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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)

CONNECTED TRANSACTION INVOLVING THE SETTLEMENT

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On 18 July 2023 (after trading hours), Inner Mongolia Jinyuanli, an indirect non wholly-owned subsidiary of the Company, and Inner Mongolia Yuanyuan Energy entered into the Settlement Agreement, pursuant to which Inner Mongolia Jinyuanli shall pay the Settlement Amount in the sum of approximately RMB20.1 million (equivalent to approximately HK\$22.0 million) to Inner Mongolia Yuanyuan Energy as the Settlement in which Inner Mongolia Yuanyuan Energy asserted that the operating activities of Inner Mongolia Jinyuanli had caused damages to Inner Mongolia Yuanyuan Energy's land, properties and ancillary facilities.

LISTING RULES IMPLICATIONS

Inner Mongolia Jinyuanli is an indirect non wholly-owned subsidiary of the Company and its equity interest is held as to 56.2% by the Company. Inner Mongolia Yuanyuan Energy (i) is the holder of 49% equity interest in the Company's 51% indirect non wholly-owned subsidiary, namely 吉林省德峰物資經貿有限責任公司 (Jilin Province De Feng Commodity Economics and Trading Co., Limited*); and (ii) together with its associate holds the remaining 43.8% equity interest in Inner Mongolia Jinyuanli. As such, Inner Mongolia Yuanyuan Energy is a connected person of the Company at the subsidiary level under Chapter 14A of the Listing Rules. The Settlement was on normal commercial terms. Accordingly, the Settlement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest of all the applicable percentage ratios (as defined under the Listing Rules) in respect of the Settlement is more than 5% but less than 25%, the Settlement constitutes a connected transaction of the Company which is subject to reporting and announcement requirements but is exempt from the circular, independent financial advice and independent Shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules.

CONNECTED TRANSACTION INVOLVING THE SETTLEMENT

The Board wishes to announce that on 18 July 2023 (after trading hours), Inner Mongolia Jinyuanli, an indirect non wholly-owned subsidiary of the Company, and Inner Mongolia Yuanyuan Energy entered into the Settlement Agreement, pursuant to which Inner Mongolia Jinyuanli shall pay the Settlement Amount to Inner Mongolia Yuanyuan Energy for the Settlement.

BACKGROUND

The Group's Inner Mongolia Coal Mine 958 is located adjacent to the land and properties of Inner Mongolia Yuanyuan Energy.

In April 2023, Inner Mongolia Yuanyuan Energy asserted that the operating activities of Inner Mongolia Jinyuanli had resulted in subsidence and deformation of certain land and properties owned by Inner Mongolia Yuanyuan Energy and caused damages to such land, properties and ancillary facilities (the "**Damaged Properties**"). With the mediation of relevant government authorities, Inner Mongolia Jinyuanli and Inner Mongolia Yuanyuan Energy commenced discussions and negotiations to settle the loss in relation to the Damaged Properties.

As such, the Valuer was engaged to perform valuation on the Damaged Properties and the Valuation Reports indicated a fair value of approximately RMB35.9 million (equivalent to approximately HK\$39.3 million) by using replacement cost method. Together with the relocation costs of RMB2.0 million, Inner Mongolia Yuanyuan Energy claimed aggregate compensation of approximately RMB37.9 million (equivalent to approximately HK\$41.5 million) from Inner Mongolia Jinyuanli.

Upon negotiations between Inner Mongolia Jinyuanli and Inner Mongolia Yuanyuan Energy, both parties have agreed on the Settlement Amount of approximately RMB20.1 million (equivalent to approximately HK\$22.0 million) and the principal terms in the Settlement Agreement.

PRINCIPAL TERMS OF THE SETTLEMENT AGREEMENT

Date

18 July 2023

Parties

- (i) Inner Mongolia Yuanyuan Energy; and
- (ii) Inner Mongolia Jinyuanli.

Principal terms

Inner Mongolia Jinyuanli and Inner Mongolia Yuanyuan Energy have reached the Settlement via entering into the Settlement Agreement, pursuant to which Inner Mongolia Jinyuanli shall pay the Settlement Amount to Inner Mongolia Yuanyuan Energy. Accordingly, Inner Mongolia Yuanyuan Energy shall waive its right of all claims against Inner Mongolia Jinyuanli in relation to the Damaged Properties.

The Settlement Amount is approximately RMB20.1 million (equivalent to approximately HK\$22.0 million) payable by Inner Mongolia Jinyuanli to Inner Mongolia Yuanyuan Energy, which was agreed upon after arm's length negotiations between Inner Mongolia Jinyuanli and Inner Mongolia Yuanyuan Energy. The Settlement Amount shall be paid in two instalments: (i) the first instalment in the amount of approximately RMB10.1 million (equivalent to approximately HK\$11.1 million) being payable on or before 31 December 2023; and (ii) the second instalment in the amount of RMB10.0 million (equivalent to approximately HK\$10.9 million) being payable on or before 31 December 2024.

REASONS FOR AND BENEFITS OF ENTERING INTO THE SETTLEMENT AGREEMENT

Before entering into the Settlement Agreement, the Board has considered relevant factors, including but not limited to: (i) the fair value of the Damaged Properties; (ii) further time, costs and efforts which may be caused if the incident were not amicably settled; and (iii) the legal opinion provided to the Board from our PRC legal adviser in respect of the incident.

Taking into account the relevant factors and the terms of the Settlement Agreement, all Directors (including all of the independent non-executive Directors) are of the view that: (i) the terms of the Settlement Agreement are fair and reasonable; (ii) the Settlement is on terms which are commercially normal or better to the Group; and (iii) the Settlement is in the interests of the Group and the Shareholders as a whole. The Settlement Amount will be satisfied by the Group's internal resources, and the Directors considered that the entering into of the Settlement Agreement shall not cause material adverse impacts to the Group's operations.

None of the Directors (including the independent non-executive Directors) has a material interest in the Settlement Agreement.

The Board considers this incident is an unpredictable event that arises from the Group's daily operation, nevertheless, the management will adopt improvement measures on mining process in order to avoid any similar incident occurrence in the future.

GENERAL INFORMATION

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

Inner Mongolia Jinyuanli is a sino-foreign equity joint venture enterprise established in the PRC and is principally engaged in the operation of the Group's mining business in Inner Mongolia, the PRC.

Inner Mongolia Yuanyuan Energy is a company established in the PRC with limited liability and is principally engaged in coal processing, coal-fired power production and other coal-related businesses.

LISTING RULES IMPLICATIONS

Inner Mongolia Jinyuanli is an indirect non wholly-owned subsidiary of the Company and its equity interest is held as to 56.2% by the Company. Inner Mongolia Yuanyuan Energy (i) is the holder of 49% equity interest in the Company's 51% indirect non wholly-owned subsidiary, namely 吉林省德峰物資經貿有限責任公司 (Jilin Province De Feng Commodity Economics and Trading Co., Limited*); and (ii) together with its associate holds the remaining 43.8% equity interest in Inner Mongolia Jinyuanli. As such, Inner Mongolia Yuanyuan Energy is a connected person of the Company at the subsidiary level under Chapter 14A of the Listing Rules. The Settlement was on normal commercial terms. Accordingly, the Settlement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest of all the applicable percentage ratios (as defined under the Listing Rules) in respect of the Settlement is more than 5% but less than 25%, the Settlement constitutes a connected transaction of the Company which is subject to reporting and announcement requirements but is exempt from the circular, independent financial advice and independent Shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules.

DEFINITIONS

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

“associate”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors of the Company
“Company”	Grand Ocean Advanced Resources Company Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 65)
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Inner Mongolia Jinyuanli”	內蒙古源源能源集團金源里井工礦業有限責任公司 (Inner Mongolia Yuan Yuan Energy Group Jinyuanli Underground Mining Company Limited*), a company established in the PRC and an indirect non wholly-owned subsidiary of the Company, the equity interest of which is owned as to 56.2% by the Company and 43.8% by Inner Mongolia Yuanyuan Energy and its associate

“Inner Mongolia Yuanyuan Energy”	內蒙古源源能源集團有限公司 (Inner Mongolia Yuanyuan Energy Group Co., Ltd*), a company established in the PRC with limited liability
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Settlement”	the settlement of compensation to the Damaged Properties and relocation costs, as contemplated in the Settlement Agreement
“Settlement Agreement”	the settlement agreement entered into between Inner Mongolia Yuanyuan Energy and Inner Mongolia Jinyuanli on 18 July 2023, as further described in the section headed “Principal Terms of the Settlement Agreement” of this announcement
“Settlement Amount”	the settlement amount in the sum of approximately RMB20.1 million (equivalent to approximately HK\$22.0 million) to be paid by Inner Mongolia Jinyuanli to Inner Mongolia Yuanyuan Energy in relation to the Settlement
“Share(s)”	ordinary share(s) of par value of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto in the Listing Rules
“Valuation Reports”	the valuation reports produced by the Valuer dated 13 April 2023 in respect of expenditure for removing the Damaged Properties and the value of the Damaged Properties

“Valuer” 通遼華榮資產評估事務所(普通合夥)(Tongliao Huarong Assets Assessment Firm (General partnership)*), an independent professional valuer established in the PRC mutually engaged by Inner Mongolia Jinyuanli and Inner Mongolia Yuanyuan Energy

“%” Percent

For the purpose of this announcement and for the purpose of illustration only, RMB amounts have been translated using the rate of RMB1.00=HK\$1.094. Such translation should not be construed as a representation that the RMB amounts in question have been, could have been or could be converted to HK\$ at such rate or at all.

* For identification purpose only

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

Hong Kong, 18 July 2023

As at the date of this announcement, the Board comprises four executive Directors, namely Mr. Ng Ying Kit, Mr. Leung Ka Hong, Mr. Guo Jianpeng and Mr. Tao Ye; two non-executive Directors, namely Mr. Zhou Hongliang and Mr. Hu Xiutong; and three independent non-executive Directors, namely Mr. Lee Wai Ming, Mr. Chang Xuejun and Mr. Ho Man.