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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)**

### **(1) DISCLOSURE PURSUANT TO RULES 13.13 AND 13.15 OF THE LISTING RULES; AND (2) DISCLOSEABLE TRANSACTION: FINANCIAL ASSISTANCE**

On 27 March 2023, Big Wish (a direct wholly-owned subsidiary of the Company) and the Supplier entered into the MOU pursuant to which Big Wish had conditionally agreed to purchase and the Supplier had conditionally agreed to supply the coals worth of not more than HK\$200,000,000 to Big Wish on or before 27 June 2023. A Refundable Earnest Money amounting to HK\$47,000,000 was paid on 30 March 2023 in accordance with the terms of the MOU for the right of first offer to trade the coal products.

On 31 July 2023, Big Wish and the Supplier entered into the Supplemental MOU to extend the expiry date to 27 September 2023 and the Supplier agreed to refund the Refundable Earnest Money and interest accruing upon the expiry of the Supplemental MOU.

#### **ADVANCE TO AN ENTITY**

The Group is principally engaged in the production and sale of coal and minerals. Under our coal mining business, the Group requests prepayment in advance from its customers prior to the delivery of the coals mined by the Group. Hence, the Board considered the entering into the MOU was part of our operations in line with our usual business practice, the Refundable Earnest Money paid to the Supplier was then considered to be an advance to an entity under Rules 13.13 to 13.15 of the Listing Rules, which had been overseen by the Company.

## **FINANCIAL ASSISTANCE**

The entering into the Supplement MOU on 31 July 2023 with provision of interest was then considered to be a financial assistance provided by the Group to the Supplier under Chapter 14 of the Listing Rules and had been overseen by the Company.

## **BREACH OF THE LISTING RULES**

The amount of the Refundable Earnest Money exceeded 8% under the assets ratio as defined under Rule 14.07(1) of the Listing Rules. Therefore, the MOU and the Supplemental MOU were subject to disclosure obligations under Rules 13.13 to 13.15 of the Listing Rules.

As one of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Refundable Earnest Money exceeded 5% but all of them are less than 25%, the entering into of the Supplement MOU and the transaction contemplated thereunder constituted 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.

Due to an oversight and inadvertent misunderstanding of the Listing Rules by the management of the Group involved in the provisions of the MOU and the Supplemental MOU, the Company failed to comply with disclosure obligations under Rules 13.13 to 13.15 of the Listing Rules and the relevant reporting and announcement requirements under Chapter 14 of the Listing Rules constituted a breach of Rule 14.34 of the Listing Rules. The management of the Group at first considered the transactions as ordinary procurement falling into its ordinary course of business rather than financial assistance, hence overlook the requirements under the Listing Rules.

## **INTRODUCTION**

On 27 March 2023, Big Wish (a direct wholly-owned subsidiary of the Company) and the Supplier entered into the MOU pursuant to which Big Wish had conditionally agreed to purchase and the Supplier had conditionally agreed to supply the coals worth of not more than HK\$200,000,000 to Big Wish on or before 27 June 2023. A Refundable Earnest Money amounting to HK\$47,000,000 was paid on 30 March 2023 in accordance with the terms of the MOU for the right of first offer to trade the coal products.

On 31 July 2023, Big Wish and the Supplier entered into the Supplemental MOU to extend the expiry date to 27 September 2023 and the Supplier agreed to refund the Refundable Earnest Money and interest accruing upon the expiry of the Supplemental MOU.

## **THE MOU AND THE SUPPLEMENTAL MOU**

The principal terms and conditions of the MOU and the Supplemental MOU were as follows:

### **Dates**

The MOU : 27 March 2023

The Supplemental MOU : 31 July 2023

### **Parties**

- (1) Big Wish; and
- (2) The Supplier

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, the Supplier and its ultimate beneficial owner(s) are Independent Third Parties.

### **Refundable Earnest Money**

Pursuant to the MOU, Big Wish agreed to deposit the Refundable Earnest Money amounting to HK\$47,000,000 to the Supplier for the right of first offer to trade the coal products and the Supplier agreed to supply the coals worth of not more than HK\$200,000,000 to Big Wish on or before 27 June 2023.

As amended by the Supplemental MOU, the expiry date was extended to 27 September 2023 and the Supplier shall refund the Refundable Earnest Money together with the accrued interest upon the expiry of the Supplemental MOU. The interest was accrued at the rate of 0.25% per annum above the average of rate of interest offered on Hong Kong dollar loan by banks in the interbank market for 3 months on 31 July 2023 and the date on which the Refundable Earnest Money has been fully repaid. The interest rate was determined with reference to the interest rate offered by interbank market in Hong Kong after arm's length negotiations during that period.

The entering into of the Supplemental MOU provided the Group and the Supplier additional time to negotiate the prices of coal products and it would cover the interest income generated from the Group's idle funds if placed as general bank deposits. The Board considered the terms of the Supplemental MOU were on normal commercial terms and were fair and reasonable and was in the interest of the Company and the Shareholders as a whole.

## **Term and termination**

The MOU and the Supplemental MOU commenced from the date of signing of the MOU until the earlier of: (i) the sale and delivery of the maximum quantity of the coal products to the Group; or (ii) the date both parties mutually agree to terminate; or (iii) 27 September 2023, being the expiry date of the Supplemental MOU (given that the Supplier has fully repaid the Refundable Earnest Money and the accrued interest to the Group).

## **Guarantee**

The Guarantor shall irrevocably guarantee all the obligations of the Supplier under the MOU and the Supplemental MOU, including but not limited to the refund of the Refundable Earnest Money and accrued interest. The management of the Group had assessed the background and the financial position of the Guarantor, the Guarantor's audited consolidated statement of financial position indicated that the liquidity and the net assets value could fully recover the amount of Refundable Earnest Money.

## **LATEST STATUS**

During the year ended 31 December 2023, total accrued interest amounting to approximately HK\$1,283,000 was paid to the Group and being recognised as "Other income and gains" in the consolidated statement of profit or loss of the Group.

The remaining balance of the Refundable Earnest Money as at the date of this announcement amounting to approximately HK\$13,854,000, are expected to be refunded to the Group in April 2024 together with the interest accrued amounting to approximately HK\$183,000.

## **INFORMATION OF BIG WISH**

Big Wish is an investment holding company incorporated in the British Virgin Island with limited liability and is a direct wholly-owned subsidiary of the Company.

## **INFORMATION OF THE SUPPLIER**

The Supplier is a company incorporated in Hong Kong with limited liability, which is principally engaged in commodities trading in the Southeast Asia. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, the Supplier and its ultimate beneficial owner(s) are Independent Third Parties.

## **INFORMATION OF THE GUARANTOR**

The Guarantor is a company incorporated in the British Virgin Islands with limited liability, which is principally engaged in investment holding and the sole shareholder of the Supplier. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, the Guarantor and its ultimate beneficial owner(s) are Independent Third Parties.

## **REASONS FOR ENTERING INTO THE MOU AND THE SUPPLEMENTAL MOU**

The Group is principally engaged in the production and sale of coal and minerals. The management considered that the entering into the MOU can effectively increase the revenue of the Group, and strengthen the customer base of our existing coal mining business. The entering into of the Supplemental MOU provided the Group and the Supplier additional time to negotiate the prices of coal products and safeguarded the return of the Refundable Earnest Money to the Group and provided additional interest income to the Group covering our cost of capital.

The Board is of the view that the terms of the MOU and the Supplement MOU were negotiated on an arm's length basis and on normal commercial terms, which were fair and reasonable and was in the interest of the Company and the Shareholders as a whole.

## **ADVANCE TO AN ENTITY**

Under our coal mining business, the Group requests payment in advance from its customers prior to the delivery of the coals mined by the Group. Hence, the Board considered the entering into the MOU was part of our operations in line with our usual business practice, the Refundable Earnest Money paid to the Supplier was then considered to be an advance to an entity under the Rules 13.13 to 13.15 of the Listing Rules, which had been overseen by the Company.

## **FINANCIAL ASSISTANCE**

The entering into the Supplement MOU on 31 July 2023 with provision of interest was then considered to be a financial assistance provided by the Group to the Supplier under Chapter 14 of the Listing Rules and had been overseen by the Company.

## **BREACH OF THE LISTING RULES**

The amount of the Refundable Earnest Money exceeded 8% under the assets ratio as defined under Rule 14.07(1) of the Listing Rules. Therefore, the MOU and Supplemental MOU were subject to disclosure obligations under Rules 13.13 to 13.15 of the Listing Rules.

As one of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Refundable Earnest Money exceeded 5% but all of them were less than 25%, the entering into of the Supplement MOU and the transaction contemplated thereunder constituted 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.

Due to an oversight and inadvertent misunderstanding of the Listing Rules by the management of the Group involved in the provisions of the MOU and the Supplemental MOU, the Company failed to comply with the disclosure obligations under Rules 13.13 to 13.15 of the Listing Rules and the relevant reporting and announcement requirements under Chapter 14 of the Listing Rules constituted a breach of Rule 14.34 of the Listing Rules. The management of the Group at first considered the transactions as ordinary procurement falling into its ordinary course of business rather than financial assistance, hence overlook the requirements under the Listing Rules.

## **REMEDIAL ACTIONS**

The Company deeply regrets its non-compliance with the Listing Rules and the Company would like to stress that such delay in compliance with the Listing Rules was inadvertent and unintentional. The Board will adopt the following measures to strengthen the relevant internal control procedures to prevent the occurrence of similar incidents in the future:

- (i) the Company will arrange training sessions for the Directors and management of the Group to reinforce their understandings of and importance of compliance with the Listing Rules and the other relevant rules and regulations;
- (ii) the Company will review, strengthen and continue to monitor the relevant internal control measures of the Group, including but not limited to contract signing procedures, to ensure that the Directors and management within the Group shall promptly report to the Board any proposed transactions or events involving significant financial advances of the Group, to seek the Board's approval before proceeding such transactions; and
- (iii) the Company will work more closely with its legal adviser and consult other professional advisers before entering into any potential notifiable transaction. If necessary, the Company might also consult the Stock Exchange on the proper treatment of the proposed transaction.

## DEFINITIONS

Unless the context requires otherwise, the following terms have the following meanings in this announcement:

“Big Wish”	Big Wish Group Limited (弘願集團有限公司), a limited company incorporated in the British Virgin Island and is directly wholly-owned by the Company
“Board”	the board of Directors
“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 to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Guarantor”	Blossom International Investment Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, whose ultimate beneficial owner is Ms. Yang Fang, an Independent Third Party
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	person(s) or company(ies) and their respective ultimate beneficial owner(s) which, to the best knowledge, information and belief of the Directors having made all reasonable enquiries, are third parties independent of and not connected with the Company and its connected persons as defined in the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“MOU”	the memorandum of understanding dated 27 March 2023 entered into between Big Wish and the Supplier
“PRC”	the People’s Republic of China
“Refundable Earnest Money”	a refundable earnest money of HK\$47,000,000 paid by Big Wish to the Supplier pursuant to the MOU
“Share(s)”	ordinary share(s) 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
“Supplemental MOU”	the supplemental memorandum of understanding dated 31 July 2023 entered into between Big Wish and the Supplier
“Supplier”	Blossom Global Trading Company Limited, a company incorporated in Hong Kong with limited liability and a wholly owned subsidiary of the Guarantor
“%”	per cent

By Order of the Board  
**Grand Ocean Advanced Resources Company Limited**  
**Guo Jianpeng**  
*Executive Director*

Hong Kong, 15 April 2024

*As at the date of this announcement, the Board comprises four executive Directors, namely Mr. Ng Ying Kit, Mr. Guo Jianpeng, Ms. Yang Mo and Mr. Jiang Xin; and three independent non-executive Directors, namely Mr. Lee Wai Ming, Mr. Chang Xuejun and Mr. Ho Man.*