



Resources
OPTIMIZATION
by Proven Technologies

Interim Report 2015



弘海
GRAND OCEAN
0065.HK

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

CONTENTS

- 2** Financial highlights
- 3** Management's discussion and analysis
- 10** Condensed consolidated statement of profit or loss
- 11** Condensed consolidated statement of profit or loss and other comprehensive income
- 12** Condensed consolidated statement of financial position
- 14** Condensed consolidated statement of changes in equity
- 15** Condensed consolidated statement of cash flows
- 16** Notes to the condensed consolidated financial statements
- 27** Other information
- 35** Corporate profile



FINANCIAL HIGHLIGHTS

Six months ended 30 June

	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	Change
Operating Results			
Revenue	96,748	153,396	-37%
Gross profit	30,476	38,997	-22%
Other operating expenses	2,545	26	9688%
Finance costs	2,527	5,013	-50%
Loss for the period attributable to owners of the Company	(28,504)	(6,312)	352%

(Restated)

Loss per share – Basic	HK(6.15) cents	HK(2.42) cents	154%
------------------------	----------------	----------------	------

30 June 2015

31 December 2014
HK\$'000 (Unaudited) vs HK\$'000 (Audited)

Financial Position			
Total assets	916,075	906,739	1%
Total liabilities	357,107	358,284	–
Bank and cash balances	105,457	105,358	–
Equity attributable to owners of the Company	470,646	458,868	3%

Financial Ratios

Current ratio	0.90	0.81	11%
Gearing ratio	22.30%	22.30%	–

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial and business review

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

Production and sale of coal

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

Provision of low-rank coal upgrading services

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

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

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

Selling and distribution expenses

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

Administrative expenses

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

Finance costs

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

Loss for the period

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

Loans from a director

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

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

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

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

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

Capital structure, liquidity and financial resources

Issue of new shares

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

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

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

As at 30 June 2015,

- (a) the Group's aggregate amount of (i) restricted bank deposits; and (ii) bank and cash balances was approximately HK\$113,397,000 (31 December 2014: approximately HK\$113,296,000). The management will continue to closely monitor the financial position of the Group to maintain its financial capacity.
- (b) the Group's total borrowings comprised (i) loans from non-controlling shareholders; (ii) loans from a director; and (iii) other loans, totaling approximately HK\$124,493,000 (31 December 2014: approximately HK\$122,540,000).
- (c) the Group's total gearing ratio was approximately 22.3% (31 December 2014: approximately 22.3%). The gearing ratio was calculated as the Group's total borrowings divided by total equity.
- (d) the current ratio of the Group was approximately 0.90 (31 December 2014: approximately 0.81).

Pledge of assets

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

Foreign currency risk

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

Significant investments

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

Acquisition and disposal of material subsidiaries and associates

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

Contingent liabilities

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

Capital commitment

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

Employees

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



Prospects

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

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

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

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

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

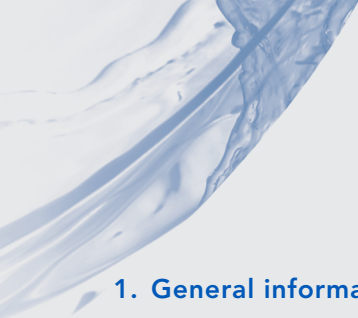
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to owners of the Company

HK\$'000	Share capital (Unaudited)	Share premium (Unaudited)	Capital reserve (Unaudited)	Future development fund (Unaudited)	Safety fund (Unaudited)	Foreign currency translation reserve (Unaudited)	Share based payment reserve (Unaudited)	Warrants reserve (Unaudited)	Accumulated losses (Unaudited)	Total (Unaudited)	Non-controlling interests (Unaudited)	Total equity (Unaudited)
At 1 January 2015	229,239	280,477	(1,628)	14,120	23,230	59,432	-	-	(146,002)	458,868	89,587	548,455
Total comprehensive income for the period	-	-	-	-	-	(640)	-	-	(28,504)	(29,144)	(1,265)	(30,409)
Issue of share pursuant to placing agreement	22,500	12,984	-	-	-	-	-	-	-	35,484	-	35,484
Share-based payments	-	-	-	-	-	-	5,438	-	-	5,438	-	5,438
Net appropriations	-	-	-	5,291	8,207	-	-	-	(13,498)	-	-	-
Change in equity for the period	22,500	12,984	-	5,291	8,207	(640)	5,438	-	(42,002)	11,778	(1,265)	10,513
At 30 June 2015	251,739	293,461	(1,628)	19,411	31,437	58,792	5,438	-	(188,004)	470,646	88,322	558,968
At 1 January 2014	114,619	283,228	(1,628)	11,996	13,801	67,061	14,892	820	(37,052)	467,737	87,831	555,568
Total comprehensive income for the period	-	-	-	-	-	(1,222)	-	-	(6,312)	(7,534)	(2,229)	(9,763)
Expiry of share options	-	-	-	-	-	-	(14,892)	-	14,892	-	-	-
Expiry of warrants	-	-	-	-	-	-	-	(820)	820	-	-	-
Net appropriations	-	-	-	10,514	8,711	-	-	-	(19,225)	-	-	-
Change in equity for the period	-	-	-	10,514	8,711	(1,222)	(14,892)	(820)	(9,825)	(7,534)	(2,229)	(9,763)
At 30 June 2014	114,619	283,228	(1,628)	22,510	22,512	65,839	-	-	(46,877)	460,203	85,602	545,805

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

HK\$'000	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
Net cash outflow from operating activities	(24,023)	(2,726)
Net cash outflow from investing activities	(13,570)	(5,001)
Net cash outflow before financing activities	(37,593)	(7,727)
Net cash inflow from financing activities	37,692	7,686
Net increase/(decrease) in cash and cash equivalents	99	(41)
Cash and cash equivalents at 1 January	105,358	16,852
Cash and cash equivalents at 30 June	105,457	16,811
Analysis of balances of cash and cash equivalents:		
Bank and cash balances	105,457	16,811



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 3103, Sino Plaza, 255-257 Gloucester Road, Hong Kong. The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

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

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

2. Basis of preparation and accounting policies

These unaudited condensed consolidated financial statements for the six months ended 30 June 2015 have been prepared in accordance with the applicable disclosures required by Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) and the Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

These condensed consolidated financial statements should be read in conjunction with the 2014 annual financial statements of the Company and its subsidiaries (collectively, referred hereafter as the “**Group**”) for the year ended 31 December 2014.

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

3. Adoption of new and revised Hong Kong Financial Reporting Standards

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

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

4. Segment information

The Group has three reportable segments as follows:

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. Segment information (Continued)

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

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

NOTES TO THE CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS

4. Segment information (Continued)

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

NOTES TO THE CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS

4. Segment information (Continued)

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

HK\$'000	Six months ended 30 June	
	2015 (Unaudited)	2014 (Unaudited)
Revenue	96,748	153,396
Profit or loss		
Total (loss)/profit of reportable segments	(12,768)	4,039
Unallocated corporate income	8	375
Unallocated corporate expenses	(16,882)	(12,955)
Consolidated loss for the period	(29,642)	(8,541)
HK\$'000	30 June 2015 (Unaudited)	31 December 2014 (Audited)
Assets		
Total assets of reportable segments	998,948	974,474
Corporate assets	84,838	88,604
Deferred tax assets	23,675	23,708
Goodwill	2,907	2,907
Elimination of intersegment assets	(194,293)	(182,954)
Consolidated total assets	916,075	906,739
Liabilities		
Total liabilities of reportable segments	542,525	530,602
Corporate liabilities	69,663	70,621
Deferred tax liabilities	12,064	12,064
Elimination of intersegment liabilities	(267,145)	(255,003)
Consolidated total liabilities	357,107	358,284

NOTES TO THE CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS

5. Finance costs

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

6. Income tax expense

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7. Loss before tax

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

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

8. Dividend

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

9. Loss per share

Basic loss per share

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9. Loss per share (Continued)

Diluted loss per share

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

10. Property, plant and equipment

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

11. Trade and bills receivables

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. Trade payables

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

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

13. Due to non-controlling shareholders

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

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

NOTES TO THE CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS

13. Due to non-controlling shareholders (Continued)

Notes:

- (a) The advances are unsecured, interest-free and repayable on demand.
- (b) As at 30 June 2015, other payables are unsecured, interest-free and repayable on normal business terms.
- (c) The loans from non-controlling shareholders are unsecured, bear interest at 0% to 10.2% per annum and are repayable in years 2015 and 2017 respectively.

14. Due to a director

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

Notes:

- (a) The other payables, included licence fees payable of approximately HK\$3,079,000 (31 December 2014: HK\$2,583,000), are unsecured, interest-free and repayable on demand.
- (b) The loans from a director are unsecured, bear interest at 0% to 5% per annum and are repayable in years from 2015 to 2017.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

15. Share capital

	Authorised	
	Ordinary shares of HK\$0.50 each	
	<i>No. of shares</i>	<i>HK\$'000</i>
As at 31 December 2014 (audited) and 30 June 2015 (unaudited)	2,000,000,000	1,000,000
	Issued and fully paid	
	Ordinary shares of HK\$0.50 each	
	<i>No. of shares</i>	<i>HK\$'000</i>
As at 31 December 2014 (audited)	458,477,166	229,239
Issue of shares pursuant to a placing agreement (note)	45,000,000	22,500
As at 30 June 2015 (unaudited)	503,477,166	251,739

Note:

Pursuant to a placing agreement dated 4 June 2015, the Company has issued 45,000,000 new shares at a placing price of HK\$0.82 per share on 11 June 2015. The premium on issue of shares approximately HK\$12,984,000, which is net of share issue expenses approximately of HK\$1,416,000, was credited to the Company's share premium account.

16. Related party transactions

Apart from those transactions and balances disclosed elsewhere in the financial statements, the Group had the following transactions with its related parties during the six months ended 30 June 2015:

HK\$'000	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
License fee payable to a director	498	500
Loan interest payable to a director	198	121

OTHER INFORMATION

Interim dividend

The board of directors of the Company (the “**Directors**” and the “**Board**”, respectively) has resolved not to declare the payment of an interim dividend for the six months ended 30 June 2015 (the “**Period**”) (six months ended 30 June 2014: Nil).

Directors and chief executive’s interests in the securities of the Company and its associated corporations

As at 30 June 2015, the interests of the Directors and the chief executive of the Company in the shares, underlying shares comprised in share options and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong) (the “**SFO**”), which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”), to be notified to the Company and the Stock Exchange were as follows:



Long positions

(i) Interests in ordinary shares of the Company (the “**Shares**”) (note 1)

Name of Directors	Capacity and nature of interest			Total	Approximate percentage of the issued share capital of the Company as at 30 June 2015
	Personal Interests	Corporate Interests	Family Interests		
Mr. Xu Bin (“ Mr. Xu ”)	24,365,629 (L)	131,788,686 (L) (note 2)	-	156,154,315 (L)	31.02%
Mr. Tse Kam Fow (“ Mr. Tse ”)	28,317,081 (L)	99,210 (L) (note 3)	2,250,000 (L) (note 4)	30,666,291 (L)	6.09%

Notes:

- As defined in Section 311 of the SFO, a reference to interests in shares comprised in the relevant share capital of a listed corporation includes a reference to interests in shares so comprised, which are the underlying shares of equity derivatives.
- These Shares were beneficially owned by Hong Kong Hang Kei Company Limited (“**HK Hang Kei**”), a company incorporated in the British Virgin Islands (“**BVI**”) with limited liability and which is wholly owned by Mr. Xu, the Chairman and an executive Director. By virtue of his 100% shareholding in HK Hang Kei, Mr. Xu was deemed or taken to be interested in the 131,788,686 Shares owned by HK Hang Kei.
- These Shares were beneficially owned by Kellyton Assets Limited (“**Kellyton Assets**”), a company incorporated in the BVI. By virtue of his 50% shareholding in Kellyton Assets, Mr. Tse was deemed or taken to be interested in the 99,210 Shares owned by Kellyton Assets.
- These underlying Shares were relating to 2,250,000 share options registered in the name of Ms. Ng Tsui Ha Shirley, the wife of Mr. Tse.
- The letter “L” denotes a long position in the Shares or underlying Shares.

(ii) Interests in the underlying shares of the Company

At a special general meeting of the Company held on 20 August 2009, a share option scheme (the “**2009 Scheme**”) was adopted by the Company and share options were granted to the undermentioned Directors, which entitle them to subscribe for the Shares and accordingly, they were regarded as interested in the underlying Shares. Details of the share options held by them during the Period were as follows:

Name of Directors	Date of Grant	Exercisable period	Number of underlying Shares comprised in share options				Balance as at 30 June 2015	Exercise price per Share (HK\$)
			Balance as at 1 January 2015	Granted during the Period	Exercised during the Period	Cancelled/ lapsed during the Period		
Executive Director								
Mr. Ng Ying Kit	30 April 2015	30 April 2015 to 29 April 2025	-	2,250,000	-	-	2,250,000	0.710
Independent Non-executive Directors								
Mr. Kwok Chi Shing	30 April 2015	30 April 2015 to 29 April 2025	-	225,000	-	-	225,000	0.710
Mr. Kwok Siu Man	30 April 2015	30 April 2015 to 29 April 2025	-	225,000	-	-	225,000	0.710
Mr. Huang Shao Ru	30 April 2015	30 April 2015 to 29 April 2025	-	225,000	-	-	225,000	0.710
			-	675,000	-	-	675,000	
Total			-	2,925,000	-	-	2,925,000	

Saved as disclosed above, as at 30 June 2015, none of the Directors and the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial shareholders' interests in securities

As at 30 June 2015, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO disclosed the following persons or corporations (other than a Director or the chief executive of the Company) as having an interest of 5% or more of the issued share capital of the Company.

Name	Capacity/ Nature of interest	Number of Shares or underlying Shares	Approximate percentage of the total issued share capital of the Company as at 30 June 2015
HK Hang Kei	Beneficial owner	131,788,686(L) (Note 1)	26.18%
Shao Ze Yun	Interest of spouse	156,154,315(L) (Note 2)	31.02%
Ng Tsui Ha Shirley	Beneficial owner, interest of spouse and interest of controlled corporation	30,666,291(L) (Note 3)	6.09%

Notes:

1. HK Hang Kei is a company incorporated in the BVI with limited liability, which was wholly owned by Mr. Xu, the Chairman and an executive Director.
2. Ms. Shao Ze Yun is the wife of Mr. Xu. She is deemed or taken to be interested in the Shares in which Mr. Xu is interested.
3. These 30,666,291 Shares or underlying Shares included 28,317,081 Shares owned by Mr. Tse, 99,210 Shares owned by Kellyton Assets and 2,250,000 share options owned by Ms. Ng Tsui Ha Shirley. Ms. Ng Tsui Ha Shirley is the wife of Mr. Tse. She was deemed or taken to be interested in the Shares owned by Mr. Tse. By virtue of her 50% shareholding in Kellyton Assets, she was deemed or taken to be interested in the Shares owned by Kellyton Assets.
4. The letter "L" denotes a long position in the Shares or underlying Shares.

Save as disclosed above, the Directors and the chief executive of the Company are not aware that there was any party who, as at the 30 June 2015, had an interest or short position in the Shares, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Share option scheme

The purpose of the 2009 Scheme is to enable the Company to grant options to any employee (whether full-time or part-time, including any executive Director but excluding any non-executive Director) of the Company or any of its subsidiaries or an entity in which the Group holds any equity interest (the **"Invested Entity"**); any non-executive Director (including independent non-executive Director) of the Company, any of its subsidiaries or any Invested Entity; any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued or proposed to be issued by any member of the Group or any Invested Entity; and any other person (including any consultant, adviser, distributor, contractor, supplier, agent, customer, business partner, joint venture business partner, promoter or service provider of any member of the Group) whom the Board considers, in its sole discretion, has contributed or will contribute to the Group (the **"Eligible Participants"**) as incentives or rewards for their contribution to the Group and/or to recruit and retain high-caliber employees and attract human resources that are valuable to the Group and any Invested Entity.

The 2009 Scheme was adopted for a period of 10 years commencing on 20 August 2009 and will remain in force until 19 August 2019, after which period no further options will be offered or granted but the provisions of the 2009 Scheme shall remain in full force and effect in all other respects with regard to the share options granted during the life of the 2009 Scheme. The subscription price for the Shares in respect of any share option granted shall be such price as determined by the Board in its absolute discretion at the time of the grant of the relevant share option but in any case, the subscription price for Shares shall be at least not lower than the highest of: (a) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheet on the date of grant, which must be a business day; (b) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five (5) trading days immediately preceding the date of grant; and (c) the nominal value of a Share.

On 30 April 2015, the Company granted certain share options comprising 14,400,000 underlying Shares, which represented approximately 3.14% of the issued share capital of the Company as at that date, to certain Directors, employees and other Eligible Participants. Such share options were vested immediately and exercisable for a ten-year period from 30 April 2015 to 29 April 2025 (both days inclusive). Particulars of the share options under the 2009 Scheme outstanding during the Period were as follows:

- (a) Movement of share options granted to the Directors was disclosed in the section “Other Information” under the heading “Directors and chief executive’s interests in the securities of the Company and its associated corporations” above.
- (b) Movement of share options granted to the employees and other Eligible Participants under the 2009 Scheme was as follows:

Date of Grant	Exercisable period	Number of underlying Shares comprised in share options					
		Balance as at 1 January 2015	Granted during the Period	Exercised during the Period	Cancelled/lapsed during the Period	Balance as at 30 June 2015	Exercise price per Share (HK\$)
30 April 2015	30 April 2015 to 29 April 2025	-	11,475,000	-	-	11,475,000	0.710

The maximum number of Shares to be issued upon exercise of all share options to be granted under the 2009 Scheme was refreshed to 50,347,716 shares (the “**Scheme Mandate**”) on 15 June 2015, being 10% of the issued share capital of the Company as at the passing of an ordinary resolution by the shareholders of the Company to approve the refreshment of the Scheme Mandate. As at 30 June 2015, the number of Shares to be issued upon the exercise of the outstanding options under the 2009 Scheme was 50,347,716 shares, representing 10% of the issued share capital of the Company as at 30 June 2015.

The fair value of the share options comprising 14,400,000 underlying Shares granted during the Period of approximately HK\$5,438,000 was valued by using the Binomial pricing model. Values are estimated based on the risk-free rate 1.52% per annum by reference to the yield rate of the Hong Kong government bills and bonds with similar duration, a ten-year period historical volatility 78.26%, assuming a dividend yield of 1.12% and an expected option life of 10 years.

The Binomial pricing model required input of subjective assumptions such as the expected stock price volatility. Change in the subjective input may materially affect the fair value estimates.

Subsequent to the Period, on 28 July 2015, the Company granted share options comprising 11,250,000 underlying Shares, which represented approximately 2.23% of the issued share capital of the Company as at 30 June 2015, to certain Directors and employees. Such share options were vested immediately and exercisable for a ten-year period from 28 July 2015 to 27 July 2025 (both days inclusive).

Purchase, sale or redemption of listed Shares

The Company has not redeemed any of its Shares listed on the Stock Exchange during the Period. Neither the Company nor any of its subsidiaries has purchased or sold any of such Shares.

Use of proceeds

The total net proceeds raised from the Company's open offer completed in early December 2014 amounted to approximately HK\$111.87 million and the total net proceeds raised from the placing of new Shares completed in June 2015 amounted to approximately HK\$35.30 million. They would be used as follows:

	Intended use of proceeds HK\$ million	Amount utilized up to 30 June 2015 HK\$ million	Balance as at 30 June 2015 HK\$ million
1) Open offer			
Capital expenditures in the business development for the provision of low-rank coal upgrading business	65.00	25.00	40.00
Repayment of the Group's outstanding loan	25.00	25.00	–
General working capital of the Group	21.87	14.67	7.20
	111.87	64.67	47.20
2) Placing of new Shares			
General working capital of the Group	35.30	–	35.30



Competing interest

None of the Directors or the controlling shareholders (as defined under the Listing Rules) of the Company had an interest in a business which competed or might compete with the business of the Group during the Period.

Audit committee

The audit committee of the Company (the “**Audit Committee**”) comprises three independent non-executive Directors (the “**INEDs**”), namely Mr. Kwok Chi Shing, Mr. Kwok Siu Man and Mr. Huang Shao Ru. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group. The Audit Committee has reviewed the unaudited interim financial statements for the Period and this interim report.

Corporate governance

The Company has complied with the code provisions of the Corporate Governance Code contained in Appendix 14 to the Listing Rules during the Period, except for the following deviation:

Code provision A.4.1 of the CG Code

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

Model code for securities transactions by directors

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct governing Director’s securities transactions. All Directors have confirmed, following specific enquiries by the Company, that they had complied with the required standards set out in the Model Code throughout the Period.

CORPORATE PROFILE

Board of Directors

Executive Directors

Mr. XU Bin (*Chairman*)
Mr. TSE Kam Fow (*Deputy Chairman*)
Mr. ZHANG Fusheng
(*Chief Executive Officer*)
Mr. WANG Hon Chen
Mr. NG Ying Kit

Independent Non-Executive Directors

Mr. KWOK Chi Shing
Mr. KWOK Siu Man
Mr. HUANG Shao Ru

Compliance Officer

Mr. NG Ying Kit

Company Secretary

Ms. WAN Shui Wah

Authorised Representatives

Mr. TSE Kam Fow
Mr. ZHANG Fusheng

Audit Committee Members

Mr. KWOK Chi Shing (*Chairman*)
Mr. KWOK Siu Man
Mr. HUANG Shao Ru

Remuneration Committee

Mr. KWOK Siu Man (*Chairman*)
Mr. TSE Kam Fow
Mr. HUANG Shao Ru

Nomination Committee

Mr. KWOK Siu Man (*Chairman*)
Mr. TSE Kam Fow
Mr. HUANG Shao Ru

Registered Office

Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Corporate Website

www.irasia.com/listco/hk/grandocean

Head Office and Principal Place of Business in Hong Kong

Suite 3103, Sino Plaza
255-257 Gloucester Road
Hong Kong

Principal Share Registrar and Transfer Office

Royal Bank of Canada Trust Company
(Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Tricor Abacus Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Principal Bankers

China Citic Bank International Limited
Hang Seng Bank

Independent Auditor

RSM Nelson Wheeler
Certified Public Accountants

Legal Advisers

As to Hong Kong Law:
Michael Li & Co.

As to Cayman Islands Law:
Conyers Dill & Pearman

Stock Code

65