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**(Stock Code: 81)**

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS  
IN RESPECT OF CONSTRUCTION RELATED SERVICES  
WITH**

**中國建築股份有限公司**

**(CHINA STATE CONSTRUCTION ENGINEERING CORPORATION LIMITED)**

**RENEWAL OF THE CONTINUING CONNECTED TRANSACTIONS**

Reference is made to the announcement of the Company dated 27 June 2019 in relation to the Previous CSCECL Group Engagement Agreement entered into between the Company and CSCECL in respect of the engagement of the CSCECL Group as contractor by the Group which is due to expire on 30 June 2022.

Since the Directors expect that the Group will continue to invite the CSCECL Group to participate in competitive tenders for the Group's Construction Related Services (which will include not only construction works, but also be expanded to include building design, building and property fitting-out work and interior decoration services) in the PRC from time to time, on 18 May 2022, the Company and CSCECL entered into the New CSCECL Group Engagement Agreement for a term of three years commencing from 1 July 2022 and ending on 30 June 2025 (both days inclusive), pursuant to which the Group may, subject to the terms and conditions thereunder (including the New Caps), engage the CSCECL Group as contractor for the Group's Construction Related Services in the PRC upon successful tender awarded to the CSCECL Group.

**LISTING RULES IMPLICATIONS**

CSCECL is an intermediate holding company of COLI, a controlling shareholder of the Company by virtue of being interested in approximately 38.32% of the issued share capital of the Company. Accordingly, CSCECL is a connected person of the Company. The transactions contemplated under the New CSCECL Group Engagement Agreement therefore constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Since one or more applicable percentage ratios as defined under the Listing Rules calculated based on the maximum total contract sum that may be awarded to the CSCECL Group for each year/period under the New CSCECL Group Engagement Agreement, i.e. the New Caps, exceed 0.1% but all are less than 5%, the Continuing Connected Transactions are subject to the reporting, announcement and annual review requirements but exempt from the independent Shareholders' approval requirement under Chapter 14A 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 New CSCECL Group Engagement Agreement has been entered into in the ordinary course of business of the Group, and on normal commercial terms after arm's length negotiations between the parties, and the terms of the New CSCECL Group Engagement Agreement and the Continuing Connected Transactions (including the New Caps) are fair and reasonable and in the best interests of the Company and its Shareholders as a whole.

## **BACKGROUND**

Reference is made to the announcement of the Company dated 27 June 2019 in relation to the Previous CSCECL Group Engagement Agreement entered into between the Company and CSCECL in respect of the engagement of the CSCECL Group as contractor by the Group which is due to expire on 30 June 2022.

The Directors expect that the Group will continue to invite the CSCECL Group to participate in competitive tenders for the Group's Construction Related Services (which will include not only construction works, but also be expanded to include building design, building and property fitting-out work and interior decoration services) in the PRC from time to time. In this connection, on 18 May 2022, the Company and CSCECL entered into the New CSCECL Group Engagement Agreement for a term of three years commencing from 1 July 2022 and ending on 30 June 2025 (both days inclusive).

## **THE NEW CSCECL GROUP ENGAGEMENT AGREEMENT**

### **Date**

18 May 2022

### **Parties**

1. The Company; and
2. CSCECL

## Subject matter

The parties agreed that, for a term of three years commencing from 1 July 2022 and ending on 30 June 2025:

1. the CSCECL Group may tender for the Group's Construction Related Services in the PRC in accordance with the tendering procedures of the Group which may be varied, amended, replaced or supplemented from time to time and on the same and normal terms as offered to other independent third party contractors;
2. if any contract is granted in favour of the CSCECL Group as a result of the above tenders, the CSCECL Group may act as contractor for the Group in the PRC to provide the Construction Related Services based on the terms of the successful tenders;
3. the maximum total contract sum that may be awarded by the Group to the CSCECL Group shall not exceed the corresponding New Cap as set out below:

<b>For the period between 1 July 2022 and 31 December 2022</b>	<b>For the year ending 31 December 2023</b>	<b>For the year ending 31 December 2024</b>	<b>For the period between 1 January 2025 and 30 June 2025</b>
RMB280 million (equivalent to approximately HK\$326 million)	RMB520 million (equivalent to approximately HK\$605 million)	RMB520 million (equivalent to approximately HK\$605 million)	RMB280 million (equivalent to approximately HK\$326 million)

4. the fees payable by the Group to the CSCECL Group in respect of the Construction Related Services will be settled pursuant to the payment terms set out in the tender documents for the relevant contracts.

## Pricing Basis

As a general principle, the prices and terms of the contracts shall be determined in the ordinary course of business, on normal commercial terms, and negotiated on an arm's length basis and at prices and on terms no more favourable than those awarded to the independent third party contractors of the Group.

The Group will normally invite contractors to participate in competitive tenders for the Group's Construction Related Services in the PRC in accordance with its tendering procedures.

In conducting the Group's invitations to tender, review of tenders and tender selection, the participation of the members of the CSCECL Group in the tender process shall not in any way affect the Group's tendering procedures, contractual terms and selection principles. Members of the CSCECL Group shall be treated in the same way as independent third parties.

The price and terms of the tenders awarded by the Group to the CSCECL Group are subject to the standard and systematic tendering procedures maintained by the Group, which apply to tenders submitted by both connected persons and independent third parties to ensure that the price and terms of the tender awarded by the Group to the CSCECL Group are no more favourable than those awarded to independent third parties.

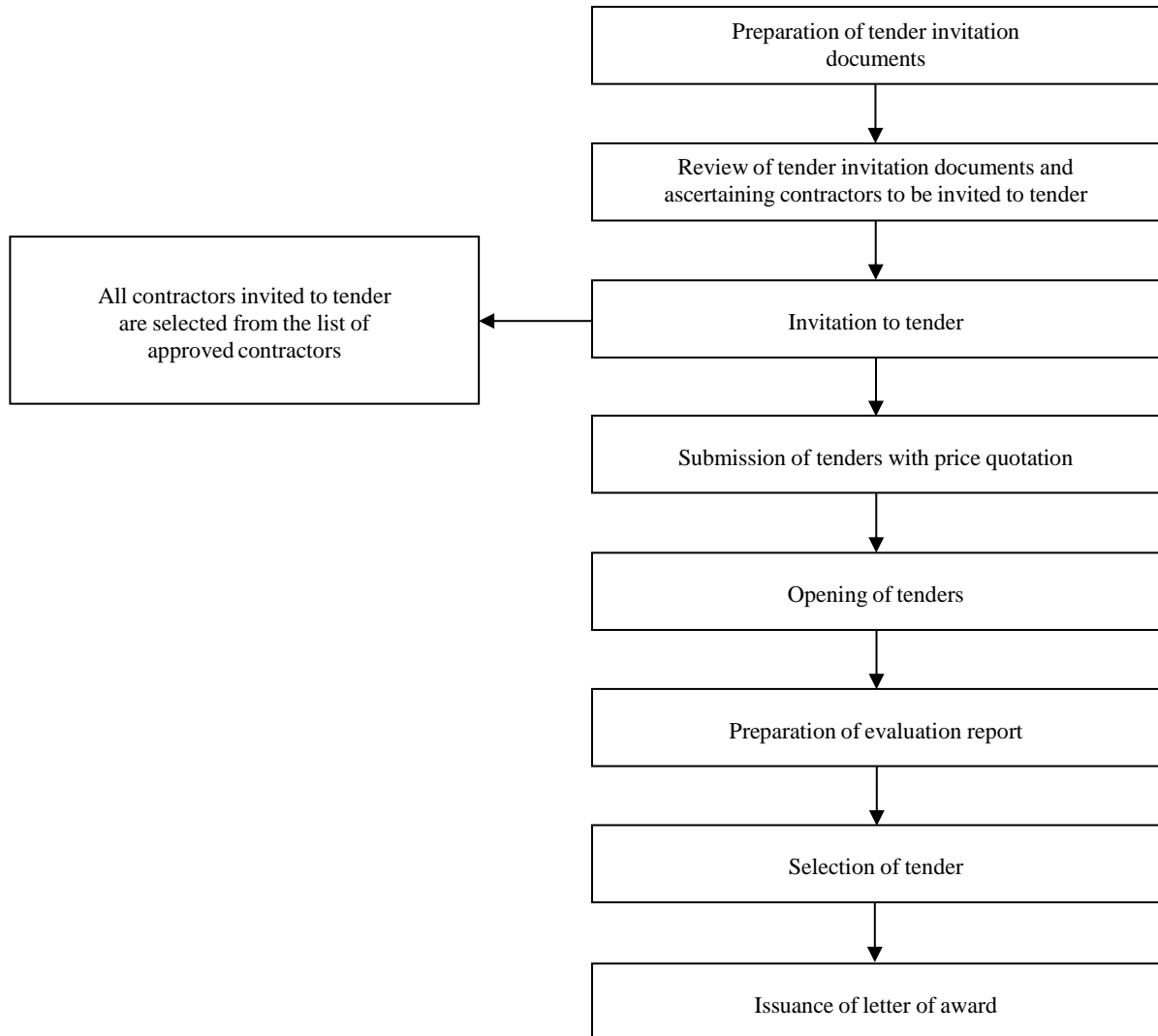
1. *Invitations to Tender*

- (i) The Group has established its own list of approved contractors (which is subject to periodic review and update by its management). All contractors invited to submit tenders for the Group's projects are selected from such list. Contractors in the list include those contractors with or without prior working history with the Group. Contractors with working history with the Group will be subject to suitability assessment following completion of their works in the Group's project. A contractor can be retained in the list if the result of such assessment is satisfactory to the Group. The Group will remove a contractor from the list if it fails to meet the minimum criteria for retention. If a contractor has no prior working history with the Group, the contractor will be subject to qualification evaluation and review to ascertain if it is suitable for being included in the list.
- (ii) The number of tenders to be invited: for every tender for contract of the Group's Construction Related Services in the PRC, not less than three tenders will be invited.
- (iii) Selection of contractors to be invited to tender: the suitability of a contractor is assessed with reference to selection criteria including but not limited to the contractor's qualification grade, financial ability, technical capability, cooperation record, project management ability, quality of work and business management capability. Depending on the estimated value of the relevant contract, the person in charge and line managers of the regional office or the district office shall conduct the vetting process to ascertain certain contractors to be invited to tender, following which the letter of invitation to tender will be issued.

2. *Tendering and Selection of Bids*

- (i) Tendering: the Group has adopted an online tendering system which enables the tenderers to submit the tenders by accessing the system through their account login and password.
- (ii) Opening of tenders: upon the deadline for tender submission, the tenders submitted will be opened through the online tendering system which is operated by the department head of the contracts department of the Group. After the opening of tenders, the tender-opening records and the uploaded information will be saved in the system and unalterable.
- (iii) Selection of tenders: based on the Group's established system of tendering, the winning bid will usually be the one conforming to the technical requirements with a reasonable and minimum price offered. The selection of tender is determined collectively by the decision-making body in a meeting where contents of the proposed tender, the contractor's capability and risk of default are given full consideration. The relevant letter of award will be issued once the final decision is made in the meeting of the decision-making body based on the final tender amount.

## Tendering Procedures



## Calculation of the New Caps

The New Caps are calculated with reference to the following factors:

1. the Previous Caps, being the maximum total contract sums that might be awarded by the Group to the CSCECL Group under the Previous CSCECL Group Engagement Agreement as set out below:

<b>For the period between 1 July 2019 and 31 December 2019</b>	<b>For the year ended 31 December 2020</b>	<b>For the year ended 31 December 2021</b>	<b>For the period between 1 January 2022 and 30 June 2022</b>
HK\$300 million	HK\$600 million	HK\$600 million	HK\$300 million

2. the historical total contract sums awarded by the Group to the CSCECL Group under the Previous CSCECL Group Engagement Agreement during the period from 1 July 2019 to 31 March 2022 as set out below:

<b>For the period between 1 July 2019 and 31 December 2019</b>	<b>For the year ended 31 December 2020</b>	<b>For the year ended 31 December 2021</b>	<b>For the period between 1 January 2022 and 31 March 2022</b>
Nil	Nil	RMB475 million (equivalent to approximately HK\$552 million)	RMB107 million (equivalent to approximately HK\$124 million)

3. the estimated total contract sum of potential new construction projects of the Group in the PRC in the three-year period commencing from 1 July 2022 and ending on 30 June 2025, with reference to the Group's future growth and expansion in its land reserves in the PRC for such period;
4. the estimated total contract sum of the Group's Construction Related Services in the PRC for which the Group will invite the CSCECL Group to participate in competitive tenders from time to time taking into account the number and size of the potential new construction projects of the Group in the PRC; and
5. the prevailing market prices of construction materials and the labour costs in the three-year period from 2022 to 2025 with reference to the consumer price index of 0.9% in the PRC in 2021.

The Shareholders should note that the New Caps represent the best estimates by the Directors of the amount of the Continuing Connected Transactions based on the information currently available. The New Caps bear no direct relationship to, nor should be taken to have any direct bearing on the Group's current financial or potential financial performance. The Group may or may not engage the CSCECL Group to provide Construction Related Services up to the level of the New Caps, or at all, as its engagement is subject to tendering procedures which are open to other independent third party contractors.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE NEW CSCECL GROUP ENGAGEMENT AGREEMENT**

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

As at the date of this announcement, CSCEC is the ultimate holding company of CSCECL. The CSCEC Group is a conglomerate principally engaged in housing construction engineering, infrastructure construction and investment, real estate development and investment, and prospecting and design.

The Directors consider that the CSCECL Group is a professional group with high qualifications in the PRC for providing Construction Related Services, and has a vast network of construction subsidiaries in the PRC. The New CSCECL Group Engagement Agreement will continue to provide the Group with the option to engage the CSCECL Group (upon successful tender awarded to the CSCECL Group) as its contractor and also to provide Construction Related Services in the construction of its property development projects in the PRC.

The Directors (including the independent non-executive Directors) are of the view that as far as the Shareholders are concerned, the New CSCECL Group Engagement Agreement has been entered into in the ordinary course of business of the Group, and on normal commercial terms after arm's length negotiations between the parties, and the terms of the New CSCECL Group Engagement Agreement and the Continuing Connected Transactions (including the New Caps) are fair and reasonable and in the best interests of the Company and its Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

CSCECL is an intermediate holding company of COLI, a controlling shareholder of the Company by virtue of being interested in approximately 38.32% of the issued share capital of the Company. Accordingly, CSCECL is a connected person of the Company. The transactions contemplated under the New CSCECL Group Engagement Agreement therefore constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Since one or more applicable percentage ratios as defined under the Listing Rules calculated based on the maximum total contract sum that may be awarded to the CSCECL Group for each year/period under the New CSCECL Group Engagement Agreement, i.e. the New Caps, exceed 0.1% but all are less than 5%, the Continuing Connected Transactions are subject to the reporting, announcement and annual review requirements but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

None of the Directors is regarded as having a material interest in the New CSCECL Group Engagement Agreement and the transactions contemplated thereunder, and no Director is required to abstain from voting on the board resolutions approving the New CSCECL Group Engagement 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:

“COHL”	China Overseas Holdings Limited, a company incorporated in Hong Kong with limited liability, being the holding company of COLI;
“COLI”	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), being the controlling shareholder of the Company;
“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);
“connected person(s)”, “continuing connected transaction(s)”, “controlling shareholder”, “holding company” “percentage ratio(s)”, and “subsidiary(ies)”	each has the meaning ascribed to it in the Listing Rules;
“Construction Related Services”	services including building design, construction, piling and foundation, building and property fitting-out work, interior decoration, installation of air-conditioning units and elevators;
“Continuing Connected Transactions”	the transactions contemplated under the New CSCECL Group Engagement Agreement, as described under the section headed “The New CSCECL Group Engagement Agreement” in this announcement;
“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 CSCECL;
“CSCEC Group”	CSCEC and its subsidiaries (for the purpose of this announcement, excluding COHL, COLI, China State Construction International Holdings Limited and China Overseas Property Holdings Limited, and their respective subsidiaries) 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 the PRC which is an intermediate holding company of COLI;
“CSCECL Group”	CSCECL and its subsidiaries (for the purpose of this announcement, excluding COHL, COLI, China State Construction International Holdings Limited and China Overseas Property Holdings Limited, and their respective 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;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“independent third parties”	parties who are independent of, and not connected with, the Company or any of its connected persons;
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange;
“New Cap(s)”	the maximum total contract sum of the Construction Related Services that may be awarded by the Group to the CSCECL Group for each year/period under the New CSCECL Group Engagement Agreement;
“New CSCECL Group Engagement Agreement”	the engagement agreement entered into between the Company and CSCECL on 18 May 2022 in respect of the engagement by the Group of the CSCECL Group as contractor for the Group’s Construction Related Services in the PRC for a term of three years commencing from 1 July 2022 and ending on 30 June 2025 (both days inclusive);
“PRC”	People’s Republic of China, but for the purpose of this announcement, excluding Hong Kong, Macao Special Administrative Region and Taiwan;
“Previous Cap(s)”	the maximum total contract sum of the construction contracts that might be awarded by the Group to the CSCECL Group for each year/period under the Previous CSCECL Group Engagement Agreement;

“Previous CSCECL Group Engagement Agreement”	the engagement agreement entered into between the Company and CSCECL on 27 June 2019 in respect of the engagement by the Group of the CSCECL Group as construction contractor for the Group’s construction works in the PRC for a term of three years commencing from 1 July 2019 and ending on 30 June 2022 (both days inclusive);
“RMB”	Renminbi, the lawful currency of the PRC;
“Shareholder(s)”	the shareholder(s) of the Company from time to time;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“%”	per cent.

*\* English translation for identification purpose only*

*Unless otherwise specified in this announcement, amounts denominated in Renminbi have been converted into Hong Kong dollars at the rate of RMB0.86 = 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.*

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

Hong Kong, 18 May 2022

*As at the date of this announcement, the board of directors of the Company 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.*