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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)

FURTHER ANNOUNCEMENT PROFIT FORECAST OF THE DISCLOSEABLE TRANSACTION (1) ACQUISITION OF THE ENTIRE EQUITY INTEREST; AND (2) SUBSCRIPTION IN NEW SHARES IN THE TARGET COMPANY

Reference is made to the announcement of Grand Ocean Advanced Resources Company Limited (the “**Company**”) dated 22 April 2024 (the “**Acquisition Announcement**”) with respect to the discloseable transaction in relation to the (i) Acquisition of the entire equity interest; and (ii) Subscription in new shares in the Target Company. Unless otherwise defined in this announcement, capitalised terms used herein shall have the same meanings as those defined in the Acquisition Announcement.

COMPLIANCE WITH THE LISTING RULES

As disclosed in the Acquisition Announcement, the Consideration was determined after arm’s length negotiations between Big Wish Global and the Vendors on normal commercial terms with reference to, among other things, the market value of the 51% equity interests of the Project Company as at the Valuation Date as conducted by the Valuer by using income approach.

Pursuant to the Valuation Report dated 6 May 2024 issued by the Valuer, the market value of the 51% equity interest of the Project Company was approximately RMB115 million (equivalent to approximately HK\$124 million) as at the Valuation Date.

Since the discounted cash flow method under the income approach was adopted by the Valuer in the Valuation Report, such Valuation constitutes a profit forecast under Rule 14.61 of the Listing Rules. This announcement is made in compliance with Rule 14.60A of the Listing Rules.

THE VALUATION OF THE PROJECT COMPANY

Identity of the Valuer

The Valuation was carried out by Roma Appraisals Limited, an independent and qualified valuer engaged by the Company.

Valuation methodology adopted by the Valuer

For the valuation analysis, the income approach was adopted in deriving the appraised value of the Project Company taking into account of the following factors:

- (i) the asset-based approach was not adopted by the Valuer in the Valuation as it could not capture the future earning potential of the Project Company;
- (ii) the market approach was not adopted by the Valuer because most of the important assumptions of the comparable transactions, such as discount or premium on the transaction prices or considerations, were not public data; and
- (iii) the income approach was adopted by the Valuer as the Project Company has completed the comprehensive exploration on the Copper Mine and plans to commence the commercial mining activities. As such, the scale of production, independent profitability and future revenue of the Project Company can be certainly measured. In light of the above, as the long term forecasts of the Project Company were available, the Valuer adopted the income approach for the Valuation of the Project Company.

Since the discounted cash flow method under the income approach was adopted by the Valuer in the Valuation Report, the Valuation constitutes a profit forecast under Rule 14.61 of the Listing Rules. Accordingly, the requirements under Rule 14.60A of the Listing Rules apply.

Key assumptions and key inputs of the profit forecast under the Valuation Report

The general and principal assumptions of the profit forecast under the Valuation Report are summarised as follows, including but not limited to:

- as advised by the management of the Project Company, the unaudited financial statements of the Project Company as at 29 February 2024 can reasonably represent its financial position as at the Valuation Date since there were no audited financial statements of the Project Company as at the Valuation Date available;
- the Project Company will operate and develop the Copper Mine based on the development plan provided by the management of the Project Company;
- the Project Company has free and uninterrupted rights to operate the Copper Mine throughout the licensed period assuming that there will be no land premium or any payment to the government of substantial amount;
- the projections outlined in the financial information as provided by the management of the Project Company are reasonable, reflecting market conditions and economic fundamentals, and will be materialised;
- all relevant legal approvals and business certificates or licenses to operate the business in the localities in which the Project Company is operated or intends to be operated would be officially obtained and renewable upon expiry without material cost;
- there exists a reliable and adequate transportation network and capacity for processing the copper products;
- there will be no major changes in the current taxation laws in the localities in which the Project Company is operated or intends to be operated and the rates of tax payable shall remain unchanged and all applicable laws and regulations will be complied with;
- there will be no major changes in the political, legal, economic or financial conditions in the localities in which the Project Company is operated or intends to be operated, which would adversely affect the revenue attributable to and the profitability of the Copper Mine;

- interest rates and exchange rates in the localities for the operation of the Project Company will not differ materially from those presently prevailed;
- the Project Company is expected to generate revenue from the year ending 31 December 2025, considering that the production of the copper products of the Project Company is estimated to commence from 2025 after the completion of the trial and adjustments for the production facilities of the copper products;
- the forecasted revenue of the Project Company for the years ending 31 December 2025 to 31 December 2028 is determined based on (i) the estimated annual production of the copper products of the Project Company which is based on the productivity of the mining activity and the equipment ordered by the Project Company; (ii) the estimated amount of the mineral resources of the Copper Mine, which has been reviewed by Roma Oil and Mining Associates Limited; and (iii) the estimated prices of copper and other types of metal mix in the Copper Mine, including zinc, iron and silver for the next five years from the Valuation Date with the reference to the estimated trend of the future metal prices extracted from Bloomberg;
- the annual revenue growth rate for the years ending 31 December 2029 to 2034 is determined based on (i) the estimated annual production of the copper products of the Project Company; (ii) the estimated amount of the mineral resources of the Copper Mine, which has been reviewed by Roma Oil and Mining Associates Limited; and (iii) the estimated inflation rate in Laos extracted from Bloomberg; and
- the mining cost of the Project Company, which mainly consists of labour costs, mine operations and maintenance expenses for mining equipment, is assumed to be increased in line with the forecasted revenue.

The specific assumptions and key inputs of the profit forecast under the Valuation Report are set out as follows:

Specific assumptions	Inputs	Basis of assumption
Terminal growth rate	Nil	<p>Considering:</p> <ul style="list-style-type: none"> (i) the Copper Mine currently has an estimated reserve of approximately 8 million tons; and (ii) the Project Company will achieve a maximum annual production of copper products of 0.9 million tons once all the copper mining production facilities are completed by mid-2025, which is based on the productivity of the mining activity and the equipment ordered by the Project Company, <p>the Valuer anticipated that the revenue generated from the Copper Mine would be sustained from 2025 to 2034 for the Project Company (i.e., 8 million tons divided by 0.9 million tons).</p> <p>Therefore, for prudence sake, the Valuer did not adopt the terminal growth rate for the year ending 31 December 2034 (being the final year in such profit forecast).</p>
Discount rate	15.46%	Determined based on weighted average cost of capital, which was calculated with reference to public market data including risk free rate, market return, beta of comparable public companies etc. and the specific risk of the business

Discount rate of lack of marketability	15.69%	Based on the result of the restricted stock study published in “Stout Restricted Stock Study 2023”
Revenue growth rate for the years ending 31 December 2029 to 2034	3%	Due to the high uncertainty on the forecasted prices of copper, zinc, iron and silver more than five years from the Valuation Date, for prudence sake, the Valuer assumed that the revenue growth rate for the years ending 31 December 2029 to 2034 is determined based on the estimated inflation rate in Laos of 3% as extracted from Bloomberg

Based on the above key inputs, the Valuer has performed a sensitivity analysis on (i) the discount rate; and (ii) revenue growth rate for the years ending 31 December 2029 to 2034 adopted in the Valuation, details of which are set out as follows:

Discount rate (changes in the absolute value)	Revenue growth rate (changes in the absolute value)	Valuation <i>RMB</i> (million)	Increase/ (decrease) in Valuation <i>RMB</i> (million)
14.46% (-1%)	4% (+1%)	127	12
15.46% (base input)	4% (+1%)	117	2
16.46% (+1%)	4% (+1%)	107	(8)
14.46% (-1%)	3% (base input)	125	10
15.46% (base input)	3% (base input)	115	–
16.46% (+1%)	3% (base input)	106	(9)
14.46% (-1%)	2% (-1%)	124	9
15.46% (base input)	2% (-1%)	114	(1)
16.46% (+1%)	2% (-1%)	105	(10)

EXPERTS AND CONSENTS

Elite Partners CPA Limited has been engaged by the Company to report on the arithmetical calculations of the discounted cash flows used in the Valuation prepared by the Valuer. A report from Elite Partners CPA Limited in relation to the calculations of the discounted cash flows is set out in Appendix I to this announcement for the purpose under Rule 14.60A(2) of the Listing Rules.

A letter from the Board of the Directors, confirming that the profit forecast in the Valuation has been made after due and careful enquiry by them, is set out in Appendix II to this announcement for the purpose under Rule 14.60A(3) of the Listing Rules.

Experts

The following are the qualifications of experts who have provided opinions and/or suggestions contained in this announcement:

Name	Qualification
Elite Partners CPA Limited	Certified Public Accountants
Roma Appraisal Limited	Valuer

Each of the experts mentioned above has given and has not withdrawn its written consent to the issue of this announcement with the inclusion of its letters, reports and/or opinions and the references to its names (including its qualifications) included herein in the form and context in which it is included.

To the best of knowledge, information and belief of the Board and after making all reasonable enquiries, each of the experts is an Independent Third Party. As at the date of this announcement, none of the experts nor their respective subsidiaries mentioned above held any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the date of this announcement, as far as the Directors are aware, none of the experts nor their respective subsidiaries mentioned above had, or had have, any direct or indirect interest in any material assets which have been acquired since 31 December 2023 (being the date to which the latest published audited consolidated accounts of the Company were made up), or disposed of by, or leased to any member of the Group, or are proposed to be acquired, or disposed of by, or leased to any member of the Group.

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\$1.0816. 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.

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

Hong Kong, 10 May 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. Li Juhui.

APPENDIX I – LETTER FROM ELITE PARTNERS CPA LIMITED

10 May 2024

The Board of Directors
Grand Ocean Advanced Resources Company Limited
Unit 1102, 11/F,
29 Austin Road,
Tsim Sha Tsui, Kowloon
Hong Kong

Dear Sirs,

**Grand Ocean Advanced Resources Company Limited (the “Company”)
and its subsidiaries (collectively referred to herein as the “Group”)
Comfort letter on profit forecast**

We have been engaged to report on the arithmetical calculations of the discounted future cash flows used in the valuation report dated 6 May 2024 (“**Forecast**”) prepared by Roma Appraisals Limited in respect of the valuation of 51% equity interest in Lao–China International Mining Sole Co., Ltd (the “**Project Company**”) as at 29 February 2024 (the “**Valuation**”).

The Valuation is based upon discounted future cash flow and is regarded by the directors of the Company (the “**Directors**”) as a profit forecast under paragraph 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

Directors’ Responsibility for the Discounted Future Cash Flows

The Directors are solely responsible for the preparation of the Forecast in accordance with the bases and assumptions determined by the Directors and as set out in the Valuation. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation of the Forecast for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Management 1 “Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant’s Responsibility

Our responsibility is to express an opinion on the arithmetical calculations of the Forecast used in the Valuation.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” issued by the HKICPA. This standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain reasonable assurance on whether the discount future cash flows, so far as the calculations are concerned, has been properly compiled in accordance with the bases and assumptions as set out in the Forecast. We have re-performed the arithmetical calculations and compared the compilation of the Forecast with the bases and assumptions.

We are not reporting on the appropriateness and validity of the bases and assumptions on which the Forecast are based and our work does not constitute any valuation of the Project Company or an expression of an audit or review opinion on the Valuation.

The Forecast does not involve the adoption of accounting policies. The Forecast depend on future events and on a number of assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period. Our work has been undertaken for the purpose of reporting solely to you under paragraph 14.60A(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of, arising out of or in connection with our work.

Opinion

Based on the foregoing, in our opinion, the Forecast, so far as the arithmetical calculations are concerned, have been properly compiled in all material respects in accordance with the bases and assumptions made by the Directors as set out in the Valuation.

Yours faithfully,

Elite Partners CPA Limited

Certified Public Accountants

Hong Kong

APPENDIX II – LETTER FROM THE BOARD

10 May 2024

The Listing Division
The Stock Exchange of Hong Kong Limited
12th Floor
Two Exchange Square
8 Connaught Place
Central, Hong Kong

Dear Sirs,

RE: FURTHER ANNOUNCEMENT – PROFIT FORECAST OF THE DISCLOSEABLE TRANSACTION: (1) ACQUISITION OF THE ENTIRE EQUITY INTEREST; AND (2) SUBSCRIPTION IN NEW SHARES IN THE TARGET COMPANY

Reference is made to the announcement of Grand Ocean Advanced Resources Company Limited (the “**Company**”) dated 10 May 2024 in relation to the captioned transaction (the “**Announcement**”).

We refer to the valuation report dated 6 May 2024 prepared by Roma Appraisals Limited (the “**Valuer**”) in relation to the valuation of the 51% equity interest in Lao-China International Mining Sole Co., Ltd, as at 29 February 2024 is based. The valuation is prepared based on the discounted cash flows forecast and is constituted as a profit forecast under paragraph 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

The board of directors of the Company (the “**Board**”) has reviewed and prepared the basis and assumptions on which the discounted cash flows forecast are based and the calculation method used, and reviewed the valuation prepared by the Valuer. The Board has also considered the report from Elite Partners CPA Limited dated 10 May 2024 as set out in Appendix I to the Announcement regarding the arithmetical calculations of the discounted cash flows forecast in the valuation.

Pursuant to the requirements under paragraph 14.60A(3) of the Listing Rules, the Board confirmed that the profit forecast used in the aforesaid valuation has been made after due and careful enquiry.

Yours faithfully,

For and on behalf of

Grand Ocean Advanced Resources Company Limited

Ng Ying Kit

Executive Director