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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 FORMATION OF A JOINT VENTURE COMPANY

Reference is made to the announcement of the Company dated 23 September 2019 in relation to, the signing of a non-binding strategic co-operation agreement by the Company, Ecostar and Hope Star on 23 September 2019 (the “**Strategic Co-operation Agreement**”). On 8 November 2019 (after trading hours), the Company, through its indirect wholly-owned subsidiary, Glory Skytop, entered into the JV Agreement with Ecostar and Hope Star, pursuant to which the JV Parties agreed to establish the JVC for the purpose of developing environmental-friendly tyre recycling plants in the PRC (the “**Project**”) with a registered capital of US\$10 million (equivalent to approximately HK\$78.4 million). Glory Skytop, Ecostar and Hope Star shall contribute US\$5.1 million, US\$2.0 million and US\$2.9 million (equivalent to approximately HK\$40.0 million, HK\$15.7 million and HK\$22.7 million), respectively.

LISTING RULES IMPLICATIONS

As certain applicable percentage ratios (as defined in the Listing Rules) in respect of the transactions contemplated under the JV Agreement are more than 5% but less than 25%, the entering into of the JV Agreement and completion of the transactions thereunder constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to announcement and reporting requirements under the Listing Rules.

Reference is made to the announcement of the Company dated 23 September 2019 in relation to, the signing of a non-binding strategic co-operation agreement by the Company, Ecostar and Hope Star on 23 September 2019. The Board is pleased to announce that, on 8 November 2019 (after trading hours), the Company, through its indirect wholly-owned subsidiary, Glory Skytop, entered into the JV Agreement with Ecostar and Hope Star. Pursuant to the JV Agreement, the JV Parties agreed to establish the JVC for the purpose of the Project.

Principal Terms of the JV Agreement

Date 8 November 2019

Parties

- (1) Glory Skytop
- (2) Ecostar
- (3) Hope Star

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Ecostar and Hope Star and their ultimate beneficial owners are Independent Third Parties.

Name of the JVC Qingdao Xinghua Resources Holding Company Limited
(青島星華資源控股有限公司)

Registered capital of the JVC US\$10 million (equivalent to approximately HK\$78.4 million)

Capital contribution

- (1) Glory Skytop shall contribute US\$5.1 million (equivalent to approximately HK\$40.0 million) by way of cash, payable before 31 December 2019, representing 51% of the total registered capital of the JVC.
- (2) Ecostar shall contribute US\$2.0 million (equivalent to approximately HK\$15.7 million) by way of cash, payable on or before the expiry of a 3-year period from the establishment of the JVC (the "**Capital Contribution Period**"), representing 20% of the total registered capital of the JVC. Glory Skytop and Hope Star agree that if the JV Parties cannot fully comply with the terms in the Strategic Co-operation Agreement by the end of the Capital Contribution Period, Ecostar shall fulfill its capital contribution obligation through extension of the Capital Contribution Period or other means without incurring any obligations other than as noted in the JV Agreement.

- (3) Hope Star shall contribute US\$2.9 million (equivalent to approximately HK\$22.7 million) by way of cash, payable before 31 December 2019, representing 29% of the total registered capital of the JVC.

The amount of contribution of the registered capital to be made by the JV Parties was arrived at after arm's length negotiations between the JV Parties having taken into account the expected capital requirements of the JVC.

GOVERNANCE OF THE JV COMPANY

Pursuant to the JV Agreement, the highest authority of the JVC is the JVC Board. The JVC Board shall consist of 4 directors, of which Glory Skytop, Ecostar and Hope Star shall be entitled to designate 2, 1 and 1 director(s) respectively. The directors shall be appointed for a term of four years, and shall be eligible for re-election. The Chairman (who shall also be the authorised representative of the JVC) and the Vice Chairman of the JVC Board shall be designated by Glory Skytop and Ecostar respectively.

RESTRICTION ON EQUITY TRANSFERS AND ENCUMBRANCES

A JV Party may not sell, transfer, assign, encumber, charge, pledge or otherwise transfer or dispose of its equity interests in the JVC to a third party without the prior written consent of the other JV Parties.

If a JV Party (the "**Transferring JV Party**") intends to transfer, sell or otherwise dispose of ("**Transfer**") all or any portion of the equity interests it holds in the JVC (the "**Offered Interests**") to a third party, the Transferring JV Party shall notify the other two JV Parties (the "**Non-Transferring JV Party(ies)**") in writing (the "**Transfer Notice**", which shall contain the purchase price, identity of the third party purchaser, and other material terms) and obtain their prior written consents. The remaining two JV Parties shall have a right to purchase the Offered Interests on the same terms as those offered to the third party (the "**Right of First Refusal**"). The Non-Transferring JV Parties shall exercise their Right of First Refusal by notifying the Transferring JV Party of its intention to purchase all or any portion of the Offered Interests within thirty days after receipt of the Transfer Notice. If any Non-Transferring JV Party fails to notify the Transferring Party of its intention to purchase such Offered Interests during such thirty-day period, it shall be deemed to have relinquished its Right of First Refusal to purchase the Offered Interests and agree to the Transfer. The Non-Transferring JV Parties shall

be entitled to purchase all or any portion of the Offered Interests on terms no less favourable than the terms in the Transfer Notice. In the event that any of the Non-Transferring JV Parties exercises its Right of First Refusal to purchase all or any portion of the Offered Interests by notifying the Transferring JV Party of its intention within the thirty-day period, all the JV Parties shall procure such transfer to the Non-Transferring JV Party being approved at the board meeting of the JVC.

REASONS FOR AND BENEFITS OF FORMATION OF THE JVC

The Company is principally engaged in the production and sale of coal business and has been actively seeking to expand its business scope and extending its resources into sectors offering higher growth momentum, such as technology-related sectors.

Ecostar possesses extensive knowledge in tyre recycling and has independently developed patented technologies to achieve the recycling of tyres with minimal pollution and emission. It aims to provide environmental-friendly solutions to global clients in relation to the recycling of tyres. Upon the establishment of the JVC, IPR Agreement(s) shall be executed for the use of certain patented technologies of Ecostar or its affiliated company by the Project Companies.

The Project will be a response to the call for energy conservation, emission reduction and tackling the climate change from the PRC government, and will also allow the Company to tap into the environmental-friendly recycling technology sector, so as to expand the Company's business scope.

The Directors are of the view that the JV Agreement and the transaction contemplated thereunder are on normal commercial terms, fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

INFORMATION OF THE JV PARTIES

Glory Skytop, a company incorporated in Hong Kong with limited liability and the indirect wholly-owned subsidiary of the Company, is principally engaged in investment holding.

Ecostar is a PRC company in which an equity interest of 60% is held by a PRC state-owned enterprise controlled by Qingdao State Owned Asset Management Bureau for the purpose of holding certain intellectual property rights, including the patents of the technology that recycles rubber using environmental friendly process with minimal pollution and emission.

Hope Star, a company incorporated in Hong Kong with limited liability, is principally engaged in investment holding.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined in the Listing Rules) calculated under the Listing Rules are more than 5% but less than 25%, the formation of the JVC contemplated under the JV Agreement constitute a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Board”	the board of Directors of the Company;
“Company”	Grand Ocean Advanced Resources Company Limited (弘海高新資源有限公司), a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed and traded on the Main Board of the Stock Exchange (Stock code: 65);
“connected person(s)”	has same meaning ascribed to it under the Listing Rules;
“Directors”	the director(s) of the Company;
“Ecostar”	Ecostar (Qingdao) Holdings Corporation (伊克斯達(青島)控股有限公司), a company incorporated in the PRC with limited liability;
“Glory Skytop”	Glory Skytop International Limited (天榮國際有限公司), a company incorporated in Hong Kong with limited liability;
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong;
“Hong Kong”	Hong Kong Special Administrative Region of the PRC;
“Hope Star”	Hope Star (Hong Kong) International Limited (豪星(香港)國際有限公司), a company incorporated in Hong Kong with limited liability;

“Independent Third Party(ies)”	the independent third party(ies) who is/are, to the best of the Directors’ knowledge, information and belief after having made all reasonable enquiries, independent of and not connected with the Company and the connected person(s) of the Company;
“IPR Agreement(s)”	the agreement(s) to be entered into between the JVC and/or the Project Companies and Ecostar or its affiliated company in relation to the grant of right to use certain intellectual property rights;
“JV Agreement”	the joint venture agreement entered into among the JV Parties dated 8 November 2019;
“JVC”	Qingdao Xinghua Resources Holding Company Limited (青島星華資源控股有限公司), a joint venture company to be established in accordance with the PRC laws by the JV Parties pursuant to the JV Agreement;
“JVC Board”	the board of directors of JVC;
“JV Parties”	Glory Skytop, Ecostar and Hope Star, and each a “JV Party”;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended and supplemented from time to time;
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, Taiwan and the Macau Special Administrative Region;
“Project Companies”	the companies to be established by the JVC for the Project, each a wholly-owned subsidiary of the JVC;

“Shares”	ordinary share(s) with par value of HK\$0.01 each in the share capital of the Company;
“Shareholder(s)”	holder(s) of the Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“US\$”	the lawful currency of the United States of America; and
“%”	per cent.

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

Hong Kong, 8 November 2019

As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Ng Ying Kit and Mr. Ren Hang; and two independent non-executive Directors, namely Mr. Kwok Chi Shing and Mr. Chang Xuejun.

For illustrative purpose of this announcement and unless otherwise specified, conversion of US\$ into HK\$ is based on the exchange rate of US\$1.00 = HK\$7.8425.