



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

INTERIM REPORT **2023**

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# FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	Change
<b>Operating Results</b>			
Revenue	81,743	105,220	-22.3%
Gross profit	31,416	50,657	-38.0%
Finance costs	752	5	14,940.0%
(Loss)/Profit for the period attributable to owners of the Company	(18,231)	7,569	-340.9%
(Loss)/Earnings per share – Basic and diluted	HK(1.2) cents	HK0.5 cents	-340.0%
	As at 30 June 2023 HK\$'000 (Unaudited)	As at 31 December 2022 HK\$'000 (Audited)	Change
<b>Financial Position</b>			
Total assets	284,932	305,350	-6.7%
Total liabilities	104,615	111,940	-6.5%
Bank and cash balances (excluding restricted bank deposits)	52,862	117,494	-55.0%
Equity attributable to owners of the Company	121,999	123,125	-0.9%
<b>Financial Ratios</b>			
Current ratio	1.57	1.52	3.3%
Gearing ratio	0.11	0.20	-45.0%

# 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.

## Business and financial review (Continued)

### The Coal Mining Business (Continued)

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.



## Business and financial review (Continued)

### 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	<b>900,000 tonnes</b>
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	<b>2023:RMB178 2024:RMB182 2025 onwards: increase with inflation rate</b>
Inflation rate	2.5%	2.5%	<b>2.5%</b>

## **Business and financial review (Continued)**

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

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.

### Business and financial review (Continued)

#### 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.



### Business and financial review (Continued)

#### 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 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 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 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, 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 maturity date on 17 July 2023 (the "**Maturity Date**"), 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.

## Business and financial review (Continued)

### Convertible bonds (Continued)

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 the reporting date

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, 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 interim report, 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:

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

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

## **Business and financial review (Continued)**

### **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 noted the recent fluctuation in the exchange rate between Renminbi and Hong Kong dollar, and is of the opinion that it does not have any material adverse impact to the Group's financial position at present. The Group currently does not have a foreign currency hedging policy. The management of the Company will continue to monitor the foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

### **Business and financial review (Continued)**

#### **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.

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Six months ended 30 June	
		2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Revenue	4	81,743	105,220
Cost of sales		(50,327)	(54,563)
<b>Gross profit</b>		<b>31,416</b>	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)	–
<b>(Loss)/Profit from operations</b>		<b>(26,303)</b>	21,327
Finance costs	6	(752)	(5)
<b>(Loss)/Profit before tax</b>	7	<b>(27,055)</b>	21,322
Income tax expense	8	(709)	(4,637)
<b>(Loss)/Profit for the period</b>		<b>(27,764)</b>	16,685
<b>Attributable to:</b>			
Owners of the Company		(18,231)	7,569
Non-controlling interests		(9,533)	9,116
		<b>(27,764)</b>	16,685
<b>(Loss)/Earnings per share</b>			
– 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 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
<b>(Loss)/Profit for the period</b>	<b>(27,764)</b>	16,685
<b>Other comprehensive income after tax:</b>		
<i>Item that may be reclassified to profit or loss:</i>		
Exchange difference on translating foreign operations	<b>(5,683)</b>	(6,625)
<b>Other comprehensive income for the period, net of tax</b>	<b>(5,683)</b>	(6,625)
<b>Total comprehensive income for the period</b>	<b>(33,447)</b>	10,060
<b>Attributable to:</b>		
Owners of the Company	<b>(21,480)</b>	3,779
Non-controlling interests	<b>(11,967)</b>	6,281
	<b>(33,447)</b>	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)
<b>Non-current assets</b>			
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
<b>Total non-current assets</b>		<b>151,944</b>	166,967
<b>Current assets</b>			
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
<b>Total current assets</b>		<b>132,988</b>	138,383
<b>Current liabilities</b>			
Accruals and other payables		63,805	51,251
Contract liabilities		296	300
Convertible bonds	13	19,981	39,582
Lease liabilities		594	86
<b>Total current liabilities</b>		<b>84,676</b>	91,219
<b>Net current assets</b>		<b>48,312</b>	47,164
<b>Total assets less current liabilities</b>		<b>200,256</b>	214,131

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Note</i>	<b>As at 30 June 2023 HK\$'000 (Unaudited)</b>	As at 31 December 2022 HK\$'000 (Audited)
<b>Non-current liabilities</b>			
Provision for environmental rehabilitation and restoration		4,722	4,919
Deferred tax liabilities		15,217	15,802
<b>Total non-current liabilities</b>		<b>19,939</b>	20,721
<b>NET ASSETS</b>		<b>180,317</b>	193,410
<b>Capital and reserves</b>			
Share capital	14	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
<b>TOTAL EQUITY</b>		<b>180,317</b>	193,410

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company											
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Distributable reserve HK\$'000	Future development fund HK\$'000	Safety fund HK\$'000	Convertible bond reserve HK\$'000	Foreign currency translation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 January 2023 (Audited)	15,035	96,935	(1,628)	135,282	53,941	128,408	742	13,529	(319,119)	123,125	70,285	193,410
Loss for the period	-	-	-	-	-	-	-	-	(18,231)	(18,231)	(9,533)	(27,764)
Other comprehensive income for the period: Exchange difference on translating foreign operations	-	-	-	-	-	-	-	(3,249)	-	(3,249)	(2,434)	(5,683)
Total comprehensive income for the period	-	-	-	-	-	-	-	(3,249)	(18,231)	(21,480)	(11,967)	(33,447)
Net appropriations Issue of ordinary shares upon conversion of convertible bonds	- 1,100	- 19,625	-	-	399	1,835	- (371)	-	(2,234)	-	-	- 20,354
At 30 June 2023 (Unaudited)	16,135	116,560	(1,628)	135,282	54,340	130,243	371	10,280	(339,584)	121,999	58,318	180,317
At 1 January 2022 (Audited)	15,035	96,935	(1,628)	135,282	49,017	125,938	-	20,511	(321,962)	119,128	59,647	178,775
Profit for the period	-	-	-	-	-	-	-	-	7,569	7,569	9,116	16,685
Other comprehensive income for the period: Exchange difference on translating foreign operations	-	-	-	-	-	-	-	(3,790)	-	(3,790)	(2,835)	(6,625)
Total comprehensive income for the period	-	-	-	-	-	-	-	(3,790)	7,569	3,779	6,281	10,060
Net appropriations	-	-	-	-	3,209	6,594	-	-	(9,803)	-	-	-
At 30 June 2022 (Unaudited)	15,035	96,935	(1,628)	135,282	52,226	132,532	-	16,721	(324,196)	122,907	65,928	188,835

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Net cash (used in)/generated from operating activities	(57,565)	22,651
Net cash used in investing activities	(5,341)	(1,689)
Net cash used in financing activities	(430)	(257)
Net (decrease)/increase in cash and cash equivalents	(63,336)	20,705
Effect of foreign exchange rate change	(1,296)	(2,559)
Cash and cash equivalents at 1 January	117,494	86,412
Cash and cash equivalents at 30 June	52,862	104,558
Analysis of balances of cash and cash equivalents:		
Bank and cash balances	52,862	104,558

# 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 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) <sup>1</sup>
Amendments to HKAS 1	Non-current Liabilities with Covenants <sup>1</sup>
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>2</sup>
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback <sup>1</sup>

### **3. Adoption of New or Amended Hong Kong Financial Reporting Standards (Continued)**

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

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2024.

<sup>2</sup> 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.

## 5. Segment Information (Continued)

### 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 2023	2022	30 June 2023	31 December 2022
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (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 (Unaudited)	HK\$'000 (Unaudited)
Interest on lease liabilities	16	5
Interest on convertible bonds	402	–
Effective interest on convertible bonds	334	–
	752	5

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 7. (Loss)/Profit Before Tax

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

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

## 10. (Loss)/Earnings per Share (Continued)

### 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.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 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.

### 13. Convertible Bonds (Continued)

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 maturity date on 17 July 2023 (the “**Maturity Date**”), 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. Share Capital

	Authorised	
	Number of shares of HK\$0.01 each	HK\$'000
At 1 January 2022, 31 December 2022, 1 January 2023 and 30 June 2023	100,000,000,000	1,000,000
	Issued and fully paid	
	Number of shares of HK\$0.01 each	HK\$'000
At 1 January 2022 and 31 December 2022	1,503,477,166	15,035
Issue of ordinary shares upon conversion of the Convertible Bonds (Note 13)	110,000,000	1,100
At 30 June 2023	1,613,477,166	16,135

On 19 May 2023, 110,000,000 ordinary shares were issued and allotted pursuant to the exercise of the conversion right in respect of the Convertible Bonds with a principal amount of HK\$20,000,000 by the convertible bondholder as detailed in Note 13. These shares rank pari passu in all respects with other shares in issue.

## 15. 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).

## 16. 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 interim report, all the Convertible Bonds had been fully converted.

## OTHER INFORMATION

### **Interim dividend**

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).

### **Directors' and chief executive's interests and the short positions in the shares, underlying shares and debentures of the Company or any associated corporations**

As at 30 June 2023, none of the Directors and the chief executive of the Company had any interests and short positions in the Shares, underlying Shares and 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 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, to be notified to the Company and the Stock Exchange.

## OTHER INFORMATION

### Substantial shareholders

As at 30 June 2023, so far as is known to the Directors or chief executive of the Company based on the register maintained by the Company pursuant to Section 336 of the SFO, the following persons (other than the Directors or the chief executive of the Company) had, or were deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange:

Name	Capacity/ Nature of interest	Number of Shares or underlying Shares	Approximate percentage of the total number of issued share capital of the Company as at 30 June 2023
Liu Chang Deng	Beneficial owner	156,154,315	9.68%

Save as disclosed above, as at 30 June 2023, the Directors and the chief executive of the Company were not aware of any other person (other than Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of interests required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

## OTHER INFORMATION

### Share Option Scheme

The Company has adopted a share option scheme (the “**Share Option Scheme**”) pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 21 June 2023. The Share Option Scheme is valid and effective for a period of 10 years commencing on 21 June 2023. The maximum total number of Shares which may be issued upon exercise of all share options to be granted under the Share Option Scheme shall not in aggregate exceed 161,347,716, representing 10% of Shares in issue on 21 June 2023.

The Board considers that the Share Option Scheme will enable the Group to attract and retain the best available personnel, to provide additional incentive to the Eligible Participants (as defined in the Company’s circular dated 28 April 2023 (the “**Circular**”)) and to promote the success of the business of the Group. Under the Share Option Scheme, the Board may grant share option(s) to the Eligible Participants depending on their contributions to the Group. Unless approved by the Shareholders in general meeting, the total number of Shares issued and which may fall to be issued upon exercise of the share options being granted under the Share Option Scheme (including both exercised or outstanding share options) to each grantee in any 12-month period shall not exceed 1% of the issued share capital of the Company at the relevant time.

For further details of the Share Option Scheme including a summary of the principal terms of the Share Option Scheme, please refer to the Circular. No share options have been granted, exercised, lapsed or cancelled under the Share Option Scheme since its adoption and up to and including 30 June 2023. As at 30 June 2023, no share options were outstanding under the Share Option Scheme.

### 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.

### Competing interest

None of the Directors or the controlling shareholders (as defined under the Listing Rules) of the Company had an interest in business(es) which competed or might compete with the business of the Group during the six months ended 30 June 2023.

## OTHER INFORMATION

### **Audit Committee**

The Audit Committee comprises three INEDs, 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 consolidated 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 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 Company's business are handled by the existing executive Directors and senior management of the Company so as to achieve the overall commercial objectives of the Company. The Company is looking for suitable person to fill the vacancy of the chairman and chief executive officer.

### **Model Code For Securities Transactions by Directors**

The Company has adopted the Model Code as the required standard governing securities transactions by the Directors. The Company 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.

# CORPORATE PROFILE

## Board of Directors

### Executive Directors

Mr. NG Ying Kit  
Mr. LEUNG Ka Hong  
Mr. GUO Jianpeng  
Mr. TAO Ye

### Non-Executive Directors

Mr. HU Xiutong  
(appointed on 15 February 2023)  
Mr. ZHOU Hongliang

### Independent Non-Executive Directors

Mr. LEE Wai Ming  
Mr. CHANG Xuejun  
Mr. HO Man

### Joint Company Secretaries

Mr. LEUNG Ka Hong  
Ms. CHENG On Yi

### Authorised Representatives

Mr. NG Ying Kit  
Mr. GUO Jianpeng

### Audit Committee

Mr. LEE Wai Ming (*Chairman*)  
Mr. CHANG Xuejun  
Mr. HO Man

### Remuneration Committee

Mr. CHANG Xuejun (*Chairman*)  
Mr. HO Man  
Mr. LEUNG Ka Hong

## Nomination Committee

Mr. LEE Wai Ming (*Chairman*)  
Mr. HO Man  
Mr. LEUNG Ka Hong

## Registered Office

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

## Corporate Website

[www.grandocean65.com](http://www.grandocean65.com)

## Head Office and Principal Place of Business in Hong Kong

Suite 1602  
Sino Plaza  
255-257 Gloucester Road  
Hong Kong

## Principal Share Registrar and Transfer Office

Suntera (Cayman) Limited  
Suite 3204, Unit 2A  
Block 3, Building D  
P.O. Box 1586  
Gardenia Court  
Camana Bay  
Grand Cayman KY1-1100  
Cayman Islands



## CORPORATE PROFILE

### **Hong Kong Branch Share Registrar and Transfer Office**

Tricor Abacus Limited  
17/F, Fair East Finance Centre  
16 Harcourt Road  
Hong Kong

### **Principal Bankers**

Hang Seng Bank Limited  
Shanghai Commercial Bank

### **Independent Auditor**

BDO Limited  
Certified Public Accountants  
Registered Public Interest Entity  
Auditor

### **Legal Advisers**

As to Hong Kong Law:  
LC Lawyers LLP

As to Cayman Islands Law:  
Conyers Dill & Pearman

### **Stock Code**

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## DEFINITIONS

In this interim report, unless the context otherwise requires, the following expressions shall have the following meaning:

“Audit Committee”	the audit committee of the Company;
“Board”	the board of Directors of the Company;
“CG Code”	the Corporate Governance Code set out in Appendix 14 to the Listing Rules;
“Coal Mining Business”	production and sale of coal and minerals;
“Company”	Grand Ocean Advanced Resources Company Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed and traded on the Main Board of the Stock Exchange (Stock Code: 65);
“Director(s)”	the director(s) of the Company from time to time;
“Group”	the Company and all of its subsidiaries from time to time;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“INED(s)”	the independent non-executive Director(s) of the Company;

## DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time;
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules;
“Nomination Committee”	the nomination committee of the Company;
“PRC” or “China”	the People’s Republic of China;
“Remuneration Committee”	the remuneration committee of the Company;
“RMB”	Renminbi, the lawful currency of the PRC;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time;
“Share(s)”	ordinary share(s) with par value of HK\$0.01 each in the share capital of the Company;
“Shareholder(s)”	holder(s) of issued Share(s) from time to time;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“%”	percent.