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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 AND CONNECTED TRANSACTION DISPOSAL OF THE ENTIRE EQUITY INTEREST IN THE DISPOSAL COMPANIES

THE DISPOSALS

On 30 November 2018 (after trading hours), (i) Wealthy Tone and Shanghai Wealthy, each being an indirect wholly-owned subsidiary of the Company, and the Purchaser entered into the XCG SPA, pursuant to which Wealthy Tone and Shanghai Wealthy agreed to sell, and the Purchaser agreed to purchase, the entire equity interest of Xilinhaote City Guochuan at a consideration of RMB8 million (approximately HK\$9 million); and (ii) Wealth Business, an indirect wholly-owned subsidiary of the Company, and the Purchaser entered into the BG SPA, pursuant to which Wealth Business agreed to sell, and the Purchaser agreed to purchase, the entire equity interest of Beijing Guochuan at a consideration of RMB1 (approximately HK\$1).

IMPLICATIONS UNDER THE LISTING RULES

Pursuant to Chapter 14 of the Listing Rules, as the highest percentage ratio (as defined in Rule 14.07 of the Listing Rules) in respect of the Disposals exceeds 5% but is less than 25%, the Disposals constitute a discloseable transaction for the Company.

The Purchaser is owned as to 90% by Mr. Xu Changzheng and as to 10% by Mr. Ye Shaofeng. Mr. Xu Changzheng is a cousin of the late Mr. Xu, who was a Director in the past 12-month period immediately before the date of this announcement. Accordingly, the Purchaser is a deemed connected person of the Company under Rule 14A.21(1)(a) of the Listing Rules. As such, the Disposals also constitute connected transactions for the Company. As the applicable highest percentage ratio calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Disposals exceeds 5% but is less than 25% and the total consideration of the Disposals is less than HK\$10,000,000, the Disposals are subject to the reporting and announcement requirements, but exempted from shareholders' approval requirement under Chapter 14A of the Listing Rules.

THE DISPOSALS

The Board announces that on 30 November 2018 (after trading hours), (i) Wealthy Tone and Shanghai Wealthy, each being an indirect wholly-owned subsidiary of the Company, and the Purchaser entered into the XCG SPA, pursuant to which Wealthy Tone and Shanghai Wealthy agreed to sell, and the Purchaser agreed to purchase, the entire equity interest of Xilinhaote City Guochuan at a consideration of RMB8 million (approximately HK\$9 million); and (ii) Wealth Business, an indirect wholly-owned subsidiary of the Company, and the Purchaser entered into the BG SPA, pursuant to which Wealth Business agreed to sell, and the Purchaser agreed to purchase, the entire equity interest of Beijing Guochuan at a consideration of RMB1 (approximately HK\$1).

THE XCG SPA AND BG SPA

Date: 30 November 2018 (after trading hours)

Parties:

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| XCG SPA | (i) Wealthy Tone, an indirect wholly-owned subsidiary of the Company; |
| | (ii) Shanghai Wealthy, an indirect wholly-owned subsidiary of the Company; and |
| | (iii) the Purchaser. |
| BG SPA | (i) Wealth Business, an indirect wholly-owned subsidiary of the Company; and |
| | (ii) The Purchaser. |

The Purchaser is owned as to 90% by Mr. Xu Changzheng and as to 10% by Mr. Ye Shaofeng. Mr. Xu Changzheng is a cousin of the late Mr. Xu, who was a Director in the past 12-month period immediately before the date of this announcement. Accordingly, the Purchaser is a connected person of the Company.

The principal terms of the XCG SPA and the BG SPA are the same, save and except for following respects:

- (i) the identities of the Vendors and their respective interests being sold;
- (ii) the considerations payable and the payment terms under each of the XCG SPA and the BG SPA; and
- (iii) as completion of the BG SPA is conditional upon completion of the XCG SPA and the payment terms are different, the conditions precedent are different and the context of which is disclosed in the section headed “Conditions Precedent to the Disposals” below.

Considerations

Subject to the terms and conditions of the XCG SPA and the BG SPA, each of the Vendors has respectively agreed to sell, and the Purchaser has agreed to purchase the XCG Sale Shares and the BG Sale Shares for the following considerations:

SPAs	Vendors	Subject matter of sale and purchase	Consideration	Method of settlement of Consideration
XCG SPA	Wealthy Tone and Shanghai Wealthy	62.5% and 37.5% of the equity interest in Xilinhaote City Guochuan held by Wealthy Tone and Shanghai Wealthy respectively	RMB8 million	<ul style="list-style-type: none"> – as to RMB2 million by cash within 5 Business Days after signing of the XCG SPA (the “First Installment”); – as to RMB2 million by cash, payable within 5 Business Days after fulfillment of all the conditions precedent to the XCG SPA; and – as to the balance of RMB4 million by cash, payable within 10 Business Days after completion of the Equity Transfer Procedures.
BG SPA	Wealth Business	100% equity interest in Beijing Guochuan	RMB 1	To be settled by cash within 5 Business Days after completion of the Equity Transfer Procedures.

The considerations were determined after arm's length negotiations among the parties to the XCG SPA and the BG SPA and with reference to:

- (i) the unaudited consolidated net liabilities of Xilinhaote City Guochuan and Beijing Guochuan Group of approximately HK\$106.7 million and HK\$39.9 million or if net of the Inter-group Debts, would be HK\$12.9 million and HK\$18.7 million, respectively, as at 30 June 2018;
- (ii) Beijing Guochaun Group has been inactive since year 2015;
- (iii) the situation that the Coal Upgrading Business operated by Xilinhaote City Guochuan has been suspended as announced by the Company on 4 July 2018 (for reasons stated in paragraph "Suspension of Coal Upgrading Business" under the section headed "Information of the Disposal Companies" below) and did not generate revenue since its development in 2012; and
- (iv) the assets valuation reports of the Disposal Companies dated 31 October 2018 prepared by the independent valuer engaged by the Company, which (i) Xilinhaote City Guochuan does not have legal ownership of the land and buildings held by Xilinhaote City Guochuan for the development of the Coal Upgrading Plant (the "**Property Interests**") and no commercial value has been ascribed to the Property Interests; and (ii) the market value of the coal upgrading production facilities and other equipment held by the Disposal Companies was approximately RMB10 million respectively.

The Board is of the view that the Considerations are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Indemnity

Pursuant to the XCG SPA, Wealthy Tone and Shanghai Wealthy have agreed to indemnify the Purchaser in an amount of RMB4 million (approximately HK\$4.5 million) in the event that Xilinhaote City Guochuan undergoes debts restructuring or files the application for bankruptcy to the relevant court in the PRC due to financial difficulties or insolvency within one year after Completion.

Outstanding Liabilities and Waiver of Inter-group Debts

As at the date of the SPAs, the Inter-group Debts owed by the Disposal Companies to the Remaining Group amounted to approximately HK\$115.1 million. Pursuant to the XCG SPA and BG SPA, the Vendors shall procure themselves, the relevant entities in the Remaining Group and the Disposal Companies to release each other from all rights and obligations in connection with the Inter-group Debts.

The relevant entities in the Remaining Group and the Disposal Companies will enter into relevant debt waiver agreement(s) to waive the Inter-group Debts prior to the date of Completion.

As at 31 October 2018, each of Xilinhaote City Guochuan and Beijing Guochuan Group had Outstanding Liabilities of RMB47,025,175 and RMB16,582,811 respectively.

Each of the Vendors has agreed to be responsible for any additional liabilities (other than the Outstanding Liabilities) subsist at Completion (the “**Additional Liabilities**”) and the Purchaser has the right to claim against the Vendors for any payments made on behalf of the Disposal Companies in respect of the settlement of the Additional Liabilities after Completion.

Conditions Precedent to the Disposals

- (A) Completion of the XCG SPA is conditional upon the following conditions being satisfied:
- (i) the First Installment having been paid by the Purchaser in accordance with the terms of the XCG SPA;
 - (ii) the Company having complied with the requirements of the Listing Rules and the Stock Exchange (including but not limited to publishing the relevant announcement and/or circular (if necessary)) and having obtained the independent shareholders’ approval (if necessary) in relation to the XCG SPA and the transactions contemplated under the XCG SPA; and
 - (iii) the Purchaser and the relevant Vendors having obtained all necessary consents for the XCG SPA and all matters contemplated under the XCG SPA.

None of the above conditions is waivable.

(B) Completion of the BG SPA is conditional upon the following conditions being satisfied:

- (i) the Company having complied with the requirements of the Listing Rules and the Stock Exchange (including but not limited to publishing the relevant announcement and/or circular (if necessary)) and having obtained the independent shareholders' approval (if necessary) in relation to the BG SPA and the transactions contemplated under the BG SPA;
- (ii) the Purchaser and the Vendor having obtained all necessary consents for the BG SPA and all matters contemplated under the BG SPA; and
- (iii) the Purchaser having paid the consideration in full in accordance with the terms of the XCG SPA.

Condition (B)(iii) is waivable by Wealth Business.

If the above Conditions are not fulfilled on or before 28 February 2019 (or such later as agreed by the parties to the XCG SPA or the BG SPA in writing), the First Installment (if paid by the Purchaser) shall be returned to the Purchaser within 5 Business Days (without interest) and neither parties shall have any liabilities under the XCG SPA or the BG SPA.

Completion

After the fulfillment of all the Conditions under each of the XCG SPA and the BG SPA (other than Condition B(iii) under the section headed "Conditions Precedent to the Disposals" if waived) the Vendors shall assist the Purchaser to complete the Equity Transfer Procedures (which shall be completed within 10 Business Days after the fulfillment of all the Conditions under each of the XCG SPA and the BG SPA (other than Condition B(iii) under the section headed "Conditions Precedent to the Disposals" if waived) and Completion of each of the XCG SPA and the BG SPA shall take place on such day on which each of Xilinhaote City Guochuan and Beijing Guochuan obtains its new business licence respectively.

INFORMATION OF THE COMPANY AND THE VENDORS

The Company is an investment holding company and the Group is principally engaged in the production and sale of coal and the provision of low-rank coal upgrading services (the "**Coal Upgrading Business**") in the PRC.

Each of the Vendors is an indirect wholly-owned subsidiary of the Company with principal business activities as investment holding. Shanghai Wealthy is directly and wholly-owned by Wealthy Tone.

INFORMATION OF THE PURCHASER

The Purchaser is a company incorporated in the PRC with limited liability. The Purchaser is owned as to 90% by Mr. Xu Changzheng and as to 10% by Mr. Ye Shaofeng. The Purchaser is an investment holding company.

INFORMATION OF THE DISPOSAL COMPANIES

The Disposal Companies are incorporated in the PRC with limited liability and indirectly wholly-owned by the Company. The Beijing Guochuan Group is currently inactive and Xilinhaote City Guochuan is principally engaged in the Coal Upgrading Business.

Suspension of the Coal Upgrading Business

The Group commenced the construction of the coal upgrading plant in Xilinhaote City, Inner Mongolia, the PRC held by Xilinhaote City Guochuan (the “**Coal Upgrading Plant**”) for the development of the Coal Upgrading Business in 2012 and entered into the licence agreement (the “**Licence Agreement**”) with the late Mr. Xu and Gouden Kolen Company Limited, a company incorporated in the British Virgin Islands with limited liability wholly owned by the late Mr. Xu in the same year, in relation to the licensing of the proprietary technologies (the “**Proprietary Technologies**”), which represent the five PRC registered patents relating to the low-rank coal upgrading methodologies and manufacturing of steam digesters and form one of the prerequisite requirements of the production. The late Mr. Xu, who passed away in June 2018, was the owner of the Proprietary Technologies and the key Director of the Company responsible for the development and operations of the Coal Upgrading Business.

As disclosed in the annual report of the Company for the year ended 31 December 2017, the first phase of the Coal Upgrading Plant with designed annual production capacity of 500,000 tonnes has been substantially completed in 2015 and planned to commence commercial production in the third quarter of 2017. However, the commercial production has been postponed to 2019 as the technical consultant of the Proprietary Technologies engaged by the late Mr. Xu needed time to design and install a spiral device in order to resolve the technical issue (the “**Technical Issue**”) in relation to the obstruction of the valves of the autoclaves during the process of high-pressured steaming during the preparation of commercial production in October 2017.

As further disclosed in the Company’s announcement dated 4 July 2018, in view of the uncertainty on the extension of the licensing of the Proprietary Technologies (which currently form part of the estate of the late Mr. Xu) to be expired in December 2018 and the unresolved Technical Issue as the technical consultant withheld its technical services offered to the late Mr. Xu and on-site technical services to the Coal Upgrading Plant following the passing away of Mr. Xu, the Company decided to temporarily suspend the Coal Upgrading Business since July 2018.

The management of the Company has been liaising with the family representatives of the late Mr. Xu to seek possible extension of licencing the Proprietary Technologies to the Coal Upgrading Plant. However, the Company has been informed that it would take a prolonged period of time to settle the estate of the late Mr. Xu, including the Proprietary Technologies. As such, the Company currently does not foresee any (i) solid timeline for the resumption of the Coal Upgrading Business; and/or (ii) possible use of the Coal Upgrading Plant for other income generating activities.

As at the date of announcement, the Coal Upgrading Business has yet to commence commercial production and did not generate any revenue to the Group.

FINANCIAL INFORMATION OF THE DISPOSAL COMPANIES

Set out below is a summary of the unaudited consolidated financial information of the Disposal Companies prepared in accordance with Hong Kong Financial Reporting Standards for the two financial years ended 31 December 2016 and 31 December 2017 and for the six months ended 30 June 2018:

Xilinhaote City Guochuan

	For the year ended 31 December 2016 <i>HK\$'000</i> (unaudited)	For the year ended 31 December 2017 <i>HK\$'000</i> (unaudited)	For six months ended 30 June 2018 <i>HK\$'000</i> (unaudited)
Revenue	–	–	–
Loss before and after taxation	61,401	104,969	10,114

Beijing Guochuan Group

	For the year ended 31 December 2016 <i>HK\$'000</i> (unaudited)	For the year ended 31 December 2017 <i>HK\$'000</i> (unaudited)	For six months ended 30 June 2018 <i>HK\$'000</i> (unaudited)
Revenue	–	–	–
Loss before and after taxation	8,975	3,849	906

As at 30 June 2018, the unaudited consolidated net liabilities of Xilinhaote City Guochuan and the Beijing Guochuan Group were HK\$106.7 million and HK\$39.9 million and if net of the Inter-group Debts would be HK\$12.9 million and HK\$18.7 million respectively.

REASONS AND BENEFITS FOR THE DISPOSALS

Following the Disposals, the Group will cease to engage in the Coal Upgrading Business and will focus on the business of the production and sale of coal (i.e. the business of the Remaining Group). Furthermore, the Group will continue to explore opportunities to widening the Group's business scope and extending its resources into industries of good potential in order to broaden the Group's income base and diversify its business exposure in order to enhance the shareholders' value.

The Disposals are consistent with the aforesaid business strategy. The Board is of the view that it is difficult to predict any turnaround of the Coal Upgrading Business in the near future in the absence of a solid production and marketing timetable and the Board does not foresee any possible use of the Coal Upgrading Plant for any other income generating activities for the Group (for reasons stated in the paragraph "Suspension of the Coal Upgrading Business" under the section headed "Information of the Disposal Companies" above). In addition, given the weakened financial and net current liabilities position of the Disposal Companies, the Board concerns that if the business and financial position of the Disposal Companies continue to deteriorate, it will create further financial burden to the Group and limit the Group's ability to develop its remaining business and to diversify into other promising business, if such opportunities arise.

Moreover, the Disposals offer an opportunity for the Group to realise and divest the Group's interests in the current inactive Coal Upgrading Business with a view to mitigate the risks associated with possible prolonged suspension of operation and enable the Group to reallocate the financial resources for its existing business of the Remaining Group and future business opportunities. The Board expects that the Remaining Group will be in healthy financial position and will recover from a net current liabilities position to a net current assets position immediately after Completion.

Based on the factors mentioned above, the Board (including the independent non-executive Directors) is of the view that the terms of the SPAs are fair and reasonable and are on normal commercial terms and that the Disposals are in the interest of the Company and the Shareholders as a whole.

FINANCIAL EFFECT OF THE DISPOSALS

Following completion of the Disposals, each of Wealthy Tone and Shanghai Wealthy will cease to hold any equity interest in Xilinhaote City Guochuan and Wealth Business will cease to hold any equity interest in Beijing Guochuan. Hence, each of the Disposal Companies will cease to be a subsidiary of the Company and the financial information of the Disposal Companies will no longer be consolidated into the Group's financial statements.

It is expected that, the Company will recognise a net gain from the Disposals of approximately HK\$28.3 million, which is estimated based on the consideration of RMB8 million (equivalent to approximately HK\$9 million), adding back the unaudited combined net liabilities of the Disposal Companies as at 30 June 2018 of approximately HK\$31.6 million (net of Inter-group Debts) and less the estimated transaction cost of approximately HK\$0.5 million, the non-controlling interests and exchange reserve of approximately HK\$7.2 million and HK\$4.6 million as at 30 June 2018, respectively. The actual financial impact in relation to the Disposals will be assessed after completion of the Disposals which will be subject to audit.

The net proceeds from the Disposals, after deducting expenses attributable to the Disposals of approximately HK\$500,000, are estimated to be approximately HK\$8.5 million, and are expected to be applied to the partial repayment of the outstanding loans incurred during the development of the Coal Upgrading Business of approximately HK\$14.0 million in aggregate due by the Company and Shanghai Wealthy to the late Mr. Xu as at the date of this announcement.

IMPLICATIONS UNDER THE LISTING RULES

Pursuant to Chapter 14 of the Listing Rules, as the highest percentage ratio (as defined in Rule 14.07 of the Listing Rules) in respect of the Disposals exceeds 5% but is less than 25%, the Disposals constitute a discloseable transaction for the Company.

The Purchaser is owned as to 90% by Mr. Xu Changzheng and as to 10% by Mr. Ye Shaofeng. Mr. Xu Changzheng is a cousin of the late Mr. Xu, who was a Director in the past 12-month period immediately before the date of this announcement. Accordingly, the Purchaser is a deemed connected person of the Company under Rule 14A.21(1)(a) of the Listing Rules. As such, the Disposals also constitute connected transactions for the Company. As the applicable highest percentage ratio calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Disposals exceeds 5% but is less than 25% and the total consideration of the Disposals is less than HK\$10,000,000, the Disposals are subject to the reporting and announcement requirements, but exempted from shareholders' approval requirement under Chapter 14A of the Listing Rules.

None of the Directors is considered to have a material interest in the Disposals and therefore no Director was required to abstain from voting on the Board resolution approving the SPAs and the Disposals.

DEFINITIONS

In this announcement, the following expressions shall have the meanings set out below unless the context requires otherwise:

“Beijing Guochuan”	Beijing Guochuan New Energy Development Co., Ltd* (北京國傳新能源開發有限公司), a company incorporated in the PRC and an indirect wholly-owned subsidiary of the Company;
“Beijing Guochuan Group”	Beijing Guochuan and its direct and non-wholly owned subsidiary Changchun Guochuan;
“BG Sale Shares”	the entire issued share capital of Beijing Guochuan;
“BG SPA”	the sale and purchase agreement dated 30 November 2018 entered into between Wealth Business and the Purchaser in relation to the sale and purchase of the BG Sales Shares;
“Board”	the board of Directors;
“Business Day”	a day (other than a Saturday, Sunday and statutory holiday) on which the banks in PRC are generally open for business during usual business hours;
“Changchun Guochuan”	Changchun Guochuan Energy and Technology Development Company Limited* (長春國傳能源科技開發有限公司), a company incorporated in the PRC and an 80% indirect non-wholly owned subsidiary of the Company;
“Company”	Grand Ocean Advanced Resources Company Limited, a company incorporated in Cayman Islands with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 65);
“Completion”	Completion of the Disposals pursuant to the SPAs;
“Conditions”	the conditions set out under the section headed “Conditions Precedent to the Disposals” in this announcement;

“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Disposal Companies”	Xilinhaote City Guochuan and Beijing Guochuan Group;
“Disposals”	the sale of the XCG Sale Shares and BG Sale Shares by the respective Vendors to the Purchaser pursuant to the terms and conditions set out in the XCG SPA and BG SPA;
“Equity Transfer Procedures”	the relevant procedures pursuant to the applicable laws and the requirements of the relevant governmental authorities in respect of the Disposals, including but not limited to the registration with the relevant Administration for Industry and Commerce in the PRC of the Disposals and obtaining a new business licence;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Inter-group Debts”	all amount of net debts (if any) owed by the Disposal Companies to the Remaining Group from time to time;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Mr. Xu”	Mr. Xu Bin, a former Director who passed away on 12 June 2018;
“PRC”	the People’s Republic of China which for the purpose of this announcement, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
“Outstanding Liabilities”	the outstanding liabilities (net of the Inter-group Debts) of Beijing Guochuan and Xilinhaote City Guochuan as at 31 October 2018;

“Purchaser”	Shenzhen Yuhai Investment Co., Ltd* (深圳市鈺海投資有限公司), a company incorporated in the PRC, being a connected person of the Company;
“Remaining Group”	the Group immediately after Completion;
“Shanghai Wealthy”	Shanghai Wealthy Ocean International Trading Co., Ltd* (上海弘財國際貿易有限公司), a company incorporated in Hong Kong with limited liability and holds 37.5% of the share capital of Xilinhaote City Guochuan as at the date of this announcement;
“Share(s)”	ordinary share(s) of par value of HK\$0.01 each in the Share capital of the Company;
“Shareholder(s)”	holder(s) of issued Share(s);
“SPAs”	collectively, XCG SPA and BG SPA;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Vendors”	collectively, Wealthy Tone, Shanghai Wealthy and Wealth Business and each a “Vendor”;
“Wealth Business”	Wealth Business Investment Limited (百業投資有限公司), a company incorporated in Hong Kong with limited liability and holds the entire share capital of Beijing Guochuan as at the date of this announcement;
“Wealthy Tone”	Wealthy Tone Worldwide Limited (富通環球有限公司), a company incorporated in Hong Kong with limited liability and holds 62.5% of the share capital of Xilinhaote City Guochuan as at the date of this announcement;
“XCG Sale Shares”	the entire issued share capital of Xilinhaote City Guochuan;

“XCG SPA”	the sale and purchase agreement dated 30 November 2018 entered into among Wealthy Tone, Shanghai Wealthy and the Purchaser in relation to the sale and purchase of the XCG Sales Shares;
“Xilinhaote City Guochuan”	Xilinhaote City Guochuan Energy Technology Development Co. Ltd.* (錫林浩特市國傳能源科技開發有限公司), a company incorporated in the PRC and an indirect wholly-owned subsidiary of the Company; and
“%”	per cent.

* *for identification purpose only.*

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

Hong Kong, 30 November 2018

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Ng Ying Kit, Ms. Huo Lijie and Mr. Ren Hang; and three independent non-executive Directors, namely Mr. Kwok Chi Shing, Mr. Huang Shao Ru and Mr. Chang Xuejun.