a decrease of approximately 22.3% as compared to the corresponding period in 2022.

(2) Gross profit for the six months ended 30 June 2023 amounted to approximately HK$31,416,000, representing a decrease of approximately 38.0% as compared to the corresponding period in 2022. Overall gross profit margin was approximately 38.4% for the six months ended 30 June 2023 as compared to approximately 48.1% for the corresponding period in 2022.

(3) Loss for the six months ended 30 June 2023 amounted to approximately HK$27,764,000 as compared to the profit of approximately HK$16,685,000 for the corresponding period in 2022.

(4) Loss attributable to owners of the Company for the six months ended 30 June 2023 amounted to approximately HK$18,231,000 as compared to the profit attributable to owners of the Company of approximately HK$7,569,000 for the corresponding period in 2022.

(5) The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2023.

RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Grand Ocean Advanced Resources Company Limited (the "**Company**", together with its subsidiaries, the "**Group**") announces the unaudited interim results of the Group for the six months ended 30 June 2023 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	
		2023	2022
		HK$'000	*HK$'000*
	Notes	**(Unaudited)**	(Unaudited)
Revenue	*4*	**81,743**	105,220
Cost of sales		**(50,327)**	(54,563)
Gross profit		**31,416**	50,657
Other income and gains		**701**	881
Selling and distribution expenses		**(1,855)**	(1,889)
Administrative expenses		**(33,968)**	(28,322)
Other operating expense	*7*	**(22,597)**	–
(Loss)/Profit from operations		**(26,303)**	21,327
Finance costs	*6*	**(752)**	(5)
(Loss)/Profit before tax	*7*	**(27,055)**	21,322
Income tax expense	*8*	**(709)**	(4,637)
(Loss)/Profit for the period		**(27,764)**	16,685
Attributable to:			
Owners of the Company		**(18,231)**	7,569
Non-controlling interests		**(9,533)**	9,116
		(27,764)	16,685
(Loss)/Earnings per share			
– basic	*10*	**HK(1.2) cents**	HK0.5 cents
– diluted	*10*	**HK(1.2) cents**	HK0.5 cents

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
(Loss)/Profit for the period	**(27,764)**	16,685
Other comprehensive income after tax:		
Item that may be reclassified to profit or loss:		
Exchange difference on translating foreign operations	**(5,683)**	(6,625)
Other comprehensive income for the period, net of tax	**(5,683)**	(6,625)
Total comprehensive income for the period	**(33,447)**	10,060
Attributable to:		
Owners of the Company	**(21,480)**	3,779
Non-controlling interests	**(11,967)**	6,281
	(33,447)	10,060

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 June 2023 HK$'000 (Unaudited)	As at 31 December 2022 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment	*11*	**98,644**	109,997
Intangible asset	*11*	**27,493**	29,657
Investment property		**2,070**	2,217
Right-of-use assets	*11*	**12,374**	12,549
Deferred tax assets		**11,363**	12,547
Total non-current assets		**151,944**	166,967
Current assets			
Inventories		**17,852**	13,597
Trade receivables	*12*	**–**	–
Deposits, prepayments and other receivables		**53,861**	2,336
Restricted bank deposits		**8,413**	4,956
Bank and cash balances		**52,862**	117,494
Total current assets		**132,988**	138,383
Current liabilities			
Accruals and other payables		**63,805**	51,251
Contract liabilities		**296**	300
Convertible bonds	*13*	**19,981**	39,582
Lease liabilities		**594**	86
Total current liabilities		**84,676**	91,219
Net current assets		**48,312**	47,164
Total assets less current liabilities		**200,256**	214,131

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	As at 30 June 2023 *HK$'000* (Unaudited)	As at 31 December 2022 *HK$'000* (Audited)
Non-current liabilities		
Provision for environmental rehabilitation and restoration	**4,722**	4,919
Deferred tax liabilities	**15,217**	15,802
Total non-current liabilities	**19,939**	20,721
NET ASSETS	**180,317**	193,410
Capital and reserves		
Share capital	**16,135**	15,035
Reserves	**105,864**	108,090
Equity attributable to owners of the Company	**121,999**	123,125
Non-controlling interests	**58,318**	70,285
TOTAL EQUITY	**180,317**	193,410

Notes:

1. GENERAL INFORMATION

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

The Company is an investment holding company. The principal activities of its subsidiaries during the six months ended 30 June 2023 was the production and sale of coal and minerals (the "**Coal Mining Business**").

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These condensed consolidated financial statements for the six months ended 30 June 2023 have been prepared in accordance with the applicable disclosures required by Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and the Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

These condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements of the Group set out in the annual report of the Company for the year ended 31 December 2022.

The accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements for the six months ended 30 June 2023 are consistent with those used in the Group's annual consolidated financial statements for the year ended 31 December 2022 except as stated in note 3 below.

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

(a) Adoption of new or amended Hong Kong Financial Reporting Standards ("HKFRSs")

In the current interim period, the Group has applied, for the first time, the following new or amended HKFRSs issued by the HKICPA, which are relevant to and effective for the Group's condensed consolidated financial statements for the annual period beginning on 1 January 2023:

Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules
HKFRS 17	Insurance Contracts

The adoption of the above mentioned new or amended HKFRSs have no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

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

The following amended HKFRSs, potentially relevant to the Group's condensed consolidated financial statements, have been issued, but not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[1]
Amendments to HKAS 1	Non-current Liabilities with Covenants[1]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[1]

[1] Effective for annual periods beginning on or after 1 January 2024

[2] The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined

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

4. REVENUE

The Group recognised sale of coal of approximately HK$81,743,000 (six months ended 30 June 2022: HK$105,220,000) during the six months ended 30 June 2023 under the Coal Mining Business. Sale of coal is recognised at a point in time and its external customers were located in the People's Republic of China (the "**PRC**") entirely.

5. SEGMENT INFORMATION

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

For the six months ended 30 June 2023 and 2022, the Group had only one reportable operating segment which is Coal Mining Business. Thus, no operating segments have been aggregated to form the above reporting operating segment.

Geographical information:

The Group's revenue from external customers by location of operations and information about its non-current assets (excluding deferred tax assets) by location of assets are detailed below:

	Revenue		**Non-current assets**	
	Six months ended 30 June		**30 June**	31 December
	2023	2022	**2023**	2022
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Audited)
Hong Kong	**–**	–	**583**	94
The PRC except Hong Kong	**81,743**	105,220	**139,998**	154,326
Consolidated total	**81,743**	105,220	**140,581**	154,420

Revenue from major customers:

For the six months ended 30 June 2023, revenue of approximately HK$79,364,000 (six months ended 30 June 2022: HK$60,606,000) was derived from the Coal Mining Business to an external customer (six months ended 30 June 2022: one), which contributed 10% or more of the Group's revenue for the period.

6. FINANCE COSTS

	Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest on lease liabilities	**16**	5
Interest on convertible bonds	**402**	–
Effective interest on convertible bonds	**334**	–
	752	5

7. (LOSS)/PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest income	**(175)**	(113)
Amortisation of mining right (included in cost of sales)	**1,018**	702
Cost of inventories sold	**50,327**	54,563
Depreciation of property, plant and equipment	**8,903**	5,978
Depreciation of investment property	**61**	65
Depreciation of right-of-use assets	**606**	641
Directors' emoluments	**1,989**	1,240
Expense related to the settlement (included in other operating expense) *(note)*	**22,597**	–
Loss/(Gain) on disposal of property, plant and equipment, net	**51**	(71)
Short-term lease expenses	**67**	72

Note:

In April 2023, Inner Mongolia Yuanyuan Energy Group Co., Ltd ("**Inner Mongolia Yuanyuan Energy**"), a non-controlling shareholder of Inner Mongolia Yuan Yuan Energy Group Jinyuanli Underground Mining Company Limited ("**Inner Mongolia Jinyuanli**"), an indirect non wholly-owned subsidiary of the Company, asserted that the operating activities of Inner Mongolia Jinyuanli had caused damages to the land, properties and ancillary facilities owned by Inner Mongolia Yuanyuan Energy (the "**Damaged Properties**").

On 18 July 2023, Inner Mongolia Jinyuanli and Inner Mongolia Yuanyuan Energy entered into a settlement agreement, pursuant to which Inner Mongolia Jinyuanli shall pay approximately RMB20,110,000 (equivalent to approximately HK$22,597,000) to Inner Mongolia Yuanyuan Energy as a settlement for the Damaged Properties and the relocation costs. The settlement amount shall be paid in two instalments: (i) the first instalment of approximately RMB10,110,000 being payable on or before 31 December 2023; and (ii) the second instalment of RMB10,000,000 being payable on or before 31 December 2024.

The aforesaid settlement amount was recognised as "Other operating expense" during the six months ended 30 June 2023 and included in the "Accruals and other payables" as at 30 June 2023.

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Deferred tax	**(709)**	(4,637)

No provision for Hong Kong Profits Tax has been made for the six months ended 30 June 2023 as the Group did not generate any assessable profits arising in Hong Kong during the period (six months ended 30 June 2022: Nil).

Under the law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate applicable to the PRC subsidiaries is 25% (six months ended 30 June 2022: 25%). No provision for PRC Enterprise Income Tax has been made for the six months ended 30 June 2023 as the PRC subsidiaries did not generate any assessable profits arising in the PRC during the period (six months ended 30 June 2022: the PRC subsidiaries had available tax losses brought forward to offset the estimated assessable profit arising in the PRC).

9. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

10. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share attributable to owners of the Company is based on the loss for the six months ended 30 June 2023 attributable to owners of the Company of approximately HK$18,231,000 (six months ended 30 June 2022: profit of approximately HK$7,569,000) and the weighted average number of ordinary shares of 1,529,609,763 (six months ended 30 June 2022: 1,503,477,166) in issue during the period.

Diluted (loss)/earnings per share

For the six months ended 30 June 2023, diluted loss per share was equal to the basic loss per share as the adjustments to reflect the effect of deemed conversion of convertible bonds would decrease the loss per share attributable to owners of the Company and have anti-dilutive effect.

For the six months ended 30 June 2022, diluted earnings per share was equal to the basic earnings per share as there was no dilutive potential ordinary share in issue for the period.

11. PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSET AND RIGHT-OF-USE ASSETS

(a) During the six months ended 30 June 2023, the Group had additions to property, plant and equipment of approximately HK$1,901,000 (six months ended 30 June 2022: HK$1,957,000).

(b) Impairment assessment

The management of the Company has performed an impairment assessment review on the carrying amounts of the property, plant and equipment, intangible asset and right-of-use assets under the non-financial assets of the Coal Mining Business cash-generating unit (the "**Coal CGU**") at each of the reporting period.

The recoverable amount of the Coal CGU was estimated based on the value in use calculation, determined by discounting the future cash flows to be generated from the continuing use of these assets. The cash flow projection is based on the current business and financial conditions of the Coal CGU. Pre-tax discount rate of approximately 16.2% (six months ended 30 June 2022: 16.2%) is used and reflects specific risk relating to the operating segment.

No impairment loss had been made for the six months ended 30 June 2023 and 2022 as the recoverable amount of the Coal CGU was higher than its carrying amounts.

(c) Valuation

The recoverable amount of the Coal CGU has been determined with reference to the valuation prepared by an independent valuation firm.

12. TRADE RECEIVABLES

	30 June 2023 *HK$'000* **(Unaudited)**	31 December 2022 *HK$'000* (Audited)
Trade receivables	**1,193**	1,243
Impairment loss on trade receivables	**(1,193)**	(1,243)
	–	–

Payments in advance are required by the Group but credit terms of 90 days are granted to certain key customers. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the senior management.

13. CONVERTIBLE BONDS

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

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

During the six months ended 30 June 2023, part of the Convertible Bonds with an aggregate principal amount of HK$20,000,000 were converted into 110,000,000 new shares of the Company, and such shares were issued and allotted on 19 May 2023 at conversion price of approximately HK$0.1818 per conversion share.

As at 30 June 2023, the Convertible Bonds, with the maturity date on 17 July 2023 (the "**Maturity Date**"), were carried an interest rate of the average of the rate of interest offered on Hong Kong dollar by banks in the interbank market for one year (1-year HIBOR) on (i) 21 June 2022, and (ii) the Maturity Date, plus 0.25% per annum.

As at 30 June 2023, the outstanding principal amount of the Convertible Bonds was HK$20,000,000 (31 December 2022: HK$40,000,000) and the movements of the components of the Convertible Bonds during the six months ended 30 June 2023 are set out below:

	Liability component at amortised cost *HK$'000*	**Convertible bonds reserve** *HK$'000*	**Total** *HK$'000*
As at 1 January 2023 (Audited)	39,582	742	40,324
Conversion to the ordinary shares of the Company	(19,935)	(371)	(20,306)
Effective interest expense *(Note 6)*	334	–	334
As 30 June 2023 (Unaudited)	19,981	371	20,352

14. EVENT AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, the remaining Convertible Bonds with an aggregate outstanding principal amount of HK$20,000,000 were converted into total of 110,000,000 new shares of the Company, and such shares were issued and allotted on 14 July 2023 at the conversion price of approximately HK$0.1818 per conversion share. As at the date of this announcement, all the Convertible Bonds had been fully converted.

MANAGEMENT DISCUSSION AND ANALYSIS

Business and financial review

The Group recorded a total revenue of approximately HK$81,743,000 for the six months ended 30 June 2023, representing a decrease of approximately HK$23,477,000 or approximately 22.3% as compared to the revenue of approximately HK$105,220,000 for the six months ended 30 June 2022. The loss for the six months ended 30 June 2023 amounted to approximately HK$27,764,000 as compared to the profit of approximately HK$16,685,000 for the six months ended 30 June 2022. The loss attributable to owners of the Company for the six months ended 30 June 2023 amounted to approximately HK$18,231,000 as compared to the profit attributable to owners of the Company of approximately HK$7,569,000 for the six months ended 30 June 2022.

The loss for the six months ended 30 June 2023 is primarily attributable to (i) the recognition of expense of approximately HK$22,597,000 in relation to the settlement agreement entered by an indirect non wholly-owned subsidiary of the Company as detailed below; and (ii) the decrease in revenue by approximately 22.3% or HK$23,477,000 as a result of the decrease in the quantity of coals being produced and sold due to the need to change mining location within the coal mining license.

As a result, the Coal Mining Business segment reported a loss after tax of approximately HK$21,514,000 for the six months ended 30 June 2023 as compared to a profit after tax of approximately HK$21,135,000 for the six months ended 30 June 2022. During the six months ended 30 June 2023, the Coal Mining Business is reported as the only business segment of the Group.

The Coal Mining Business

Inner Mongolia Yuan Yuan Energy Group Jinyuanli Underground Mining Company Limited ("**Inner Mongolia Jinyuanli**"), an indirect non wholly-owned subsidiary of the Company, operates the Group's Inner Mongolia Coal Mine 958 (the "**Inner Mongolia Coal Mine 958**") in the Inner Mongolia region with an allowed annual coal production capacity of 1,200,000 tonnes. During the six months ended 30 June 2023, approximately 450,000 tonnes (six months ended 30 June 2022: 499,000 tonnes) of coals were produced and approximately 408,000 tonnes (six months ended 30 June 2022: 495,000 tonnes) of coals were sold.

In 2020, the local government authorities of Inner Mongolia region (the "**Review Authorities**") conducted an extensive compliance review on all the coal mines located in the Inner Mongolia region, including the Group's Inner Mongolia Coal Mine 958, covering inspections on all aspects of corporate matters during the past 20 years, such as production safety, sales activities, taxation, mining resources and annual reporting etc..

Upon the completion of compliance review by the Review Authorities in September 2020, Inner Mongolia Jinyuanli had settled the corresponding administrative fines and entered into a Contract for State-Owned Construction Land Use Right Assignment (國有建設用地使用權出讓合同) with the Huolinguole Natural Resources Bureau (霍林郭勒市自然資源局) whereas a land premium of RMB11.6 million (approximately HK$13.0 million) was paid in November 2020. Thereafter, Inner Mongolia Jinyuanli had submitted the application for the grant of the real estate ownership certificates (不動產所有權證) pending for the approval.

Subsequent to the completion of the compliance review in 2020, Inner Mongolia Jinyuanli had successfully renewed its: (i) safety production permit (安全生產許可證) granted 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) granted 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.

At present, the Review Authorities visited Inner Mongolia Jinyuanli occasionally to review mainly the workplace safety and coal resources of the Inner Mongolia Coal Mine 958. During the six months ended 30 June 2023, administrative fines of RMB231,000 (approximately HK$260,000) (six months ended 30 June 2022: RMB170,000 (approximately HK$205,000)) were paid to the local government authority for certain minor workplace safety matters.

In view of current conditions of our production facilities, the annual coal production output of our Inner Mongolia Coal Mine 958 is expected to remain at around 900,000 tonnes.

Impairment assessment review on property, plant and equipment, intangible asset and right-of-use assets of the Coal Mining Business segment

The management of the Company has performed an impairment assessment review on the carrying amounts of the property, plant and equipment, intangible asset and right-of-use assets under the non-financial assets of the Coal Mining Business cash-generating unit (the "**Coal CGU**") at each of the reporting period.

The recoverable amount of the Coal CGU was estimated based on the value in use calculation, determined by discounting the future cash flows to be generated from the continuing use of these assets. The key assumptions of the cash flow projections were made based on the current business and financial conditions of Inner Mongolia Jinyuanli. An independent professional valuer has been engaged by the Company to review the appropriateness and reasonableness of the assumptions applied in the cash flow projections, and conduct a valuation on the Coal CGU.

The key assumptions and parameters adopted in the cash flow projections of the Coal CGU as at 30 June 2022, 31 December 2022 and 30 June 2023 are set out below:

Key assumptions	**30 June 2022**	**31 December 2022**	**30 June 2023**
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)*	2022: RMB165 2023: RMB168 2024 onwards: increase with inflation rate	2023: RMB178 2024: RMB182 2025 onwards: increase with inflation rate	**2023: RMB178** **2024: RMB182** **2025 onwards: increase with inflation rate**
Inflation rate	2.5%	2.5%	**2.5%**

Notes:

(1) The forecasted annual coal production output was estimated to be 900,000 tonnes based on the existing status of the Inner Mongolia Coal Mine 958.

(2) The estimated unit selling price of coal (average unit selling price) was determined by referencing to: (i) the current unit selling price of coals; (ii) the prevailing market price of coals in the Inner Mongolia region; and (iii) the historical average unit selling price of coals produced by Inner Mongolia Jinyuanli over past few years.

Selling and distribution expenses

The selling and distribution expenses of the Group for the six months ended 30 June 2023 in the amount of approximately HK$1,855,000 was 100% attributed to the Coal Mining Business segment, representing a slight decrease of approximately HK$34,000 as compared to approximately HK$1,889,000 for the six months ended 30 June 2022.

Administrative expenses

The administrative expenses of the Group for the six months ended 30 June 2023 amounted to approximately HK$33,968,000, representing an increase of approximately HK$5,646,000 as compared to approximately HK$28,322,000 for the six months ended 30 June 2022. The increase in administrative expenses was mainly attributable to the increase in staff costs and professional fees. The management of the Company will continue to adopt cost saving measures in order to improve the financial performance of the Group.

Other operating expense

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

On 18 July 2023, Inner Mongolia Jinyuanli and Inner Mongolia Yuanyuan Energy entered into a settlement agreement, pursuant to which Inner Mongolia Jinyuanli shall pay approximately RMB20,110,000 (equivalent to approximately HK$22,597,000) to Inner Mongolia Yuanyuan Energy as a settlement for the Damaged Properties and the relocation costs. The settlement amount shall be paid in two instalments: (i) the first instalment of approximately RMB10,110,000 being payable on or before 31 December 2023; and (ii) the second instalment of RMB10,000,000 being payable on or before 31 December 2024.

The aforesaid settlement amount was recognised as "Other operating expense" during the six months ended 30 June 2023 and included in the "Accruals and other payables" as at 30 June 2023.

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

Finance costs

The finance costs of the Group for the six months ended 30 June 2023 amounted to approximately HK$752,000 as compared to approximately HK$5,000 for the six months ended 30 June 2022. The increase in finance costs was mainly attributable to the interest payable in accordance with the coupon of the Convertible Bonds (as defined below) issued in July 2022.

Loss for the period

The loss for the six months ended 30 June 2023 was approximately HK$27,764,000 as compared to the profit of approximately HK$16,685,000 for the six months ended 30 June 2022.

The loss attributable to owners of the Company for the six months ended 30 June 2023 was approximately HK$18,231,000 as compared to the profit attributable to owners of the Company of approximately HK$7,569,000 for the six months ended 30 June 2022.

Convertible bonds

On 21 June 2022, the Company entered into a subscription agreement with Blossom Investment Consultant Limited ("**Blossom**"), pursuant to which the Company had conditionally agreed to issue, and Blossom had conditionally agreed to subscribe for, convertible bonds in the aggregate principal amount of HK$40,000,000 (the "**Convertible Bonds**") which could be converted into a maximum of 220,000,000 conversion shares of the Company (with a nominal value of HK$2,200,000) at an initial conversion price of approximately HK$0.1818 per conversion share at the option of the convertible bondholder(s) at any time during the period from 18 July 2022 to 16 July 2023. The issue of the Convertible Bonds was completed on 18 July 2022, the net proceeds from the Convertible Bonds were approximately HK$39,800,000.

The Directors consider that the raising of funds by the issuance of the Convertible Bonds was favourable to the Group as a whole considering the market conditions which represented an opportunity for the Company to strengthen its capital base and financial position of the Group.

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

During the six months ended 30 June 2023, the Convertible Bonds were transferred to independent third parties not connected to the Company and its connected person(s) within the meaning of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), and part of the Convertible Bonds with an aggregate principal amount of HK$20,000,000 were converted into 110,000,000 new shares of the Company, and such shares were issued and allotted on 19 May 2023 at conversion price of approximately HK$0.1818 per conversion share.

As at 30 June 2023, the Convertible Bonds, with the maturity date on 17 July 2023 (the "**Maturity Date**"), were carried an interest rate of the average of the rate of interest offered on Hong Kong dollar loans by banks in the interbank market for one year (1-year HIBOR) on (i) 21 June 2022, and (ii) the Maturity Date, plus 0.25% per annum.

As at 30 June 2023, the outstanding principal amount of the Convertible Bonds was HK$20,000,000 (31 December 2022: HK$40,000,000).

Event after reporting period

Subsequent to the end of the reporting period, the remaining Convertible Bonds with an aggregate principal amount of HK$20,000,000 were converted into 110,000,000 new shares of the Company and such shares were issued and allotted on 14 July 2023 at the conversion price of approximately HK$0.1818 per conversion share. As at the date of this announcement, all the Convertible Bonds had been fully converted.

Use of proceeds of the Convertible Bonds

The net proceeds from the Convertible Bonds were approximately HK$39,800,000, of which (i) approximately HK$37,000,000 was intended to be used to further enhance the Group's mining and mineral related businesses; and (ii) approximately HK$2,800,000 was intended to be used for general working capital of the Group. Details of the use of net proceeds from the Convertible Bonds are as follows:

	Intended use of net proceeds	Accumulated amount of net proceeds utilised as at 31 December 2022	Amount of net proceeds utilised during the six months ended 30 June 2023
	HK$'000	*HK$'000*	*HK$'000*
To further enhance the mining and mineral related businesses	37,000	8,708	28,292
As general working capital	2,800	2,800	–
Total	39,800	11,508	28,292

As at 30 June 2023, the net proceeds from the Convertible Bonds had been fully utilised.

Liquidity and financial resources

As at 30 June 2023,

(a) the aggregate amount of the Group's: (i) restricted bank deposits; and (ii) bank and cash balances was approximately HK$61,275,000 (31 December 2022: HK$122,450,000);

(b) the Group's total borrowings comprised of the Convertible Bonds amounted to approximately HK$19,981,000 (31 December 2022: HK$39,582,000);

(c) the Group's gearing ratio was approximately 0.11 (31 December 2022: 0.20). The gearing ratio was calculated as the Group's total borrowings divided by total equity; and

(d) the Group's current ratio was approximately 1.57 (31 December 2022: 1.52). The current ratio was calculated as total current assets divided by total current liabilities.

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

Pledge of assets

As at 30 June 2023, the Group did not have any pledge of assets (31 December 2022: the entire issued share capital of two wholly-owned subsidiaries of the Company were pledged being the collaterals of the Convertible Bonds issued by the Company in July 2022).

Foreign currency risk

The Group's sales and purchases are mainly transacted in Renminbi and the books are recorded in Hong Kong dollar. The management of the Company noticed the recent fluctuations in the exchange rate between Renminbi and Hong Kong dollar, and is of the opinion that it does not have any material adverse impact on the Group's financial position at present. The Group currently does not have a foreign currency hedging policy. The management of the Company will continue to monitor the foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Acquisition and disposal of material subsidiaries, associates and joint ventures

The Group did not acquire nor dispose of any material subsidiaries, associates and joint ventures during the six months ended 30 June 2023.

Significant investment

The Group did not purchase, sell or hold any significant investments during the six months ended 30 June 2023.

Contingent liabilities

The Group did not have any material contingent liabilities as at 30 June 2023.

Capital commitment

As at 30 June 2023, the Group's capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of property, plant and equipment amounted to approximately HK$9,739,000 (31 December 2022: HK$5,366,000).

Employees

The Group employed 460 full-time employees as at 30 June 2023 (31 December 2022: 451) in Hong Kong and the PRC. Remuneration of the staff comprises monthly salaries, provident fund contributions, medical benefits, training programs, housing allowances and discretionary bonus based on their qualifications, job nature, performance and working experiences referencing to the prevailing market rate and contributions to the Group. Staff costs including Directors' emoluments for the six months ended 30 June 2023 were approximately HK$35,331,000 (six months ended 30 June 2022: HK$30,615,000).

PROSPECTS

In December 2022, the PRC government lifted its COVID pandemic prevention and control policy, gradually resuming the economy and society to normal and steady. On the other hand, the continuation of the Russia-Ukraine war is still bringing uncertainty to the global energy supply chains.

Given the current coal market development in China, the Board is of the view that our Coal Mining Business is still facing challenges and pressure from both internal and external business environment, such as the increasing adoption of renewable energy sources and the rigorous safety inspections in coal mine industry. Besides, upon the resumption of imported coals to China, it is expected that the overseas countries will increase their coal exports to China. All these factors are potentially creating economic pressures on our Coal Mining Business.

In view of these, the Group will continue to monitor the development of the overall economic environment and policy to adjust our business strategy in a timely manner and further strengthen the operation safety awareness among all employees to ensure production safety.

Furthermore, the Group will actively explore all suitable business and investment opportunities arising from the mining and mineral sectors as well as other energy sections to diversify the Group's business horizons and strengthen the overall business development, leveraging our competitive advantages to create greater return for our shareholders.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") comprises three independent non-executive Directors, 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 2023.

CORPORATE GOVERNANCE

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules (the "**CG Code**") .

The Company has complied with the applicable code provisions as set out in the CG Code during the six months ended 30 June 2023 except for the following deviations:

Under the code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Following the passing away of the former chairman and executive Director of the Company, and resignation of the chief executive officer of the Company, the Board does not have any chairman and chief executive officer. The duties and responsibilities of the Group's business are handled by the existing executive Directors and senior management of the Company so as to achieve the overall commercial objectives of the Company. The Company is looking for suitable persons to fill the vacancy of the chairman and chief executive officer.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by the Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "**Model Code**") 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 2023.

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

During the six months ended 30 June 2023, 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 2023.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND 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 2023 containing all the information required by the Listing Rules will be despatched to shareholders of the Company and published on the above websites in due course.

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

Hong Kong, 25 August 2023

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