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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)

(I) MEMORANDUM OF UNDERSTANDING IN RELATION TO THE POTENTIAL ACQUISITION OF THE PROPRIETARY TECHNOLOGY; AND (II) EXEMPTED CONTINUING CONNECTED TRANSACTION IN RELATION TO THE LICENSING OF THE PROPRIETARY TECHNOLOGY

On 1 December 2015 (after trading hours), the Company entered into a non-legally binding MOU with the Vendor in relation to the Potential Acquisition and the License Agreement with the Vendor and Gouden Kolen in relation to the licensing of the Proprietary Technology.

MEMORANDUM OF UNDERSTANDING IN RELATION TO THE POTENTIAL ACQUISITION OF THE PROPRIETARY TECHNOLOGY

Pursuant to the MOU, subject to the terms and conditions of the Formal Sale and Purchase Agreement, the Vendor shall or shall procure the Vendor's Nominee (if the Proprietary Technology is transferred to the Vendor's Nominee) to sell as the legal and beneficial owner of the Proprietary Technology and the Company shall or shall procure its nominee to purchase the Proprietary Technology free from encumbrances and with all rights attaching thereto with effect from the date of the completion of the Potential Acquisition.

Pursuant to the MOU, the Vendor and the Company shall negotiate in good faith towards each other for entering into the Formal Sale and Purchase Agreement not later than 31 December 2016 (the Expiry Date) or such later date as the Vendor and the Company may agree.

EXEMPTED CONTINUING CONNECTED TRANSACTION IN RELATION TO THE LICENSING OF THE PROPRIETARY TECHNOLOGY

In order to facilitate the negotiations for the Potential Acquisition, pursuant to the terms of the MOU, the Company, the Vendor and Gouden Kolen executed the License Agreement upon execution of the MOU on the same date.

Pursuant to the terms of the License Agreement, the Vendor as Licensor shall grant the Group a non-exclusive right to use the Proprietary Technology in the PRC to produce up to 500,000 tonnes of upgraded coal for each calendar year during the term of the License Agreement.

Unless terminated earlier, the License Agreement shall be valid until 31 December 2016 (the Expiry Date), or such later date as may be agreed by the Licensor and the Company.

During the term of the License Agreement, the Company shall pay a nominal license fee of HK\$1.00 to the Vendor.

GENERAL

The MOU does not constitute any legally-binding commitment in respect of the Potential Acquisition. The Potential Acquisition is subject to, among others, the execution and completion of the Formal Sale and Purchase Agreement. The Board wishes to emphasise that no binding agreement in relation to the Potential Acquisition has been entered into by the Vendor and the Company as at the date of this announcement. As such, the Potential Acquisition may or may not proceed.

In the event that the Potential Acquisition materialises, it may constitute a notifiable transaction of the Company pursuant to Chapter 14 of the Listing Rules and will constitute a connected transaction of the Company pursuant to Chapter 14A of the Listing Rules. Further announcement(s) will be made by the Company in accordance with all applicable requirements of the Listing Rules as and when appropriate.

Shareholders and/or investors should note that the Potential Acquisition may or may not materialise as no formally binding agreement has been executed between the parties and negotiations are still in progress. Shareholders and/or investors are advised to exercise caution when dealing in the Company's securities.

This announcement is made by the Company pursuant to Rule 13.09 of 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).

The Board announces that on 1 December 2015 (after trading hours), the Company entered into a non-legally binding MOU with the Vendor in relation to the Potential Acquisition and the License Agreement with the Vendor and Gouden Kolen in relation to the licensing of the Proprietary Technology.

MEMORANDUM OF UNDERSTANDING IN RELATION TO THE POTENTIAL ACQUISITION OF THE PROPRIETARY TECHNOLOGY

Date: 1 December 2015

Parties: (1) the Company as the purchaser; and
(2) Mr. Xu Bin as the Vendor.

The Vendor is an executive Director, chairman of the Board and a controlling shareholder of the Company and therefore he is a connected person of the Company.

Subject matter

Pursuant to the MOU, subject to the terms and conditions of the Formal Sale and Purchase Agreement, the Vendor shall or shall procure the Vendor's Nominee (if the Proprietary Technology is transferred to the Vendor's Nominee) to sell as the legal and beneficial owner of the Proprietary Technology and the Company shall or shall procure its nominee to purchase the Proprietary Technology free from encumbrances and with all rights attaching thereto with effect from the date of the completion of the Potential Acquisition.

For further details of the Proprietary Technology, please refer to the section headed "Information on the Proprietary Technology" below.

Consideration

The consideration for the Potential Acquisition shall be subject to further negotiations between the Vendor and the Company.

The Formal Sale and Purchase Agreement

Pursuant to the MOU, the Vendor and the Company shall negotiate in good faith towards each other for entering into the Formal Sale and Purchase Agreement not later than 31 December 2016 (the Expiry Date) or such later date as the Vendor and the Company may agree.

The Formal Sale and Purchase Agreement shall contain, including but not limited to, representations, warranties, undertakings and indemnities, which are usual for transactions similar to the nature of the Potential Acquisition as contemplated by the MOU, to be given by the Vendor to the Company, the detailed terms of which shall be agreed by the Company and the Vendor prior to the entering into the Formal Sale and Purchase Agreement.

Exclusivity

In consideration of the expenses to be incurred by the Company during the negotiations of the MOU and in conducting its due diligence review, the Vendor will not, and will procure his representatives and agents not to, and the Vendor's Nominee not to, directly or indirectly, for a period from the date of the MOU until 31 December 2016 (the Expiry Date) (or such later date as the Vendor and the Company may agree) (i) solicit, initiate or encourage inquiries or offers from, or (ii) initiate or continue negotiations or discussions with or furnish any information to, or (iii) enter into any agreement or statement of intent or understanding with, any person or entity other than the Company or the Company's nominee with respect to the sale or other disposition of the Proprietary Technology. If the Vendor or the Vendor's Nominee receives any such inquiry or offer, the Vendor will or will procure the Vendor's Nominee to promptly notify the Company.

Term of the MOU

The MOU shall expire (a) on the expiry of 31 December 2016 (the Expiry Date) or such later date as the Vendor and the Company may agree; or (b) upon execution of the Formal Sale and Purchase Agreement, whichever is earlier.

EXEMPTED CONTINUING CONNECTED TRANSACTION IN RELATION TO THE LICENSING OF THE PROPRIETARY TECHNOLOGY

In order to facilitate the negotiations for the Potential Acquisition, pursuant to the terms of the MOU, the Company, the Vendor and Gouden Kolen executed the License Agreement upon execution of the MOU on the same date.

Gouden Kolen is wholly owned by the Vendor and principally engaged in investment holdings.

Subject matter

Pursuant to the terms of the License Agreement, the Vendor as the Licensor shall grant the Group a non-exclusive right to use the Proprietary Technology in the PRC to produce up to 500,000 tonnes of upgraded coal for each calendar year during the term of the License Agreement. The Group shall not sub-license the Proprietary Technology to any third party without the prior written consent of the Licensor.

Term

Unless terminated earlier, the License Agreement shall be valid until 31 December 2016 (the Expiry Date), or such later date as may be agreed by the Licensor and the Company.

License fee

During the term of the License Agreement, the Company shall pay a nominal license fee of HK\$1.00 to the Vendor.

Derivative Rights

Any derivative intellectual property rights and/or application right arising out of the use of the Proprietary Technology by the Group or its employees, including but not limited to the updates, renovation and improvement thereof, as the case may be, shall be owned by the Vendor (the “**Derivative Rights**”). The Vendor agrees to grant the use of such Derivative Rights to the Group without additional fees in accordance with the License Agreement.

Assignment

The Vendor agrees not to sell, assign or transfer the Proprietary Technology to a party other than the Group except that the Vendor’s interests in the Proprietary Technology may be assigned to the Vendor’s Nominee. The Vendor’s obligations under the License Agreement shall be succeeded to by the Vendor’s Nominee upon the assignment. The Vendor and Gouden Kolen have agreed that the assignment of the Proprietary Technology to Gouden Kolen (as the case maybe) shall be subject to the rights granted under the License Agreement and after the assignment of the Proprietary Technology to Gouden Kolen, Gouden Kolen shall fully comply with the terms of the License Agreement as if it were the Licensor.

Termination

Upon the occurrence of any material breach by any party to the License Agreement and in the event that within 30 days after receipt of notice from the non-breaching party regarding the occurrence and existence of the breach, the breaching party fails to cure its breach, the non-breaching party may terminate the License Agreement at any time by delivering a notice in writing to the address of the breaching party, and such termination shall take effect after thirty (30) days following the issue thereof.

The Company has the sole right to terminate the License Agreement at any time during the term of the License Agreement by delivering a prior notice in writing to the address of the Licensor, and such termination shall take effect after thirty (30) days following the issue thereof.

Implications under the Listing Rules

As at the date of this announcement, the Vendor is an executive Director, chairman of the Board and a controlling shareholder of the Company and therefore he is a connected person of the Company. The transactions contemplated under the License Agreement will constitute continuing connected transactions for the Company under Chapter 14A the Listing Rules.

As the relevant applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the transactions contemplated under the License Agreement are less than 5% and the annual consideration is less than HK\$3,000,000, the License Agreement and the transactions contemplated thereunder will constitute a de minimis continuing connected transaction for the Company, which is exempted from reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

INFORMATION ON THE PROPRIETARY TECHNOLOGY

The Proprietary Technology comprises five PRC registered patents which are related to low-rank coal upgrading methodologies and manufacturing of steam digesters. The details of each of the five PRC registered patents are as follows:

No.	Patent Name	Patent Number	Application Date	Date of Grant	Status
1.	method of upgrading the quality of lignite with the use of fixed-bed setting under a single set equipment	ZL 201110030702.0	28 January 2011	15 May 2013	Granted
2.	digester and method that increases dehydration efficiency in a digester and implementing assembly units	ZL 201110050055.X	2 March 2011	5 June 2013	Granted
3.	digester for solid material	ZL 201110004082.3	11 January 2011	21 November 2012	Granted
4.	multi-effect evaporation dehydration method on solid materials	ZL 201110022014.X	20 January 2011	6 June 2012	Granted
5.	solid material evaporation dehydration digester	ZL 201110042722.X	23 February 2011	21 November 2012	Granted

REASONS FOR THE ENTERING INTO OF THE MOU AND THE LICENSE AGREEMENT

The Group is principally engaged in the businesses of manufacture and sale of plastic woven bags, paper bags and plastic barrels, production and sale of coal and provision of low-rank coal upgrading services.

As disclosed in the interim report of the Company for the six months ended 30 June 2015, the first phase of the coal upgrading plant located at Xilinhaote City, Inner Mongolia, the PRC (the “**Xilinhaote Plant**”) has a designed an annual production capacity of 500,000 tonnes of upgraded coal output and its trial production is scheduled to commence in the fourth quarter of 2015. The later phases of a further production capacity of 1,500,000 tonnes of upgraded coal output are planned to be established in 2016 and 2017.

As the Xilinhaote Plant is close to its trial production, it is necessary for the Xilinhaote Plant to secure the use of the Proprietary Technology following the expiry of the previous license agreement on 17 May 2015, which forms one of the prerequisite requirements of the production. The Board considers the Proprietary Technology to be feasible and highly effective, whilst the Group has accumulated practical and technical experience as well as valuable operational intelligence from its pilot plant set up in Dehui City, Jilin Province, the PRC. The Potential Acquisition, if materialized, will secure the Group with all the proprietary rights attached to the Proprietary Technology, and will enable the Group to continuously develop its low-rank coal upgrading business in the long term.

The entering into of the MOU and the License Agreement offers the Xilinhaote Plant a non-exclusive right to use the Proprietary Technology for its production. The Board will further negotiate with the Vendor on the terms and conditions of the Potential Acquisition in due course during the term of the MOU.

In consideration of the above, the Board (including the independent non-executive Director) is of the view that the entering into of the MOU and the License Agreement are in the interests of the Company and the Shareholders as a whole and the terms of the License Agreement are fair and reasonable, on better than normal commercial terms and in the ordinary and usual course of business of the Group.

Mr. Xu Bin who has a material interest in the MOU and the License Agreement, has abstained from voting on the relevant Board resolutions approving the MOU and the License Agreement.

GENERAL

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In the event that the Potential Acquisition materialises, it may constitute a notifiable transaction of the Company pursuant to Chapter 14 of the Listing Rules and will constitute a connected transaction of the Company pursuant to Chapter 14A of the Listing Rules. Further announcement(s) will be made by the Company in accordance with all applicable requirements of the Listing Rules as and when appropriate.

Shareholders and/or investors should note that the Potential Acquisition may or may not materialise as no formally binding agreement has been executed between the parties and negotiations are still in progress. Shareholders and/or investors are advised to exercise caution when dealing in the Company's securities.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following respective meanings:

“Board”	the board of Directors
“Company”	Grand Ocean Advanced Resources Company Limited, a company incorporated in the Cayman Islands with limited liability and whose issued Shares are listed and traded on the main board of the Stock Exchange (Stock code: 65)
“connected person”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Expiry Date”	31 December 2016
“Formal Sale and Purchase Agreement”	a formal sale and purchase agreement to be entered into between the Company and the Vendor potentially in relation to the Potential Acquisition
“Gouden Kolen”	Gouden Kolen Company Limited, a company incorporated in the British Virgin Islands with limited liability, which is wholly owned by the Vendor as at the date of this announcement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“License Agreement”	the license agreement dated 1 December 2015 and entered into among the Company, the Vendor and Gouden Kolen in relation to the licensing of the Proprietary Technology
“Licensor”	Vendor, or Vendor’s Nominee if the Proprietary Technology is transferred to the Vendor’s Nominee

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MOU”	the non-legally binding memorandum of understanding dated 1 December 2015 and entered into between the Vendor and the Company setting out the preliminary understanding in relation to the Potential Acquisition
“Potential Acquisition”	the potential acquisition by the Company of the Proprietary Technology from the Vendor under the MOU
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Proprietary Technology”	five registered patents in the PRC in relation to low-rank coal upgrading methodologies and manufacturing of steam digesters
“Shares(s)”	ordinary share(s) of HK\$0.5 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed to it under the Listing Rules
“Vendor”	Mr. Xu Bin
“Vendor’s Nominee”	Gouden Kolen or any company or entity which is wholly controlled by the Vendor
“HK\$”	Hong Kong dollars, the lawful currency for the time being of Hong Kong

By Order of the Board
Grand Ocean Advanced Resources Company Limited
Tse Kam Fow
Deputy Chairman and Executive Director

1 December 2015, Hong Kong

As at the date of this announcement, the Board comprises four executive Directors, namely Mr. Xu Bin (Chairman), Mr. Tse Kam Fow (Deputy Chairman), Mr. Zhang Fusheng (Chief Executive Officer) and Mr. Ng Ying Kit; and three independent non-executive Directors, namely Mr. Kwok Chi Shing, Mr. Kwok Siu Man and Mr. Huang Shao Ru.