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中國海外發展有限公司 CHINA OVERSEAS LAND & INVESTMENT LTD.

(incorporated in Hong Kong with limited liability)
(Stock Code: 688)

CONTINUING CONNECTED TRANSACTIONS AND DISCLOSEABLE TRANSACTIONS IN RESPECT OF THE FINANCIAL SERVICES AGREEMENT

On 1 November 2019, the Company and CSCF entered into the Financial Services Agreement for a term of three years, commencing from 1 November 2019 and ending on 31 October 2022, pursuant to which CSCF has agreed to provide the Group with deposit services, loan services, bill acceptance and discount services, and other financial services on a non-exclusive basis.

CSCEC is the ultimate holding company of both CSCF and the Company. CSCF is a non-wholly owned subsidiary of CSCECL which is the intermediate holding company of the Company and a subsidiary of CSCEC. Accordingly, CSCF is a connected person of the Company. The transactions contemplated under the Financial Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Since one or more of the applicable percentage ratios as defined under the Listing Rules calculated for the Company in respect of the respective annual caps for (i) the deposit services, and (ii) the bill acceptance and discount services for each year under the Financial Services Agreement exceed 0.1% but are less than 5%, the provision of each of the deposit services and bill acceptance and discount services by CSCF to the Group under the Financial Services Agreement constitutes continuing connected transactions of the Company subject to the reporting, announcement and annual review requirements but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Since the highest applicable percentage ratio as defined under the Listing Rules calculated for the Company in respect of the respective annual caps for (i) the deposit services, and (ii) the bill acceptance and discount services for each year under the Financial Services Agreement exceeds 5% but is less than 25%, the provision of each of the deposit services and bill acceptance and discount services by CSCF to the Group under the Financial Services Agreement constitutes discloseable transactions of the Company subject to the notification, announcement and reporting requirements but exempt from the Shareholders' approval requirement under Chapter 14 of the Listing Rules.

The Directors (including the independent non-executive Directors) are of the view that as far as the Shareholders are concerned, the Financial Services Agreement and the transactions contemplated thereunder (together with the Caps) have been entered into in the ordinary course of business of the Company, and on normal commercial terms after arm's length negotiations between the parties, and the terms of each of the services under the Financial Services Agreement and the transactions contemplated thereunder (together with the Caps) are fair and reasonable and in the best interests of the Company and its Shareholders as a whole.

CONTINUING CONNECTED TRANSACTIONS

On 1 November 2019, the Company and CSCF entered into the Financial Services Agreement for a term of three years, commencing from 1 November 2019 and ending on 31 October 2022, pursuant to which CSCF has agreed to provide the Group with a) deposit services, b) loan services, c) bill acceptance and discount services, and d) other financial services on a non-exclusive basis.

FINANCIAL SERVICES AGREEMENT

Date

1 November 2019

Parties

1. The Company; and
2. CSCF

Effective Period

For a term of three years commencing from 1 November 2019 and ending on 31 October 2022 (both days inclusive).

Principle Terms

1. Services to be provided

CSCF has agreed to provide the Group with the following financial services on a non-exclusive basis:

- a) deposit services;
- b) loan services: loan services under the Financial Services Agreement, besides general commercial loans, also include real estate development loans and working capital loans (all of which will not be subject to any security over the assets of the Group);

- c) bill acceptance and discount services: the Group can cash the bills it holds with CSCF for a discounted amount (calculation as set out in the section “Pricing principles” below) before the maturity date of such bills; and
- d) other financial services
 - (i) centralized fund monitoring: for the Group’s business which involves fund monitoring, CSCF will liaise with relevant supervision departments for the opening of accounts with CSCF by the Group members, thus enables the Group to monitor and manage such accounts in a centralized manner;
 - (ii) entrusted loans: the Company can grant entrusted loans with its surplus funds through CSCF, which CSCF will issue such loans on behalf of the Company to its specified wholly-owned subsidiaries, and monitor the use of as well as assist in collecting of such loans;
 - (iii) cross-border capital pooled-transmittance: the service allows the Group to make unfettered bilateral movement of RMB cross-border from or to the PRC;
 - (iv) opening of acceptance bills: opening of acceptance bills to the Group’s suppliers and contractors and endorsing the bills through the system and platform provided by CSCF; and
 - (v) supply-chain financing services: CSCF provides the Group with a supply-chain service platform through which the Group can issue bills, and the suppliers and contractors of the Group can transfer or endorse the bills electronically.

2. Pricing principles

Subject to compliance with relevant laws, regulations and regulatory requirements, CSCF has agreed to adhere to the following pricing principles in providing the financial services under the Financial Services Agreement to the Group:

- a) **Deposit services:** When determining the interest rates for deposits to be placed by the Group with CSCF, the Company shall obtain the interest rate from CSCF, and make reference to the interest rates of the same type of deposits quoted by not less than three major commercial banks in the PRC (the “**Reference Deposit Rates**”). The interest rate applicable to the Group for its deposits with CSCF shall be the higher of: (i) the highest Reference Deposit Rate; and (ii) the interest rate provided by CSCF.
- b) **Loan services:** The terms of loans provided to the Group by CSCF shall be no less favourable than the terms of the same type of loans provided by independent third party commercial banks which have existing cooperative relationships with the Group. When determining the interest rates for loans to be granted to the Group by CSCF, the Company shall obtain the interest rate from CSCF, and make reference to the interest rates of the same type of loans quoted by not less than three major commercial banks in the PRC (the “**Reference Loan Rates**”). The interest rate applicable to the Group for its loans to be granted by CSCF shall be the lower of: (i) the lowest Reference Loan Rate; and (ii) the interest rate provided by CSCF.

Subject to compliance with relevant laws, regulations and regulatory requirements, CSCF will provide the loan services on normal commercial terms or better and such loans will not be secured by the assets of the Group.

- c) **Bill acceptance and discount services:** The discount amount for bill acceptance and discount shall be calculated by reference to the same rate as the interest rate applicable to the Group for its loans granted by CSCF.
- d) **Other financial services:** CSCF will offer other financial services to the Group, including centralized fund monitoring, entrusted loans, cross-border capital pooled-transmittance, opening of acceptance bills and supply-chain financing services, and these services shall be free of charge. For the avoidance of doubt, all other financial services will not be subject to any security over the assets of the Group or any interest payment.

3. Capital Risk Control Measures

- a) CSCF, as a non-bank financial institution approved by the CBIRC, guarantees that it will strictly comply with the regulatory requirements of the CBIRC when conducting its operation and business. CSCF also guarantees its compliance of all the regulatory indicators with the requirements specified by the CBIRC and other applicable PRC laws and regulations.
- b) The Group shall have full ownership, right of use and benefits derived from the funds in its accounts with CSCF, and CSCF shall ensure the safety and the Group's independent use of such funds.
- c) CSCF shall ensure the Group's free access to its deposits with CSCF, and the Group will be able to arrange transfer of the funds in its deposit account(s) in full amount and in a timely manner.
- d) The Group is entitled to choose any financial institutions other than CSCF for provision of the financial services according to its business needs and requirements.
- e) For financial services to be provided under the Financial Services Agreement, the Group shall refer to the fees or interest for the same type of service quoted by not less than three major commercial banks in the PRC. If the fees or interest quoted by any of such banks are more favourable than that CSCF provided, the Group can request CSCF to offer such more favourable fees or interest, and if CSCF cannot offer the fees or interest as the Group aforesaid requested within ten (10) business days, the Company is entitled to forthwith terminate the relevant financial services provided by CSCF pursuant to the Financial Services Agreement.
- f) The monthly financial statements of CSCF shall be provided to the Company on or before the fifth (5th) business day of the following month for the review of the senior management of the Company.
- g) Copy of the monitoring reports submitted by CSCF to the financial supervision authorities shall also be provided to the Company within three (3) business days following such submissions for the review of the senior management of the Company.

- h) If any event or situation arises which would affect the safety of the deposits placed by the Group with CSCF, CSCF must give written notice to the Group within two (2) business days after the occurrence of such event or situation. Once being notified, the Group has the right to withdraw all of its deposits (including the accrued interests) forthwith. CSCF shall not charge the Company for any fees for such withdrawal.
- i) If any member of the Group cannot recover the deposits placed with CSCF as a result of CSCF misappropriated the deposits of the Group or use of such deposits in breach of the relevant agreement(s), the Group has the right to set off the deposit amounts due to the Group from CSCF against any amounts of loan outstanding owing by the Group to CSCF. CSCF does not have such set-off right.
- j) If CSCF encounters emergency financial difficulties in making payments, CSCEC and CSCECL, as the shareholders of CSCF, are obliged to provide financial supports to CSCF in accordance with the relevant PRC laws and regulations and the articles of association of CSCF to ensure the payment.
- k) CSCF shall provide an information system platform to assist with the internal financial management of the Group so that the Group can real-time monitor its accounts and funds.
- l) CSCF shall assist the Group to monitor the utilization of the Caps under the Financial Services Agreement, and check with the Group each month of its records to make sure the consistency.

4. Payment

The consideration for the transactions contemplated under the Financial Services Agreement shall be paid in accordance with the specific terms as agreed under separate agreements from time to time.

ANNUAL CAPS AND BASIS OF DETERMINATION

By the date of this announcement, the Group had not engaged CSCF for providing any kind of financial services. Therefore, there were no relevant historical transaction figures to be disclosed or made reference to.

The Board, having considered (i) the operating cash flow and financial needs of the Group in respect of its future business expansion and the expected growth of the Group in the coming three years; (ii) the Group's deposit plan made according to its annual revenue; and (iii) the expected amount of interest income from CSCF, resolved that the maximum daily deposit balance (including interests accrued thereon) of the aggregated deposits placed by the Group with CSCF pursuant to the Financial Services Agreement shall not exceed RMB7,000 million (equivalent to approximately HK\$7,770 million) for each of the three years ending 31 October 2022, and such have been set as the annual caps for the said deposit services.

The Board, having considered (i) the historical cash position of the Group; (ii) the fast capital turnaround requirement of real estate industry and the liquidity of the business operations of the Group; and (iii) the plan of prorating capital recouping through different methods, resolved that the aggregate transaction amount of bill acceptance and discount services handled by CSCF for the Group shall not exceed RMB5,000 million (equivalent to approximately

HK\$5,550 million) for each of the three years ending 31 October 2022, and such have been set as the annual caps for the said bill acceptance and discount services.

INTERNAL CONTROL POLICIES AND PROCEDURES

Notwithstanding that the Company considers that the above capital risk control measures under the Financial Services Agreement are adequate to manage any risk involved in depositing funds with CSCF, the Group will review the relevant agreements and monitor the amount and interest rate of the deposits, loans and bill acceptance and discount services to ensure the fairness of the terms of the relevant transactions as compared to financial services provided by independent third parties other than CSCF.

In practice, the Group shall undertake to adhere to the following internal control measures in dealing with the financial services provided by CSCF to the Group:

- a) Finance department of the Company will real-time monitor the connected transaction amount under each Cap to ensure the relevant services provided would not exceed the respective Cap.
- b) The Group will set up a daily alert for the Caps, whereby such alert will be triggered when the transaction amount reached 80% of the relevant Cap.
- c) Finance department of the Company will monitor the business conditions of CSCF regularly. It will also review the monthly financial statements of CSCF and other returns submitted by CSCF to the supervision authorities in the PRC (including but not limit to the CBIRC, China Securities Regulatory Commission, People's Bank of China etc.) regularly to ensure CSCF's compliance of regulatory indicators with the relevant requirements.
- d) Finance department of the Company will prepare quarterly and annual connected transaction reports which contain the statistic analysis of the connected transactions under the Financial Services Agreement. Such reports will be submitted to the Board regularly and be provided to the auditors for their review.
- e) Finance department of the Company will monitor the credit risks of CSCF in real time and keep track of any event that would possibly affect the safety of the Group's deposits.
- f) Subsidiaries of the Company need to obtain internal approval from the Company before opening accounts with CSCF or using crediting services provided by CSCF.

REASONS FOR AND BENEFITS OF ENTERING INTO THE FINANCIAL SERVICES AGREEMENT

1. Strengthen the Group's source of funding

During the market volatility, it is expected that CSCF can provide the Group with expedient fund support, and therefore secure the Group's funding chain.

2. Save finance cost

The Group can take full advantage of various free financial services, including centralized fund monitoring, entrusted loans, cross-border capital pooled-transmittance, opening of acceptance bills and supply-chain financing services, provided by CSCF and reduce the banking charges and financial service fees payable by the Group.

3. Cross-border flexibility for utilization of the Group's funds

The cross-border RMB capital pooled-transmittance services provided by CSCF, within the scope permitted by applicable laws and relevant policies, will provide the Group with a channel for cross-border transmission of funds, to achieve a flexible and highly efficient utilization and transmission of the Group's funds within and outside the PRC.

4. Enhance the efficiency of fund utilization

The centralized fund monitoring services provided by CSCF will strengthen the Company's centralized fund management of its subsidiaries. The use of CSCF as a clearing platform will facilitate the clearing between the Group and its suppliers and contractors, reduce the time for making payment and transmitting the funds, and thereby expedite turnaround of funds.

It is anticipated that the entering into the Financial Services Agreement will enhance the efficiency in utilization of funds and save finance cost of the Group. With the expansion of the Group's business, CSCF will provide diversified, efficient, expedient and secure financial services to the Group under the Financial Services Agreement.

5. Facilitate fund management and control by the Group

CSCF has a well-developed information system through which the Group can access the latest information concerning the collection and payment of funds of the Group as well as the status of fund balance at any time, thus improving the level of management and control of the Group's funds.

6. Improve internal synergies and competitiveness

The arrangement of entrusted loans for the Company's wholly-owned subsidiaries provided by CSCF represents a substitute for high-interest loans from the licensed banks or financial institutions, and will lessen the interest expenditure of these subsidiaries of the Group. The Group can pool together the members' funds requirement when conducting cooperation with external banks, thereby to enable the Group to secure more favourable financial services for its members and enhance the financing efficiency of such members.

The transactions contemplated under the Financial Services Agreement are expected to bring the above benefits to the Group without compromising its independence.

The Directors (including the independent non-executive Directors) are of the view that as far as the Shareholders are concerned, the Financial Services Agreement and the transactions contemplated thereunder (together with the Caps) have been entered into in the ordinary course of business of the Company, and on normal commercial terms after arm's length negotiations between the parties, and the terms of each of the services under the Financial Services Agreement and the transactions contemplated thereunder (together with the Caps) are fair and reasonable and in the best interests of the Company and its Shareholders as a whole.

None of the Directors has material interest in the aforesaid transactions and therefore no Director has abstained from voting on the Board resolution approving the same.

IMPLICATIONS UNDER THE LISTING RULES

CSCEC is the ultimate holding company of both CSCF and the Company. CSCF is a non-wholly owned subsidiary of CSCECL which is the intermediate holding company of the Company and a subsidiary of CSCEC. Accordingly, CSCF is a connected person of the Company. The transactions contemplated under the Financial Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Deposit services and bill acceptance and discount services

Since one or more of the applicable percentage ratios as defined under the Listing Rules calculated for the Company in respect of the respective annual caps for (i) the deposit services, and (ii) the bill acceptance and discount services for each year under the Financial Services Agreement exceed 0.1% but are less than 5%, the provision of each of the deposit services and bill acceptance and discount services by CSCF to the Group under the Financial Services Agreement constitutes continuing connected transactions of the Company subject to the reporting, announcement and annual review requirements but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Since the highest applicable percentage ratio as defined under the Listing Rules calculated for the Company in respect of the respective annual caps for (i) the deposit services, and (ii) the bill acceptance and discount services for each year under the Financial Services Agreement exceeds 5% but is less than 25%, the provision of each of the deposit services and bill acceptance and discount services by CSCF to the Group under the Financial Services Agreement constitutes discloseable transactions of the Company subject to the notification, announcement and reporting requirements but exempt from the Shareholders' approval requirement under Chapter 14 of the Listing Rules.

Loan services

The loan services to be provided by CSCF to the Group are on normal commercial terms or better (i.e. terms that are similar or more favourable than those offered by at least three major commercial banks in the PRC for the provision of comparable services) and are in the interest of the Group. No security over the assets of the Group is granted to CSCF in respect of the loan services. They will therefore be exempt from all reporting, announcement and independent Shareholders' approval requirements under Rule 14A.90 of the Listing Rules.

Other financial services

CSCF will provide other financial services, including centralized fund monitoring, entrusted loans, cross-border capital pooled-transmittance, opening of acceptance bills and supply-chain financing services, to the Group for free under the Financial Services Agreement. Thus, the Company expects that all of the applicable percentage ratios as defined under the Listing Rules calculated for the Company in respect of the total fees payable by the Group to CSCF for the provision of other financial services by CSCF under the Financial Services Agreement will fall within the de minimis threshold and will be exempt from all reporting, announcement and independent Shareholders' approval requirements under Rule 14A.76 of the Listing Rules.

INFORMATION ON THE PARTIES AND THE ULTIMATE SHAREHOLDER

The Group is principally engaged in the business of property development and investment, and treasury operations.

CSCF, as a non-bank financial institution approved by the CBIRC, is principally engaged in providing financial services to CSCEC and its subsidiaries. CSCF is owned as to 80% by CSCECL and 20% by CSCEC.

The CSCEC Group is a conglomerate principally engaged in building construction, international contracting, real estate development and investment, infrastructure construction and investment and design and prospecting.

DEFINITIONS

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

“Board”	the board of Directors;
“Cap(s)”	the annual caps of (i) in respect of the deposit services, the maximum daily balance of deposits (including interests accrued thereon) placed by the Group with CSCF, and (ii) in respect of bill acceptance and discount services, the aggregate transaction amount of bill acceptance and discount services handled by CSCF for the Group for each year under the Financial Services Agreement;
“CBIRC”	China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會);
“Company”	China Overseas Land & Investment Limited, a company incorporated in Hong Kong with limited liability and whose shares are listed on the Main Board of the Stock Exchange (stock code: 688);

“connected person(s)”, “holding company”, “subsidiary(ies)” and “percentage ratio”	each has the meaning ascribed to it in the Listing Rules;
“CSCEC”	中國建築集團有限公司(China State Construction Engineering Corporation), a state-owned corporation organised and existing under the laws of the PRC, and the ultimate holding company of each of the Company and CSCF;
“CSCEC Group”	CSCEC and its subsidiaries (excluding subsidiary(ies) listed on any stock exchange but including CSCECL Group) from time to time;
“CSCECL”	中國建築股份有限公司(China State Construction Engineering Corporation Limited), a joint stock company incorporated in Mainland China and the intermediate holding company of the Company and a subsidiary of CSCEC;
“CSCECL Group”	CSCECL and its subsidiaries (excluding subsidiary(ies) listed on any stock exchange) from time to time;
“CSCF”	中建財務有限公司(China State Construction Finance Limited*), a limited liability company established in Mainland China and a non-wholly owned subsidiary of CSCECL;
“Director(s)”	the director(s) of the Company;
“Financial Services Agreement”	the financial services framework agreement dated 1 November 2019 entered into between the Company and CSCF for provision of financial services by CSCF to the Group;
“Group”	the Company and its subsidiaries (excluding subsidiary(ies) listed on any stock exchange) from time to time;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange;
“Macao”	the Macao Special Administrative Region of the People’s Republic of China;

“PRC” or “Mainland China”	the People’s Republic of China, but for the purpose of this announcement excluding Hong Kong, Macao and Taiwan;
“RMB”	Renminbi, the lawful currency of Mainland China;
“Shareholder(s)”	the shareholder(s) of the Company from time to time;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“%”	per cent.

Unless otherwise specified in this announcement, amounts denominated in Renminbi have been converted, into Hong Kong dollars at the rate of RMB0.90 = HK\$1.00. The exchange rate is for the purpose of illustration only and does not constitute a representation that any amount has been, could have been or may be converted at the above rate or any other rates.

** For illustrative or identification purpose only*

By Order of the Board
China Overseas Land & Investment Limited
Yan Jianguo
Chairman and Chief Executive Officer

Hong Kong, 1 November 2019

As at the date of this announcement, Mr. Yan Jianguo (Chairman and Chief Executive Officer), Mr. Luo Liang and Mr. Guo Guanghui are the executive directors; Mr. Chang Ying is the non-executive director; and Mr. Lam Kwong Siu, Dr. Fan Hsu Lai Tai, Rita and Mr. Li Man Bun, Brian David are the independent non-executive directors of the Company.