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Grand Ocean Advanced Resources Company Limited

弘海高新資源有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 65)

DISCLOSEABLE TRANSACTION IN RELATION TO DISPOSAL OF ENTIRE EQUITY INTEREST IN EAST HARVEST INTERNATIONAL LIMITED

The Board is pleased to announce that on 27 October 2016 (after trading hours), the Company as the vendor entered into the Disposal Agreement with the Purchaser, pursuant to which the Company conditionally agreed to sell and the Purchaser conditionally agreed to purchase the Sale Shares at a cash consideration of HK\$22,800,000 in accordance with the terms and conditions of the Disposal Agreement. Upon the Completion, all the companies under the Disposal Group will cease to be subsidiaries of the Company.

As one or more of the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the Disposal is more than 5% but less than 25%, the Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements but exempt from the Shareholders' approval requirement under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 27 October 2016 (after trading hours), the Company as the vendor entered into the Disposal Agreement with the Purchaser, pursuant to which the Company conditionally agreed to sell and the Purchaser conditionally agreed to purchase the Sale Shares at a cash consideration of HK\$22,800,000 in accordance with the terms and conditions of the Disposal Agreement. Principal terms of the Disposal Agreement are set out below:

THE DISPOSAL AGREEMENT

Date: 27 October 2016 (after trading hours)

Parties: (i) the Company as vendor; and
(ii) Mr. Lin Jianmin as purchaser.

The Directors confirm that, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser is a third party who is independent of and not connected with the Company and any of its connected persons.

Assets to be disposed of

Pursuant to the Disposal Agreement, the Company conditionally agreed to sell and the Purchaser conditionally agreed to purchase the Sale Shares which represent the entire issued share capital of EHI at a cash consideration of HK\$22,800,000 in accordance with the terms and conditions of the Disposal Agreement.

Consideration

Pursuant to the Disposal Agreement, the consideration for the Sale Shares is HK\$22,800,000, which shall be payable by the Purchaser to the Company in the following manner:

- (a) a deposit (the "**Deposit**") of HK\$4,000,000 shall be payable by the Purchaser to the Company within five Business Days from the date of signing of the Disposal Agreement; and
- (b) the balance of the consideration, being HK\$18,800,000, shall be payable by the Purchaser to the Company upon the Completion.

The fair value of the Disposal Group amounted to approximately HK\$27,783,000 as at 31 August 2016, which comprises: (i) the unaudited consolidated net liabilities (including the book value of Production Plant of approximately HK\$2,472,000) of the Disposal Group as at 31 August 2016 of approximately HK\$8,413,000; and (ii) market value of RMB33,300,000 (equivalent to approximately HK\$38,668,000) of the Production Plant as at 30 June 2016 as indicated in the valuation report prepared by an independent qualified professional valuer using market approach. The consideration of the Disposal of HK\$22,800,000 represents a discount of approximately 17.9% to the fair value of the Disposal Group.

The consideration of the Disposal was arrived at after arm's length negotiations with the Purchaser. In view of (i) the difficulties in realising the Disposal Group's assets; and (ii) the benefits of the Disposal to be brought to the Group as stated in the section headed "Reasons for and benefits of the Disposal" of this announcement, the Board considers that the consideration for the Disposal is fair and reasonable.

Conditions Precedent

The Completion is subject to and conditional on the following conditions being fulfilled or waived (as the case may be):

- (a) all necessary approvals, consents and authorisations in respect of the sale and purchase of the Sale Shares and the transaction contemplated thereunder having been obtained by the Company;
- (b) all necessary approvals, consents and authorisations in respect of the sale and purchase of the Sale Shares and the transaction contemplated thereunder having been obtained by the Purchaser;
- (c) there being no situation, facts or circumstances which constitute or may constitute any breach of the representations, guarantees and warranties given by the Company under the Disposal Agreement; and
- (d) there being no situation, facts or circumstances which constitute or may constitute any breach of the representations, guarantees and warranties given by the Purchaser under the Disposal Agreement.

The Company shall use its best endeavours to procure the fulfillment of conditions (a) and (c) above. The Purchaser shall use its best endeavours to procure the fulfillment of conditions (b) and (d) above. Condition (c) above is waivable by the Purchaser by notice in writing. Condition (d) above is waivable by the Company by notice in writing. Conditions (a) and (b) are incapable of being waived by both parties.

If any of the above conditions is not fulfilled or waived (as the case may be) on or before the Long Stop Date, the Deposit, without interest, shall be refunded by the Company to the Purchaser within three Business Days from the Long Stop Date and upon the refund of the Deposit, the Disposal Agreement shall cease and determine and neither party shall have any liability nor obligation under the Disposal Agreement save for any antecedent breaches of the terms thereof.

Completion

The Completion shall take place on the Completion Date.

Upon the Completion, all the companies under the Disposal Group will cease to be subsidiaries of the Company.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Disposal Group is principally engaged in the manufacture and sale of plastic woven bags, paper bags and plastic barrels in the PRC. As set out in the 2015 Annual Report, the operation of the Disposal Group has been suspended since May 2015 due to lack of further orders received from its customers.

In view of the challenges faced by the Disposal Group, the Board conducted reviews and assessments on the business prospects of the Disposal Group and decided to terminate its operations after taking into consideration the gloomy outlook of the Disposal Group's business. As stated in the 2015 Annual Report and 2016 Interim Report, the Group has begun to identify potential buyers in early 2016 in order to realise the assets of the Disposal Group with an aim to strengthen the Group's financial position.

It has come to the attention of the Board that the demand for industrial land and buildings in the north-eastern region of the PRC has been declining in recent years, which has imposed more difficulties to the Group to realise the Disposal Group's assets.

On the other hand, having considered the net liabilities position of the Disposal Group, the Board is of the view that the Disposal will enable the Group to realise the Disposal Group's non-operating assets and will lower the Group's gearing level upon the Completion.

The Directors are of the view that the terms and conditions of the Disposal Agreement are fair and reasonable and on normal commercial terms, and the Disposal is in the interests of the Company and the Shareholders as a whole.

INFORMATION OF THE COMPANY AND THE GROUP

The Company is a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the Stock Exchange. The principal activity of the Company is investment holding. The Group is principally engaged in the production and sale of coal and the provision of low-rank coal upgrading services in the PRC.

INFORMATION OF THE DISPOSAL GROUP

The Disposal Group comprises three subsidiaries of the Company, namely EHI, Rainbow Fast and Changchun Yicheng.

As at the date of this announcement, EHI is an investment holding company incorporated in the British Virgin Islands with limited liability which is directly wholly-owned by the Company. Rainbow Fast is an investment holding company incorporated in Hong Kong with limited liability which is an indirect wholly-owned subsidiary of the Company and wholly-owned by EHI. Both EHI and Rainbow Fast have no business activity other than being an investment holding company.

Changchun Yicheng is a company established in the PRC and an indirect wholly-owned subsidiary of the Company with limited liability and is wholly-owned by Rainbow Fast. The principal business of Changchun Yicheng includes the manufacture and sale of plastic woven bags, paper bags and plastic barrels in the PRC and Changchun Yicheng is the registered owner of the Production Plant. As set out in the 2016 Interim Report, Changchun Yicheng has suspended its operation since May 2015 due to lack of further orders received from its customers.

Set out below is the summary of the key financial information of the Disposal Group extracted from the unaudited consolidated financial statement of the Disposal Group for the years ended 31 December 2014 and 2015:

	For the year ended 31 December 2014 (unaudited) (Approximately HK\$'000)	For the year ended 31 December 2015 (unaudited) (Approximately HK\$'000)
Net loss before taxation	76,267	89,270
Net loss after taxation	<u>79,050</u>	<u>78,639</u>

The unaudited consolidated net liabilities of the Disposal Group as at 31 August 2016 amounted to approximately HK\$8,413,000.

FINANCIAL EFFECT OF THE DISPOSAL

Based on the consideration for the Sale Shares of HK\$22,800,000, the Group is expected to incur a gain on the Disposal of approximately HK\$59,435,000.

Such amount is arrived at by:

- (i) adding the unaudited net liabilities value of the Disposal Group as at 31 August 2016 of approximately HK\$8,413,000;
- (ii) deducting the estimated professional fees of approximately HK\$65,000; and
- (iii) the reclassification of translation reserve from other comprehensive income to profit or loss upon the Completion of approximately HK\$28,287,000 as at 31 August 2016.

Shareholders should note that the above figures are for illustrative purpose only. The actual gain or loss arising from the Disposal may be different from the above estimation and will be determined based on the book value of the Disposal Group and the relevant expenses incurred on the Completion Date and is subject to review by the Company's auditors.

USE OF PROCEEDS

It is expected that the net proceeds from the Disposal of HK\$22,735,000 will be used as (i) general working capital of the Group; and (ii) for repayment of the Group's outstanding borrowings.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the Disposal is more than 5% but less than 25%, the Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements but exempt from the Shareholders' approval requirement under Chapter 14 of the Listing Rules.

DEFINITIONS

Unless otherwise stated or the context requires otherwise, the terms in this announcement shall have the following meanings:

“2015 Annual Report”	annual report of the Company for the financial year ended 31 Decemebr 2015;
“2016 Interim Report”	interim report of the Company for the six months ended 30 June 2016;
“Board”	the board of Directors;
“Business Day”	a day (other than a Saturday, Sunday or public holiday in Hong Kong) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours;
“Changchun Yicheng”	長春益成包裝有限公司(Changchun Yicheng Packing Company Limited*), a company established in the PRC with limited liability;
“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);
“Completion”	completion of the Disposal in accordance with the terms and conditions of the Disposal Agreement;
“Completion Date”	a day within three Business Days following the due fulfilment or waiver (as the case may be) of the conditions precedent to the Disposal Agreement or such later date as may be mutually agreed in writing between the Company and the Purchaser on which the Completion will take place;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;

“Disposal”	the disposal of the Sale Shares subject to the terms and conditions of the Disposal Agreement;
“Disposal Agreement”	the sale and purchase agreement dated 27 October 2016 and entered into between the Company and the Purchaser in respect of the Disposal;
“Disposal Group”	collectively, EHI, Rainbow Fast and Changchun Yicheng;
“EHI”	East Harvest International Limited, a company incorporated in the British Virgin Islands with limited liability;
“Group”	the Company and its subsidiaries from time to time;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Long Stop Date”	being the 60th calendar day upon the signing of the Disposal Agreement or such later date as may be mutually agreed in writing between the Company and the Purchaser;
“PRC”	the People’s Republic of China, and for the purposes of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
“Production Plant”	the bags production plant (includes the land and the buildings constructed on the land) located at Sanjian Village, Hexin Town, Luyuan District, Changchun, the PRC and owned by Changchun Yicheng;
“Purchaser”	Mr. Lin Jianmin;
“Rainbow Fast”	Rainbow Fast (HK) Company Limited, a company incorporated in Hong Kong with limited liability;
“RMB”	Renminbi, the lawful currency of the PRC;

“Sale Shares”	101 ordinary shares of US\$1.00 each in the share capital of EHI, representing the entire issued share capital of EHI;
“Share(s)”	ordinary share(s) of HK\$0.50 each in the issued share capital of the Company;
“Shareholder(s)”	the holder(s) of the issued Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“%”	per cent.

In this announcement, the conversion of Renminbi into Hong Kong dollars is based on the exchange rate of RMB1.00 to HK\$1.1612 and is for illustrative purposes only.

By order of the Board
Grand Ocean Advanced Resources Company Limited
Zhang Fusheng
Executive Director & Chief Executive Officer

Hong Kong, 27 October 2016

As at the date of this announcement, the Board comprises four executive Directors, namely Mr. Xu Bin (Chairman), Mr. Zhang Fusheng (Chief Executive Officer), Mr. Ng Ying Kit and Ms. Huo Lijie; and three independent non-executive Directors, namely Mr. Kwok Chi Shing, Mr. Huang Shao Ru and Mr. Chang Xuejun.

* *The English name of the PRC entity referred to in this announcement is a translation from its Chinese name and is for identification purposes only. If there is any inconsistency, the Chinese name shall prevail.*