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中國海外宏洋集團有限公司
CHINA OVERSEAS GRAND OCEANS GROUP LTD.

(incorporated in Hong Kong with limited liability)

(Stock Code: 81)

DISCLOSEABLE TRANSACTION

ACQUISITION OF THE TARGET COMPANY

THE ACQUISITION

The Board is pleased to announce that on 8 March 2022, the Purchaser, an indirect wholly-owned subsidiary of the Company, and the Vendor, an Independent Third Party, entered into the Sale and Purchase Agreement, pursuant to which the Purchaser conditionally agreed to acquire, and the Vendor conditionally agreed to sell, the Equity Interest and the Shareholder Loan at a total consideration of RMB1,024,038,094.67, subject to adjustment. Upon completion of the Acquisition, the Target Company will become an indirect wholly-owned subsidiary of the Company and therefore the financial results of the Target Company will be consolidated into the financial statements of the Group.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Acquisition exceeds 5% but all the percentage ratios are less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements, but exempt from the requirement of shareholders' approval under Chapter 14 of the Listing Rules.

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SALE AND PURCHASE AGREEMENT

The principal terms of the Sale and Purchase Agreement are summarised below:

Date

8 March 2022

Parties

- (a) the Purchaser, an indirect wholly-owned subsidiary of the Company; and
- (b) the Vendor, an Independent Third Party.

Subject matter

The Purchaser conditionally agreed to acquire, and the Vendor conditionally agreed to sell, the Equity Interest (free from any encumbrances), which represents 100% of the total equity interest in the Target Company, and the Shareholder Loan, being an aggregate amount of RMB975,708,094.67 as of the date of the Sale and Purchase Agreement which represents all the outstanding loans owed by the Target Company to the Vendor, subject to the terms and conditions of the Sale and Purchase Agreement. Shenzhen Longguang Holding Co., Limited* (深圳市龍光控股有限公司) and Shenzhen Yudeying Investment Co., Limited* (深圳市禹德盈投資有限公司), both being the shareholders of the Vendor, have separately provided guarantees in favour of the Purchaser in respect of the obligations of the Vendor under the Sale and Purchase Agreement which will remain in effect for three years from the date on which all the Vendor's completion obligations have been fulfilled.

The Target Company is primarily engaged in the development of the Property located in Xinjin Area of East Coast New Town of Shantou City (汕頭市東海岸新城新津片區), Guangdong Province, the PRC, details of which are set out in the paragraph headed "Information of the Target Company" below.

As of the date of this announcement, the Target Company is wholly-owned by the Vendor. Upon completion of the Acquisition, the Purchaser will hold 100% of the total equity interest in the Target Company and the Target Company will become an indirect wholly-owned subsidiary of the Company, and therefore the financial results of the Target Company will be consolidated into the financial statements of the Group. Pursuant to the Sale and Purchase Agreement, the Purchaser shall be entitled to the rights attached to the Equity Interest in respect of the Target Company's profits and reserves from 28 February 2022.

Completion

The Parties will prepare the relevant documents and the transfer of the Equity Interest will be registered with the relevant authorities within three business days after the date of the Sale and Purchase Agreement.

During the period from the date of the Sale and Purchase Agreement until the payment of the first instalment for the consideration, all documents, business and operational licences, company chops and bank details of the Target Company shall be mutually managed by the Parties. After the payment of the first instalment and completion of the transfer of the Equity Interest, the Purchaser will take possession of them. Further, the Parties will change the directors, supervisor, legal representatives, senior management and employees (if any) of the Target Company on the date of registration of the transfer of the Equity Interest.

In addition, the Vendor shall be responsible for the termination of all agreements in relation to the development of the Property as set out in the Sale and Purchase Agreement and settle the relevant liabilities within one month from the date of the Sale and Purchase Agreement.

Consideration

Pursuant to the Sale and Purchase Agreement, the initial consideration shall be RMB1,024,038,094.67 (subject to adjustment), comprising (a) RMB48,330,000.00 in respect of the acquisition of the Equity Interest; and (b) RMB975,708,094.67 in respect of the acquisition of the Shareholder Loan.

If (a) any new or additional liabilities (including contingent liabilities) of the Target Company are identified that have not been reflected in the Target Company's audited accounts or due diligence report which give rise to loss for the Target Company or the Purchaser; or (b) any conduct of the Vendor causing material adverse effect to the Target Company and actual loss relating to the Equity Interest, the Purchaser may deduct such amounts from the consideration or recover such amounts from the Vendor, and if the aforesaid circumstances result in the Target Company unable to carry on its business or the development of the Property is unable to proceed or the terms of the Sale and Purchase Agreement could not be implemented, the Purchaser may terminate the Sale and Purchase Agreement.

The final consideration will be paid in cash in three instalments: (a) RMB974,038,094.67 shall be paid upon completion of the transfer of the Equity Interest; (b) RMB30,000,000.00 shall be paid within three business days after completion of the Acquisition; and (c) RMB20,000,000.00 shall be paid (i) within three business days after the date being 90 calendar days from the completion of the transfer of the Equity Interest; or (ii) within three business days after the new construction permit for the Property has been obtained (whichever the earlier attained).

Basis of the consideration

The initial consideration of the Acquisition was determined after arm's length negotiations between the Purchaser and the Vendor after taking into consideration, amongst others, (a) the audited net asset value as shown in the audited accounts of the Target Company as at 28 February 2022; (b) the total registered capital of the Target Company of RMB600,000,000.00 as of the date of the Sale and Purchase Agreement; (c) the outstanding Shareholder Loan; (d) the location and development prospects of the Property; and (e) the current market conditions.

INFORMATION OF THE TARGET COMPANY

The Target Company is a company established in June 2020 in the PRC with limited liability, with a registered capital of RMB600,000,000.00 and wholly-owned by the Vendor as at the date of the Sale and Purchase Agreement. The principal business of the Target Company is real estate development and management, real estate consultation and marketing planning in the PRC.

The principal asset of the Target Company is the Property, which comprises of a plot of land (plot number: E01-15) situated in the Xinjin Area of East Coast New Town of Shantou City (汕頭市東海岸新城新津片區), Guangdong Province, the PRC. The Property has a total site area of approximately 53,110 square metres, which is planned for residential development. It is currently under construction, in which pre-sale of the residential properties is expected to commence in October 2022 whereas construction is expected to be completed by June 2024.

Set out below is the financial information of the Target Company for the period from 22 June 2020 (date of incorporation) to 31 December 2020 and for the year ended 31 December 2021 prepared in accordance with generally accepted accounting principles in the PRC:

| | For the period from 22 June 2020 (date of incorporation) to 31 December 2020 <i>(Audited)</i> | For the year ended 31 December 2021 <i>(Audited)</i> |
|----------------------|--|---|
| Loss before taxation | RMB144,711.18 | RMB4,508,520.52 |
| Loss after taxation | RMB144,711.18 | RMB4,508,520.52 |

The audited net asset value of the Target Company as at 28 February 2022 was RMB593,568,634.80.

REASONS FOR AND BENEFITS OF ENTERING INTO THE SALE AND PURCHASE AGREEMENT

The Target Company holds a plot of land, namely the Property, which is planned for residential development and the total site area is approximately 53,110 square metres. The Property is situated in the Xinjin Area of East Coast New Town of Shantou City, which is planned to be the future urban centre encompassing residential properties. After taking into account of the location and development prospects of the Property, the Directors considered that the Acquisition is a good opportunity for the Group to expand its portfolio in Shantou City, which is consistent with the Group's development strategies, and the revenue and profits from the development of the Property will be consolidated by the Group. None of the Directors has any material interest in the Acquisition and no Director is required to abstain from voting on such board resolutions.

Based on the reasons above and the paragraph headed “Basis of the consideration” above, the Directors (including the independent non-executive Directors) are of the view that the Acquisition is in the interests of the Company and the Shareholders as a whole, and the terms of the Sale and Purchase Agreement (including, among others, the consideration of the Acquisition), which have been reached after arm’s length negotiations among the Parties, are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION OF THE PARTIES

The Group

The Group is principally engaged in property investment and development, property leasing and investment holding.

The Purchaser is a company established in the PRC with limited liability and is an indirect wholly-owned subsidiary of the Company. The Purchaser is principally engaged in investment and development of property, property sales and leasing, and commercial housing sales.

The Vendor

The Vendor is a company established in the PRC with limited liability and holds 100% of the equity interest in the Target Company as at the date of the Sale and Purchase Agreement. The Vendor is owned as to 51% by Shenzhen Longguang Holding Co., Limited* (深圳市龍光控股有限公司), which in turn is indirectly wholly-owned by Logan Group Company Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 3380), and 49% by Shenzhen Yudeying Investment Co., Limited* (深圳市禹德盈投資有限公司), which in turn is indirectly owned by Zhang Xuebin with an effective interest of approximately 89%. Each of Shenzhen Longguang Holding Co., Limited* (深圳市龍光控股有限公司) and Shenzhen Yudeying Investment Co., Limited* (深圳市禹德盈投資有限公司) is a company established in the PRC with limited liability, which is principally engaged in investment holding and real estate investment, respectively. The Vendor is principally engaged in real estate investment and development in the PRC.

To the best of the Directors’ knowledge, information and belief and having made all reasonable enquiries, the Vendor and its ultimate beneficial owners are Independent Third Parties.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Acquisition exceeds 5% but all the percentage ratios are less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements, but exempt from the requirement of shareholders’ approval under Chapter 14 of the Listing Rules.

DEFINITIONS

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

| | |
|--------------------------------|--|
| “Acquisition” | the acquisition of the Equity Interest and the Shareholder Loan by the Purchaser as contemplated under the Sale and Purchase Agreement |
| “Board” | the board of Directors |
| “Company” | China Overseas Grand Oceans Group 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: 81) |
| “Director(s)” | the director(s) of the Company |
| “Equity Interest” | 100% equity interest in the Target Company |
| “Group” | the Company and its subsidiaries from time to time |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Independent Third Party(ies)” | person(s) or company(ies) who/which is (are) independent of the Company and its connected person(s) |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Parties” | the Vendor and the Purchaser |
| “PRC” | the People’s Republic of China, and for the purpose of this announcement only, excluding Hong Kong, Macau and Taiwan |
| “Property” | the principal asset of the Target Company, details of which are set out in the section headed “Information of the Target Company” of this announcement |
| “Purchaser” | China Overseas Grand Oceans Property Group Company Limited* (中海宏洋地產集團有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company |
| “RMB” | Renminbi, the lawful currency of the PRC |

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|-------------------------------|---|
| “Sale and Purchase Agreement” | the sale and purchase agreement entered into between the Purchaser and Vendor on 8 March 2022 in respect of the Acquisition |
| “Shareholder Loan” | the loan owed by the Target Company to the Vendor in the amount of RMB975,708,094.67 as at the date of the Sale and Purchase Agreement |
| “Shareholders” | shareholder(s) of the Company |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Target Company” | Shantou Longguang Jingyao Real Estate Co., Ltd.* (汕頭市龍光景耀房地產有限公司), a company established in the PRC with limited liability and owned as to 100% by the Vendor as at the date of this announcement |
| “Vendor” | Shantou Longguang Bohao Investment Consultant Co., Ltd.* (汕頭市龍光博皓投資諮詢有限公司), a company established in the PRC with limited liability and an Independent Third Party |
| “%” | per cent. |

In this announcement, unless the context otherwise requires, the terms “connected persons”, “percentage ratio” and “subsidiary(ies)” shall have the meanings given to such terms in the Listing Rules.

** English or Chinese translation, as the case may be, is for identification only.*

For and on behalf of
China Overseas Grand Oceans Group Limited
Zhuang Yong
Chairman and Executive Director

Hong Kong, 8 March 2022

As at the date of this announcement, the Board comprises eight directors, of which three are executive directors, namely Mr. Zhuang Yong, Mr. Yang Lin and Mr. Paul Wang Man Kwan; two non-executive directors, namely Mr. Guo Guanghui and Mr. Billy Yung Kwok Kee, and three independent non-executive directors, namely Dr. Timpson Chung Shui Ming, Mr. Jeffrey Lam Kin Fung and Mr. Dantes Lo Yiu Ching.