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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)

CONNECTED TRANSACTION IN RELATION TO THE LICENCE AGREEMENT

THE LICENCE AGREEMENT

The Board wishes to announce that on 28 April 2022, the Company entered into the Licence Agreement with COHL, pursuant to which COHL agreed to license to the Group the right to use and occupy the Licensed Premises for a term of five years commencing from 1 May 2022 and ending on 30 April 2027 (both days inclusive). The Group will primarily use the Licensed Premises as its main office in Hong Kong.

LISTING RULES IMPLICATIONS

In accordance with HKFRS 16 “Leases”, the licence fees payable by the Company under the Licence Agreement will be recognised as a right-of-use asset and therefore the entering into of the Licence Agreement will be regarded as an acquisition of assets by the Group for the purpose of the Listing Rules. The payment of the air-conditioning and management charges to be made by the Company under the Licence Agreement will be recognised as expenses of the Group over the term of the Licence Agreement. COHL is the holding company of COLI, which is the controlling shareholder of the Company by virtue of it being interested in approximately 38.32% of the shares of the Company in issue. COHL is therefore a connected person of the Company. As such, pursuant to Chapter 14A of the Listing Rules, the payment of licence fees under the Licence Agreement constitutes a one-off connected transaction of the Company, and the payment of air-conditioning and management charges under the Licence Agreement constitutes a continuing connected transaction of the Company.

As one or more of the applicable percentage ratios in respect of the value of the right-of-use asset to be recognised by the Group under the Licence Agreement is more than 0.1% but all are less than 5%, the payment of the licence fees pursuant to the Licence Agreement is subject to the reporting and announcement requirements but exempt from the independent shareholders’ approval requirement under Chapter 14A of the Listing Rules.

As all applicable percentage ratios in respect of the annual amount of the air-conditioning and management charges under the Licence Agreement are less than 0.1%, the payment of air-conditioning and management charges is exempt from the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Board wishes to announce that on 28 April 2022, the Company entered into the Licence Agreement with COHL, pursuant to which COHL agreed to license to the Group the right to use and occupy the Licensed Premises for a term of five years commencing from 1 May 2022 to 30 April 2027 (both days inclusive).

THE LICENCE AGREEMENT

The principal terms of the Licence Agreement are summarised as follows:

Date

28 April 2022

Parties

- (i) COHL (as licensor)
- (ii) the Company (as licensee)

Licensed Premises

The Licensed Premises comprise approximately 4,483.8 square feet, which represents approximately three tenths (3:10) of the aggregate gross floor area of the Premises (inclusive of common areas and facilities) at Level 7, Three Pacific Place, 1 Queen's Road East, Hong Kong of approximately 14,946 square feet.

Term

The term for the Licence is five years commencing from 1 May 2022 and ending on 30 April 2027 (both days inclusive).

Use of the Licensed Premises

The Licensed Premises will be used by the Group primarily as its main office in Hong Kong.

Licence fee

The licence fee is HK\$363,180 per month (exclusive of rates), which is payable by the Company to COHL on the first day of each month. No licence fee will be payable from 1 May 2022 to 15 June 2022 (both days inclusive).

Air-conditioning and management charges

The Company will pay to COHL the air-conditioning and management charges relating to the Licensed Premises as follows:

- (i) HK\$50,220 per month for the period from 1 May 2022 to 31 December 2022 (both days inclusive);
- (ii) HK\$51,720 per month for the period from 1 January 2023 to 31 December 2023 (both days inclusive);
- (iii) HK\$53,280 per month for the period from 1 January 2024 to 31 December 2024 (both days inclusive);
- (iv) HK\$54,870 per month for the period from 1 January 2025 to 31 December 2025 (both days inclusive);
- (v) HK\$56,520 per month for the period from 1 January 2026 to 31 December 2026 (both days inclusive); and
- (vi) HK\$58,230 per month for the period from 1 January 2027 to 30 April 2027 (both days inclusive).

Deposit

A deposit of HK\$1,264,230 shall be payable on the date of the Licence Agreement and shall be refunded to the Company within 30 days of the expiration or termination of the Licence. The deposit will be deducted from the deposit previously paid by the Company under the Previous Licence Agreement.

The terms of the Licence Agreement (including the licence fees and the air-conditioning and management charges) were determined after arm's length negotiations between COHL and the Company, with reference to the actual amount of rent and air-conditioning and management fees being charged by the landlord pursuant to the lease entered into between COHL and the landlord of the Premises in proportion to the size of the Licensed Premises. The rental being charged by the landlord to COHL was determined by reference to the prevailing market rentals for comparable properties in the vicinity of similar ages, sizes, uses and attributes.

The fees payable under the Licence Agreement will be satisfied by the Company's internal resources.

ACCOUNTING TREATMENT

The payments to be made by the Company under the Licence Agreement mainly consist of the licence fees and air-conditioning and management charges components and hence different accounting treatments will be applied. In accordance with HKFRS 16 "Leases", the Group will recognise a right-of-use asset and related lease liability in its consolidated statement of financial position in connection with the licence fee under the Licence Agreement. The estimated value of the right-of-use asset to be recognised by the Group under the Licence Agreement amounts to HK\$20,165,899, which is the present value of the licence fees calculated in accordance with HKFRS 16. It should be noted that the above figure is unaudited and may be subject to adjustment in the future. The air-conditioning and management charges will be recognised as expenses in the consolidated income statement of the Group.

REASONS FOR AND BENEFITS OF ENTERING INTO THE LICENCE AGREEMENT

The Group is an existing occupant of the Licensed Premises. By entering into the Licence Agreement, the Group will enjoy such terms (including but not limited to licence fees) offered by COHL under the Licence Agreement (on the same basis as those offered by the landlord of the Premises to COHL pursuant to the lease between COHL and the landlord of the Premises) and such terms may not be otherwise available should the Company negotiate a rental agreement with the landlord on its own.

The Directors (including all the independent non-executive Directors) consider that the Licence Agreement, its terms and the transactions contemplated thereunder (including, among other things, the maximum total amount payable for the licence fees and the air-conditioning and management charges under the Licence Agreement) are on normal commercial terms, in the ordinary and usual course of business of the Company, fair and reasonable and in the interests of the Company and its shareholders as a whole.

INFORMATION OF THE PARTIES

The Company is a company incorporated in Hong Kong with limited liability and whose shares are listed on the Main Board of the Stock Exchange. The Group is principally engaged in property investment and development, property leasing and investment holding.

COHL is a non-wholly owned subsidiary of CSCEC and principally engaged in investment holding, and is the holding company of COLI which is the controlling shareholder of the Company. 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.

LISTING RULES IMPLICATIONS

In accordance with HKFRS 16 “Leases”, the licence fees payable by the Company under the Licence Agreement will be recognised as a right-of-use asset and therefore the entering into of the Licence Agreement will be regarded as an acquisition of assets by the Group for the purpose of the Listing Rules. The payment of the air-conditioning and management charges to be made by the Company under the Licence Agreement will be recognised as expenses of the Group over the term of the Licence Agreement. COHL is the holding company of COLI, which is the controlling shareholder of the Company by virtue of it being interested in approximately 38.32% of the shares of the Company in issue. COHL is therefore a connected person of the Company. As such, pursuant to Chapter 14A of the Listing Rules, the payment of the licence fees under the Licence Agreement constitutes a one-off connected transaction of the Company, and the payment of air-conditioning and management charges under the Licence Agreement constitutes a continuing connected transaction of the Company.

As one or more of the applicable percentage ratios in respect of the value of the right-of-use asset to be recognised by the Group under the Licence Agreement is more than 0.1% but all are less than 5%, the payment of the licence fees pursuant to the Licence Agreement and the transaction contemplated thereunder is subject to the reporting and announcement requirements but exempt from the independent shareholders’ approval requirement under Chapter 14A of the Listing Rules.

As all applicable percentage ratios in respect of the annual amount of the air-conditioning and management charges under the Licence Agreement are less than 0.1%, the payment of air-conditioning and management charges is exempt from the reporting, announcement, annual review and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

None of the Directors has any material interest in the Licence Agreement and the transaction contemplated thereunder. Save for Mr. Zhuang Yong, who is the chairman and executive Director of the Company, vice chairman and non-executive director of COLI and a director of COHL, having voluntarily abstained from voting, none of the Directors have abstained from voting on the resolutions passed by the Board approving the Licence Agreement and the transactions contemplated thereunder.

DEFINITIONS

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

“Board”	the board of Directors
“COHL”	China Overseas Holdings Limited, a company incorporated in Hong Kong with limited liability, and the holding company of COLI
“COLI”	China Overseas Land & Investment Limited, a company incorporated in Hong Kong with limited liability and a subsidiary of COHL, and the controlling shareholder of the Company
“Company”	China Overseas Grand Oceans Group Limited, a company incorporated in Hong Kong with limited liability, whose shares are listed on the Main Board of the Stock Exchange (stock code: 81)
“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 COHL and COLI
“CSCEC Group”	CSCEC and its subsidiaries from time to time
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Licence”	the licence granted by COHL to the Company under the Licence Agreement to use and occupy the Licensed Premises for a term of five years

“Licence Agreement”	the agreement dated 28 April 2022 entered into between COHL and the Company in relation to the Licence
“Licensed Premises”	the gross floor area (inclusive of common areas and facilities) of approximately three tenths (3:10) of the gross floor area of the Premises
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, Macao Special Administrative Region and Taiwan
“Premises”	the premises located at Level 7, Three Pacific Place, 1 Queen’s Road East, Hong Kong
“Previous Licence Agreement”	the licence agreement dated 30 September 2020 entered into between COHL and the Company in relation to the licensing of the Licensed Premises
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

In this announcement, unless the context requires otherwise, the terms “connected person(s)”, “connected transaction(s)”, “continuing connected transaction(s)”, “controlling shareholder(s)”, “holding company(ies)”, “percentage ratio(s)” and “subsidiary(ies)” shall have the meanings given to such terms in the Listing Rules.

By order of the Board
China Overseas Grand Oceans Group Limited
Zhuang Yong
Chairman and Executive Director

Hong Kong, 28 April 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.