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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)**

### **PROFIT WARNING AND BUSINESS UPDATE**

This announcement is made by Grand Ocean Advanced Resources Company Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

#### **PROFIT WARNING**

The board of directors of the Company (the “**Board**”) wishes to inform the shareholders of the Company (the “**Shareholders**”) and potential investors that based on the preliminary assessment of the unaudited consolidated management accounts of the Group for the six months ended 30 June 2020 (the “**Unaudited Management Accounts**”) and assessment of the latest information currently available to the Board, the Group is expected to record a decrease in revenue and net loss attributable to the owners of the Company for the six months ended 30 June 2020 as compared to the net profit attributable to the owners of the Company for the last corresponding period in 2019. Such loss for the six months ended 30 June 2020 was mainly attributable to the significant decrease in coal production output due to the adverse impacts brought from the COVID-19 pandemic, which caused a temporary suspension of our coal production for approximately two months in the first half of 2020.

## **BUSINESS UPDATE**

Further to the above, the management of Inner Mongolia Yuan Yuan Energy Group Jinyuanli Underground Mining Company Limited (“**Inner Mongolia Jinyuanli**”), an indirect non-wholly owned subsidiary of the Company, reported the possible decrease in the annual production capacity of the Group’s Inner Mongolia Coal Mine 958 (the “**Inner Mongolia Coal Mine 958**”) due to aggravating fatigue of the mining infrastructure and malfunction of certain major machineries since its development in 2009, including but not limited to the coal shearer, excavators, conveyor belts and shielding frames.

The management of Inner Mongolia Jinyuanli reported that several of the Inner Mongolia Coal Mine 958’s maintenance service providers for mining infrastructure and machineries were closed amid the outbreak of COVID-19 in China since early 2020, which negatively affected the machineries performances of the mining activities and the overall productivity. As such, the Inner Mongolia Coal Mine 958 is presently not able to operate at its optimal efficiency, it is expected that the overall annual coal production capacity of the Group’s Inner Mongolia Coal Mine 958 will decrease moderately in accordance with the existing status. After usage of around 10 years, the management of Inner Mongolia Jinyuanli is evaluating the required capital expenditures and time to rebuild and/or replace these infrastructures and machineries to restore the annual production capacity to 1.2 million tonnes.

The management of the Group is conducting an impairment assessment of property, plant and equipment and other intangible assets as at 30 June 2020. Considering the possible decrease in annual coal production capacity and additional capital expenditures for mining infrastructure and major machineries, as well as the uncertainties brought by the COVID-19 pandemic, it is expected that the recoverable amount of the property, plant and equipment and other intangible assets would decrease and thus the Group would record an impairment loss against the property, plant and equipment and other intangible assets. As at the date of this announcement, the exact amount of such impairment loss is still subject to further review of the management of the Group and the independent professional valuer engaged by the Company.

As the Company is still in the process of finalising the results of the Group for the six months ended 30 June 2020, the information contained in this announcement is only based on the Board’s preliminary assessment on the Unaudited Management Accounts and other information currently available to the Company and is not based on any financial data or information that has been audited or reviewed by the Company’s independent auditor. The results announcement of the Group for the six months ended 30 June 2020 is expected to be published by the Company prior to the end of August 2020.

**Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.**

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

Hong Kong, 30 July 2020

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