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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)**

### **ISSUE OF CONVERTIBLE BONDS UNDER GENERAL MANDATE**

On 21 June 2022 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber, pursuant to which the Company has conditionally agreed to issue, and the Subscriber has conditionally agreed to subscribe for, the Convertible Bonds in the aggregate principal amount of HK\$40,000,000.

Assuming the conversion rights attaching to the Convertible Bonds are exercised in full at the initial Conversion Price of approximately HK\$0.1818 per Conversion Share, a maximum of 220,000,000 Conversion Shares will be allotted and issued, representing (i) approximately 14.63% of the total issued shares of the Company at the date of this announcement, and (ii) approximately 12.76% of the issued shares of the Company as to be enlarged by the allotment and issue of the Conversion Shares.

The gross proceeds from the Subscription will be HK\$40,000,000 and the net proceeds will be approximately HK\$39,800,000 (after deduction of expenses of the Subscription). The Company intends to use the net proceeds (i) to further enhance the Group's mining and mineral related businesses and (ii) for general working capital of the Company.

The Conversion Shares, upon issue, shall rank pari passu in all respects with the Shares then in issue.

**Completion of the Subscription Agreement is subject to the satisfaction, or waiver, of the conditions precedent therein. In addition, the Subscription Agreement may or may not be completed and the issue of the Convertible Bonds may or may not proceed. Shareholders and prospective investors are reminded to exercise caution when dealing in the Shares.**

On 21 June 2022 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber, pursuant to which the Company has conditionally agreed to issue, and the Subscriber has conditionally agreed to subscribe, for the Convertible Bonds in the aggregate principal amount of HK\$40,000,000.

Details of the terms of the Subscription Agreement and the Convertible Bonds are summarized below.

## **THE SUBSCRIPTION AGREEMENT**

### **Date**

21 June 2022

### **Parties**

- (1) the Company as the issuer; and
- (2) the Subscriber.

The Subscriber is a company incorporated in the British Virgin Islands with limited liability. To the best of the knowledge, information and belief of the Directors, and having made all reasonable enquiries, the Subscriber and its 100% ultimate beneficial owner are Independent Third Parties.

## Conditions Precedent

Completion of the Subscription Agreement is conditional upon the fulfilment or waiver (where applicable) of the followings:

- (a) the warranties of the Company as the issuer remaining true, accurate and correct in all material aspects;
- (b) all issued Shares remain listed on, and not having been withdrawn from, the Stock Exchange and the Stock Exchange not having indicated that it will object to, suspend or cancel such listing and there being no events or circumstances existing based on which the Stock Exchange could reasonably be expected to raise such objection, suspension or cancellation;
- (c) listing of, and permission to deal in, all of the Conversion Shares upon conversion of the Convertible Bonds having been granted by the Listing Committee of the Stock Exchange (either unconditionally or if subject to conditions, such conditions being reasonably acceptable to the Subscriber and if required by the Stock Exchange for it to be fulfilled before Completion, such conditions being fulfilled or satisfied before Completion) and such listing and permission remaining in full force and effect and not subsequently being revoked;
- (d) there being no event existing or having occurred and no condition being in existence which would (had any Convertible Bonds already been issued) constitute an event of default as defined in the Subscription Agreement;
- (e) all obligations under the Bond Agreements required to be performed by the Company on or before the Completion Date having been performed, and there being no breach of any provision of any Bond Agreement by the Company;
- (f) since the date of the Subscription Agreement, there having been, in the reasonable opinion of the Subscriber, no event or circumstance which carries a material adverse effect;
- (g) there being no injunction, restraining order or order of similar nature by an authority issued as of the Completion Date that could prevent or materially interfere with the consummation of the transactions contemplated under the Bond Agreements;

- (h) the Subscriber having been reasonably satisfied with the results of its business, commercial, legal and financial due diligence on the Group in its sole discretion;
- (i) the warranties of the Subscriber remaining true, accurate and correct in all material aspects; and
- (j) the Subscriber having performed all necessary external and internal authorisations for the execution documents and consummation of transactions under the Bond Agreements.

The conditions precedent set out above may be waived by the Subscriber at any time in writing (save for item (c), (g), (i) and (j)). If the above conditions precedent under the Subscription Agreement are not fulfilled or waived (where applicable) on or before the Long Stop Date, the Subscription Agreement shall lapse and become null and void and neither the Company nor the Subscriber shall have any claim against each other save for liabilities for any antecedent breach thereof.

### **Completion**

Completion shall take place on the Completion Date after all the conditions precedent of the Subscription Agreement have been satisfied or waived by the Subscriber in writing (where applicable). The Company shall issue the Convertible Bonds to the Subscriber at Completion.

### **Security**

The Convertible Bonds shall be secured by the following Share Charges to secure all present and future obligations and liabilities (whether actual or contingent) owing to or expressed to be owing to the Subscriber by the Company under or pursuant to the Bond Agreements:

- (i) the Company as the chargor shall enter into Share Charge I in favour of the Subscriber on the entire issued share capital of Big Wish; and
- (ii) Big Wish as the chargor shall enter into Share Charge II in favour of the Subscriber on the entire issued share capital of Golden Nice.

## **PRINCIPAL TERMS OF THE CONVERTIBLE BONDS**

The principal terms of the Convertible Bonds are summarized below:

Issuer:	the Company
Principal amount:	The aggregate principal amount of the Convertible Bonds shall be HK\$40,000,000.
Denomination:	The Convertible Bonds shall be issued in registered form and in denomination of HK\$10,000,000 each of integral multiples thereof.
Maturity Date:	The Convertible Bonds shall mature on the Maturity Date, being the calendar day immediately before the first anniversary date of the Issue Date.
Interest:	The Convertible Bonds shall bear interest at the rate of 1-year HIBOR plus 0.25% per annum from the date of issue (inclusive of such date) until the Maturity Date, payable on the Maturity Date.
Conversion Price:	The initial Conversion Price of the Convertible Bonds shall be approximately HK\$0.1818 per Conversion Share (subject to any adjustments due to any Shares consolidation, subdivision and reclassification, profit capitalization, capital distribution and rights issue, etc.), the Company may appoint its auditors in obtaining professional advice on the adjustment of the Conversion Price and the basis of the conversion in order to ensure holders of the Convertible Bonds is entitled to an equal proportion of the conversion rights.

The Conversion Price of approximately HK\$0.1818 per Conversion Share represents:

- (i) a premium of approximately 6.95% over the closing price of HK\$0.170 per Share as quoted on the Stock Exchange as at the date of the Subscription Agreement; and
- (ii) a premium of approximately 2.49% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last five (5) consecutive trading days up to and including 20 June 2022 of HK\$0.1774 per Share.

The Conversion Price was arrived at after arm's length negotiations between the Company and the Subscriber, taking into account of, among others, the recent trading performance of the Shares.

The Directors consider that the Conversion Price and the terms and conditions of the Subscription Agreement and the Convertible Bonds are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Adjustment events:

The Conversion Price shall be subject to adjustment upon the occurrence of any of the following events:

- (a) consolidation, subdivision or reclassification of the Shares;
- (b) capitalization of profits or reserves by the Company;
- (c) capital distribution by the Company;

- (d) issue of Shares to all or substantially all Shareholders as a class by way of rights, options, warrants or other rights to subscribe for, or purchase any Shares (other than options granted by the Company pursuant to its share option scheme to the respective directors and senior management), in each case at less than 95% of the current market price per Share on the last trading day preceding the date of this announcement;
- (e) issue of any Shares (other than Shares issued on the exercise of conversion rights) or grant of options, warrants or other rights to subscribe for or purchase Shares or securities convertible or exchangeable into Shares, in each case at less than 95% of the current market price per Share on the last trading day preceding the date of this announcement;
- (f) issue of any securities (other than Shares or options, warrants or other rights to subscribe for or purchase Shares) to all or substantially all Shareholders as a class, by way of rights, or the issue or grant by the Company to all or substantially all Shareholders as a class by way of rights, of any options, warrants or other rights to subscribe for or purchase or otherwise acquire, any securities; and
- (g) other events or circumstances not mentioned above which the Company determines that an adjustment (if any) should be made to the Conversion Price.

Conversion Shares:

Based on the initial Conversion Price of approximately HK\$0.1818 per Conversion Share and assuming full conversion of the Convertible Bonds at the Conversion Price, the Convertible Bonds will be convertible into 220,000,000 Conversion Shares, which represent:

- (i) approximately 14.63% of the totally issued share capital of the Company as at the date of this announcement; and

- (ii) approximately 12.76% of the totally issued share capital of the Company as to be enlarged by the allotment and issue of the Conversion Shares upon full conversion of the Convertible Bonds, assuming there is no further issue or repurchase of the Shares before the exercise of the conversion rights in full.

**Transferability:**

Subject to the terms and conditions of the Convertible Bonds, the Convertible Bonds can be transferred by the holder of the Convertible Bonds.

Any transfer of the Convertible Bonds shall be made in compliance with all applicable requirements under the Listing Rules, Takeovers Code and all applicable laws and regulations.

**Conversion Period and Restrictions:**

Subject to the terms and conditions of the Convertible Bonds, holders of the Convertible Bonds shall have the right to convert the whole or part of the principal amount of the Convertible Bonds into Conversion Shares at any time during the Conversion Period.

Notwithstanding the above, the Company is not obliged to adjust the Conversion Price or issue Shares in satisfaction of the conversion rights in breach of its obligations under the Listing Rules (including but not limited to the minimum public float requirement of the Listing Rules) or the Takeovers Code.

**Redemption:**

Any Convertible Bonds outstanding on the Maturity Date shall be redeemed by the Company subject to the terms and conditions of the Convertible Bonds.

The Convertible Bonds being redeemed or converted shall forthwith be cancelled and such Convertible Bonds may not be reissued or resold.



**Ranking:** The Convertible Bonds constitute senior, direct, unconditional, unsubordinated and secured obligations of the Company and shall at all times rank pari passu and rateably without any preference or priority among themselves. The Conversion Shares issued upon conversion of the Convertible Bonds will in all respects rank pari passu with other Shares in issue on the date of allotment and issue of such Conversion Shares.

**Voting:** The holders of the Convertible Bonds will not be entitled to attend or vote at any meetings of the Company by reason only of being the holders of the Convertible Bonds.

**Listing:** Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

No application will be made for listing of, or permission to deal in, the Convertible Bonds on the Stock Exchange or any other stock exchange.

## **INFORMATION ABOUT THE GROUP**

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

Big Wish, being the chargor of Share Charge II, is a wholly-owned subsidiary of the Company, and is the 100% holding company of Golden Nice.

## **INFORMATION ABOUT THE SUBSCRIBER**

According to the information provided by the Subscriber and to the best knowledge, information and belief of the Directors having made reasonable enquiries:

- (1) the Subscriber is a company incorporated in the British Virgin Islands with limited liability, which is principally engaged in investment holding;
- (2) as at the date of this announcement, the Subscriber and its 100% ultimate beneficial owner are Independent Third Parties; and

- (3) before entering into of the Subscription Agreements, except as disclosed above, neither the Subscribers nor their respective associates have any other interests in the Shares or any business dealings with the Group.

## **REASONS FOR ISSUANCE OF THE CONVERTIBLE BONDS ISSUE AND USE OF PROCEEDS**

The Group is principally engaged in the production and sale of coal in the PRC. The Directors consider that the raising of funds by the issuance of the Convertible Bonds is favourable to the Group as a whole considering the recent market conditions which represents an opportunity for the Company to strengthen its capital base and financial position of the Group. The Company will be able to utilise the funding raised from the issuance of the Convertible Bonds for future business needs as well as for general working capital of the Group.

The Directors consider that the issuance of the Convertible Bonds is an appropriate mean of raising additional capital of the Company since it will not have an immediate dilution effect on the shareholding of the existing Shareholders.

Subject to the completion of the Subscription, the total gross proceeds from the Subscription shall be HK\$40,000,000 and the net proceeds from the Subscription (after deduction of all relevant costs and expenses) are estimated to be approximately HK\$39,800,000.

The Company intends to use the net proceeds as follows:-

- (1) Approximately HK\$37,000,000 (representing approximately 93.0% of the net proceeds) will be used to further enhance the Group's mining and mineral related businesses; and
- (2) Approximately HK\$2,800,000 (representing not more than 7.0% of the net proceeds) will be used for general working capital of the Group.

## EFFECT OF SUBSCRIPTION ON SHAREHOLDINGS

<i>Shareholders</i>	<b>As at the date of this announcement</b>		<b>Immediately after full conversion of Convertible Bonds at the Conversion Price</b> <i>(Note 1)</i>	
	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>
Liu Chang Deng	156,154,315	10.39	156,154,315	9.06
Public	1,347,322,851	89.61	1,347,322,851	78.17
The Subscriber	0	0.00	220,000,000	12.76
Total	1,503,477,166	100	1,723,477,166	100

### *Notes:*

- (1) Assuming that the shareholding structure of the Company has not changed after the date of this announcement and upon completion and immediately after full conversion of the Convertible Bonds.

## EQUITY FUND RAISING ACTIVITIES IN THE PAST 12 MONTHS

The Company did not conduct any equity fund raising activities for the 12 months immediately before the date of this announcement.

## LISTING RULES IMPLICATIONS

By a resolution of the Shareholders passed at the annual general meeting of the Company held on 25 June 2021, the Company granted the General Mandate to the Directors to allot and issue up to 20% of the total number of Shares of the Company in issue on 25 June 2021, i.e. 1,503,477,166 Shares.

As at the date of this announcement, the Company has not utilised the General Mandate and the Directors are entitled to issue up to 300,695,433 Shares pursuant to the General Mandate.

Based on the initial Conversion Price of approximately HK\$0.1818 per Conversion Share and assuming full conversion of the Convertible Bonds, a maximum number of 220,000,000 Shares will be allotted and issued by the Company which represents approximately 14.63% of the existing issued share capital of the Company and 12.76% of the issued share capital of the Company as enlarged by the issue of Conversion Shares.

**Completion of the Subscription Agreement is subject to the satisfaction, or waiver, of the conditions precedent therein. In addition, the Subscription Agreement may or may not be completed and the issue of the Convertible Bonds may or may not proceed. Shareholders and prospective investors are reminded to exercise caution when dealing in the Shares.**

## **DEFINITIONS**

“1-year HIBOR”	the rate of interest offered on Hong Kong dollar loans by banks in the interbank market for one year. For the purpose of the Bond Agreements, 1-year HIBOR shall be calculated as the average of the rate of interest offered on Hong Kong dollar loans by banks in the interbank market for one year on the date of the Subscription Agreement and on the Maturity Date
“Big Wish”	Big Wish Group Limited, a company incorporated with limited liability in the British Virgin Islands and a wholly-owned subsidiary of the Company
“Board”	board of Directors
“Bond Agreements”	collectively, the Subscription Agreement, the Bond Certificate, the Conditions and the Share Charges
“Bond Certificate”	the definitive registered certificate given under the seal of the Company evidencing the title of the Bondholder to the Convertible Bonds it holds
“Bond Register”	the register of holders of the Convertible Bonds which shall be maintained by the Company in accordance with the Conditions
“Bondholder”	any person for the time being registered in the Bond Register as the holder of the Convertible Bonds

“Business Day”	a day other than a Saturday and Sunday on which commercial banks are opened for business in Hong Kong
“Company”	Grand Ocean Advanced Resources Company Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the subscription of the Convertible Bonds
“Completion Date”	the date of Completion, which shall be in any event no later than five Business Days after all conditions precedent of the Subscription Agreement have been fulfilled or waived (where applicable)
“Conditions”	the terms and conditions to the Convertible Bonds to be attached to the Bond Certificate substantially in the form set out in the Subscription Agreement
“Conversion Date”	the conversion date in respect of the Convertible Bonds
“Conversion Period”	any time from the Issue Date up to and including the Business Day immediately before the Maturity Date
“Conversion Price”	the price per Conversion Share at which the Conversion Shares will be issued upon exercise of the conversion rights, which is calculated as the ratio of HK\$40,000,000 divided by 220,000,000 Conversion Shares (equivalent to approximately HK\$0.1818 per Conversion Share), subject to adjustment in accordance with the terms of the Bond Certificate and the Conditions attached thereto
“Conversion Shares”	new Shares to be issued upon conversion of the Convertible Bonds
“Convertible Bonds”	the convertible bonds in the principal amount of HK\$40,000,000 to be issued pursuant to the Subscription Agreement
“Director(s)”	director(s) of the Company

“General Mandate”	the general mandate granted to the Directors on 25 June 2021 by a resolution of the Shareholders passed at the annual general meeting of the Company held on 25 June 2021 to allot and issue up to 20% of the total number of Shares of the Company in issue
“Golden Nice”	Golden Nice Trading Limited, a company incorporated with limited liability in Hong Kong and a wholly-owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“Independent Third Party(ies)”	third party(ies) independent of the Company and the connected persons (as defined in the Listing Rules) of the Company
“Issue Date”	the date of the Bond Certificate
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	19 July 2022 (or other later date as the Company and the Subscriber may mutually agree in writing and approved by the Stock Exchange)
“Maturity Date”	the calendar day immediately before the first anniversary date of the Issue Date
“PRC”	The People’s Republic of China
“Share Charges”	Collectively, Share Charge I and Share Charge II
“Share Charge I”	the share charge to be executed by the Company as chargor and the Subscriber as the chargee in respect of the charge of the entire issued share capital of Big Wish
“Share Charge II”	the share charge to be executed by Big Wish as chargor and the Subscriber as the chargee in respect of the charge of the entire issued share capital of Golden Nice

“Shares”	ordinary share(s) of HK\$0.01 each in the Company
“Shareholder”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Blossom Investment Consultant Limited, a company incorporated in the British Virgin Islands with limited liability, whose 100% ultimate beneficial owner is Ms. Yang Fang
“Subscription”	the subscription of the Convertible Bonds by the Subscriber pursuant to the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 21 June 2022 entered into between the Company and the Subscriber relation to the subscription of the Convertible Bonds by the Subscriber and the issue of the Convertible Bonds by the Company
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“%”	per cent

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

Hong Kong, 21 June 2022

*As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Ng Ying Kit, Mr. Tao Ye and Mr. Guo Jianpeng; 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.*