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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 DISPOSAL OF EQUITY INTEREST IN THE TARGET COMPANY**

**Financial adviser to the Company**



**Euto Capital Partners Limited**

#### **THE DISPOSAL**

The Board is pleased to announce that on 9 February 2021 (after trading hours), Glory Skytop (an indirect wholly-owned subsidiary of the Company) as the Vendor and the Purchaser entered into the Sale and Purchase Agreement, pursuant to which Glory Skytop has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase all of Glory Skytop's equity interest held in the Target Company, representing 51% of the total equity interest of the Target Company at the Consideration.

Upon Completion, the Group will cease to hold any equity interest in each member of the Target Group and each member of the Target Group will cease to be a subsidiary of the Company. Accordingly, the financial results of the Target Group will cease to be consolidated into the consolidated financial statements of the Group.

#### **LISTING RULES IMPLICATIONS**

Since the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the Disposal exceeds 5% but falls below 25%, the Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

**The Completion is subject to the fulfillment of the conditions precedent set out in the Sale and Purchase Agreement and therefore may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares and other securities of the Company.**

## **INTRODUCTION**

On 9 February 2021, Glory Skytop (an indirect wholly-owned subsidiary of the Company) as the Vendor and the Purchaser entered into the Sale and Purchase Agreement, pursuant to which Glory Skytop has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase all of Glory Skytop's equity interest held in the Target Company, representing 51% of the total equity interest in the Target Company at the Consideration.

## **THE SALE AND PURCHASE AGREEMENT**

The principal terms of the Sale and Purchase Agreement are summarised as below:

**Date:** 9 February 2021

**Parties:** (1) Glory Skytop as the Vendor; and  
(2) the Purchaser.

To the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner, Mr. Gu Jixiang\* (顧吉祥先生), are third parties independent of the Company and its connected persons (as defined under the Listing Rules).

### **Subject matter**

Pursuant to the Sale and Purchase Agreement, Glory Skytop has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase all of Glory Skytop's equity interest held in the Target Company, representing 51% of the total equity interest in the Target Company.

### **Conditions**

The Completion is conditional upon, among other things, the fulfillment of the following conditions precedent on or before the Long Stop Date:

- (i) the waiver of pre-emptive rights, which was granted under the JV Agreement, over the equity interests to be disposed by Glory Skytop to the Purchaser under the Sale and Purchase Agreement by each of Ecostar and Hope Star; and

- (ii) (if applicable) all necessary approvals, consents, exemptions and/or confirmations of no objection, from or by relevant government or regulatory body or authority (including but not limited to the Stock Exchange and non-PRC foreign exchange authorities), whether on a state, provincial, municipal or local level, in relation to the transaction contemplated under the Sale and Purchase Agreement, having been obtained by the Purchaser and Glory Skytop and such approvals, consents, exemptions and/or confirmations should be valid up to the Completion Date.

All the above conditions precedent cannot be waived. In the event any of the above conditions precedent have not been fulfilled on or before the Long Stop Date, all rights and obligations of the parties to the Sale and Purchase Agreement shall cease and terminate, save and except certain provisions in connection with any antecedent breach of the Sale and Purchase Agreement which shall remain full force and effect, and no party to the Sale and Purchase Agreement shall have any claim against the other save for claim (if any) in respect of such continuing provision or any antecedent breach thereof.

### **Consideration**

Pursuant to the Sale and Purchase Agreement, the Consideration is US\$5.1 million (equivalent to approximately HK\$39.5 million), which shall be settled in cash by the Purchaser to Glory Skytop in the following manner:

- (i) the monetary amount denominated in RMB equivalent to US\$5.1 million (the “**Earnest Money**”) will be deposited by the Purchaser into a bank account of an indirect wholly-owned subsidiary of the Company in the PRC designated by Glory Skytop upon the date of completion of necessary approval(s) or filing(s) relating to the industrial and commercial registration (工商登記) in respect of the Disposal; and
- (ii) the Earnest Money shall be released to the Purchaser upon (a) the Purchaser having obtained the necessary approval(s) or completed the filing(s) with relevant foreign exchange authorities of the PRC in connection with the funds to be remitted by the Purchaser to Glory Skytop regarding the payment of the Consideration (the “**Funds**”); and (b) the Purchaser, within two business days upon receiving the returned Earnest Money, remit the Funds to Glory Skytop.

In the event if the Purchaser fails to obtain the necessary approval with respect to the remittance of the Funds, Glory Skytop will continue to custody the Earnest Money until the parties to the Sale and Purchase Agreement could agree on other payment manner.

The Consideration was determined after arm's length negotiations based on normal commercial terms among the parties with reference to: (i) the paid-up registered capital of US\$5.1 million (approximately HK\$39.5 million) invested by the Group in the Target Company by end of 2019; (ii) the unaudited consolidated net book value of the Target Group of approximately HK\$62.2 million (comprised approximately HK\$61.8 million cash) as at 31 December 2020 and the share apportioned to the Group; and (iii) the current business status of the Target Group as stated in the section headed "INFORMATION OF THE TARGET GROUP". The Board is of the view that the Consideration is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

## **Completion**

The Completion shall take place on the Completion Date.

Upon the Completion, the Group will cease to hold any equity interest in each member of the Target Group and each member of the Target Group will cease to be a subsidiary of the Company. Accordingly, the financial results of the Target Group will cease to be consolidated into the consolidated financial statements of the Group.

## **INFORMATION OF THE TARGET GROUP**

The Target Company is a joint venture company established in the PRC in November 2019 for the purpose of developing environmental-friendly tyre recycling plants in the PRC. As at the date of this announcement, the Target Company is owned as to: (i) 51% by Glory Skytop; (ii) 20% by Ecostar; and (iii) 29% by Hope Star, whereas Ecostar has yet to contribute their portion of registered capital in the amount of US\$2 million as at the date of this announcement.

The Target Company has two wholly-owned subsidiaries established in the PRC, namely: (i) Qingdao Xinghua Recycle Economic Company Limited\* (青島星華循環經濟有限公司) with a paid-up registered capital of RMB10,000,000; and (ii) Qingdao Wester Smart Equipment Research and Design Institute Company Limited\* (青島韋斯泰智能裝備研究設計院有限公司) with an unpaid registered capital of RMB1,000,000.

As at the date of this announcement, each member of the Target Group has yet to commence any operation or development of tyre recycling plants in the PRC, hence, no revenue has been generated by the Target Group since its establishment in November 2019.

## FINANCIAL INFORMATION OF THE TARGET GROUP

Set out below is the summary of the unaudited consolidated financial information of the Target Group for the two years ended 31 December 2019 and 2020 respectively as extracted from the unaudited consolidated financial statements of the Target Company for the two years ended 31 December 2019 and 2020 prepared in accordance with the PRC accounting standard:

|                            | For the year ended |             |
|----------------------------|--------------------|-------------|
|                            | 31 December        |             |
|                            | 2019               | 2020        |
|                            | HK\$'000           | HK\$'000    |
|                            | (unaudited)        | (unaudited) |
| Revenue                    | –                  | –           |
| Net loss before income tax | –                  | 4,507       |
| Net loss after income tax  | –                  | 4,507       |

The unaudited consolidated net assets of the Target Group as at 31 December 2019 and 2020 were approximately HK\$62,826,000 and HK\$62,241,000 respectively. The assets of the Target Group comprised substantially cash in an amount of approximately HK\$61,823,000 as at 31 December 2020 contributed by the Group and Hope Star by end of 2019.

## INFORMATION OF THE COMPANY AND THE VENDOR

The Company is an investment holding company and the Group is principally engaged in the production and sale of coal in the PRC.

Glory Skytop, being the Vendor under the Sale and Purchase Agreement, is an investment holding company incorporated in Hong Kong with limited liability. As at the date of this announcement, Glory Skytop is an indirect wholly-owned subsidiary of the Company.

## INFORMATION OF THE PURCHASER

The Purchaser is a company established in the PRC with limited liability and is principally engaged in investment holding in the PRC. As at the date of this announcement, the Purchaser is owned as to: (i) 99% by Shandong Xinminghai Trading Company Limited\* (山東新明海貿易有限公司); and (ii) 1% by Mr. Gu Jixiang (顧吉祥先生). Shandong Xinminghai Trading Company Limited\* (山東新明海貿易有限公司) is in turn wholly owned by Mr. Gu Jixiang (顧吉祥先生).

To the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner are third parties independent of the Company and its connected persons (as defined under the Listing Rules).

## **REASONS FOR AND BENEFITS OF THE DISPOSAL**

The Target Group is principally engaged in developing environmental-friendly tyre recycling plants in the PRC. Since the establishment of the Target Company in November 2019, the management of the Target Company has been engaged in negotiations with local government authorities in connection with the feasibility of the development of an environmental-friendly tyre recycling plant (the “**Tyre Recycling Plant**”) in the China (Shandong) Pilot Free Trade Zone (中國(山東)自由貿易試驗區).

Due to the outbreak of COVID-19 pandemic since January 2020, the development progress has been considerably slower than expected to formulating a concrete development plan for the Tyre Recycling Plant. Furthermore, it is anticipated by the Directors that extensive financings would be required for the ongoing capital investments for the Tyre Recycling Plant before a positive return could be channeled to the Group in short to medium term. As at the date of this announcement, the Target Group has yet to commence any operations or developments of the Tyre Recycling Plant.

As such, the Directors consider that it is an opportune time for the Group to re-assess the Group’s investments in the Target Group in view of the potential capital investments to be required in developing the Tyre Recycling Plant and the prolonged delay in the project development as a result of the COVID-19 outbreak.

In light of the above, and in the absence of reassuring business prospects of the Target Group at the time being, the Board is of the view that the Disposal will enable the Group to realise its investment in the Target Group and improve its liquidity as well as strengthening its financial position. As such, all the Directors are of the view that the terms and conditions under the Sale and Purchase Agreement are fair and reasonable, and the Disposal is in the interests of the Company and the Shareholders as a whole.

## **FINANCIAL EFFECT OF THE DISPOSAL AND USE OF PROCEEDS**

Based on the Consideration of US\$5.1 million (approximately HK\$39.5 million), the Group is expected to recognise a net gain of approximately HK\$1.7 million upon Completion. Such potential gain represents the premium of the Consideration of US\$5.1 million (approximately HK\$39.5 million) over the adjusted unaudited net book value of the Target Group of approximately HK\$37.7 million attributable to the Group as at 31 December 2020, and after deducting the estimated costs to be incurred in connection with the Disposal in the amount of approximately HK\$0.1 million.

Shareholders should note that the above figures are for illustrative purpose only. The actual amount of gain or loss as a result of the Disposal to be recorded by the Group will be subject to the review and final audit by the auditors of the Company.

The Group intends to use the net proceeds from the Disposal as general working capital and future business opportunities with an aim to provide better return to the Shareholders.

## **LISTING RULES IMPLICATIONS**

Since the highest applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Disposal exceeds 5% but falls below 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 under Chapter 14 of the Listing Rules.

**The Completion is subject to the fulfillment of the conditions precedent set out in the Sale and Purchase Agreement and therefore may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares and other securities of the Company.**

## **DEFINITIONS**

In this announcement, unless the context requires otherwise, the following expressions 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); |
| “Completion”      | the completion of the Disposal pursuant to the terms of the Sale and Purchase Agreement;   |
| “Completion Date” | the date on which the Completion shall take place, upon which the Consideration shall be settled by the Purchaser to Glory Skytop in full;   |

|                                |  |
|--------------------------------|--|
| “connected person”             | has the meaning ascribed to it in the Listing Rules;   |
| “Consideration”                | US\$5.1 million (approximately HK\$39.5 million), being the consideration for the Disposal payable by the Purchaser to Glory Skytop;                               |
| “Director(s)”                  | the director(s) of the Company;  |
| “Disposal”                     | the disposal of all of Glory Skytop’s equity interest in the Target Company to the Purchaser, representing 51% of the total equity interest in the Target 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” or the “Vendor” | Glory Skytop International Limited (天榮國際有限公司), a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company;  |
| “Group”                        | the Company and its subsidiaries;  |
| “HK\$”                         | Hong Kong dollars, the lawful currency of Hong Kong;   |
| “Hong Kong”                    | the 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;   |
| “JV Agreement”                 | the joint venture agreement entered into among Glory Skytop, Ecostar and Hope Star dated 8 November 2019;  |
| “Listing Rules”                | the Rules Governing the Listing of Securities on the Stock Exchange;   |



|                               |  |
|-------------------------------|--|
| “Long Stop Date”              | 60 days after signing of the Sale and Purchase Agreement (including the date of the Sale and Purchase Agreement) or such other date as shall be agreed between the Purchaser and the Vendor to the Sale and Purchase Agreement, whichever later; |
| “Target Company”              | Qingdao Xinghua Resources Holding Company Limited* (青島星華資源控股有限公司), a joint venture company established in accordance with the PRC laws by Glory Skytop, Ecostar and Hope Star;   |
| “Target Group”                | the Target Company and its wholly-owned subsidiaries, including Qingdao Xinghua Recycle Economic Company Limited* (青島星華循環經濟有限公司) and Qingdao Wester Smart Equipment Research and Design Institute Company Limited* (青島韋斯泰智能裝備研究設計院有限公司);         |
| “PRC”                         | the People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region and Taiwan;   |
| “Purchaser”                   | Qingdao Dongyuanhai Investment Holding Company Limited* (青島東遠海投資控股有限公司), a company incorporated in the PRC with limited liability;   |
| “RMB”                         | Renminbi, the lawful currency of the PRC;  |
| “Sale and Purchase Agreement” | the sale and purchase agreement dated 9 February 2021 entered into between the Vendor and the Purchaser in respect of the Disposal;  |
| “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 the Share(s);   |
| “Stock Exchange”              | the Stock Exchange of Hong Kong Limited;   |

“US\$” US dollars, 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, 9 February 2021

*As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Ng Ying Kit and Mr. Tao Ye; a non-executive Director, namely Mr. Zhou Hongliang; and three independent non-executive Directors, namely Mr. Lee Wai Ming, Mr. Chang Xuejun and Mr. Ho Man.*

*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\$7.753.*

\* *For identification purpose only*