

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



(incorporated in Hong Kong with limited liability)
(Stock Code: 81)

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS
WITH
HUA YI DESIGN CONSULTANTS LIMITED**

THE NEW FRAMEWORK AGREEMENT

Reference is made to the announcement of the Company dated 27 February 2020 in respect of the Existing Framework Agreement entered into between the Company and Huayi Design (a wholly-owned subsidiary of COLI) on 27 February 2020, whereby the Group may engage the Huayi Design Group to provide Services to the Group's property development projects in PRC upon successful tenders awarded to the Huayi Design Group in accordance with the Group's standard tendering procedures for the period commencing from 1 March 2020 and ending on 31 December 2022 (both dates inclusive).

As the Existing Framework Agreement is due to expire and it is expected that the Group will continue to engage the Huayi Design Group to provide Services to the Group's property development projects in PRC, on 16 December 2022, the Company and Huayi Design entered into the New Framework Agreement for a term of 3 years commencing from 1 January 2023 and ending on 31 December 2025 (both dates inclusive).

LISTING RULES IMPLICATIONS

As at the date of this announcement, COLI is the controlling shareholder of the Company by virtue of it being interested in approximately 39.63% of the issued share capital of the Company. Accordingly, Huayi Design, being a subsidiary of COLI, is a connected person of the Company. The transactions contemplated under the New Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios calculated for the Company in respect of the Caps is more than 0.1% but all are less than 5%, the transactions contemplated under the New Framework Agreement are only 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 NEW FRAMEWORK AGREEMENT

Reference is made to the announcement of the Company dated 27 February 2020 in respect of the Existing Framework Agreement entered into between the Company and Huayi Design (a wholly-owned subsidiary of COLI) on 27 February 2020, whereby the Group may engage the Huayi Design Group to provide Services to the Group's property development projects in PRC upon successful tenders awarded to the Huayi Design Group in accordance with the Group's standard tendering procedures for the period commencing from 1 March 2020 and ending on 31 December 2022 (both dates inclusive).

As the Existing Framework Agreement is due to expire and it is expected that the Group will continue to engage the Huayi Design Group to provide Services to the Group's property development projects in PRC, on 16 December 2022, the Company and Huayi Design entered into the New Framework Agreement, principal terms of which are as follows:

Date

16 December 2022

Parties

1. The Company; and
2. Huayi Design.

Term

The New Framework Agreement has a term of three years commencing from 1 January 2023 and ending on 31 December 2025 (both dates inclusive).

Subject Matter

Pursuant to the New Framework Agreement, the parties agreed that:

1. the Huayi Design Group may participate in competitive tenders for the provision of Services to the Group's property development projects in PRC in accordance with the standard tendering procedures of the Group (which may be varied, amended, replaced or supplemented from time to time) and on the same and normal commercial terms as offered to other independent third party service providers;
2. if any Service contract is granted in favour of the Huayi Design Group pursuant to the Group's standard tendering procedures, the Group may engage the Huayi Design Group to provide Services to the Group's property development projects in PRC based on the terms of the successful tenders or quotations provided that the maximum total contract sum that may be awarded by the Group to the Huayi Design Group shall not exceed RMB30 million for each of the financial years ending 31 December 2023, 2024 and 2025; and

3. the fees payable for the Services by the Group to the Huayi Design Group will be settled pursuant to the payment terms set out in the relevant Service contracts.

Pricing Basis

The Group will normally invite service providers to participate in competitive tenders for the provision of Services to the Group's property development projects in PRC in accordance with its standard tendering procedures as set out below (which may be varied, amended, replaced or supplemented from time to time). Such tendering procedures are standard and systematic, and applicable to tenders submitted by both connected persons and independent third parties alike, to ensure that the prices and terms of the tenders awarded by the Group to the Huayi Design Group will be no more favourable than those awarded to independent third parties.

In addition, when inviting, reviewing and selecting the tenderers, the Group will ensure that the participation of the members of the Huayi Design Group in the tender process will not in any way affect the Group's tendering procedures, contract terms and selection principles. The members of the Huayi Design Group shall be treated in the same way as independent third parties.

1. Invitations to Tender

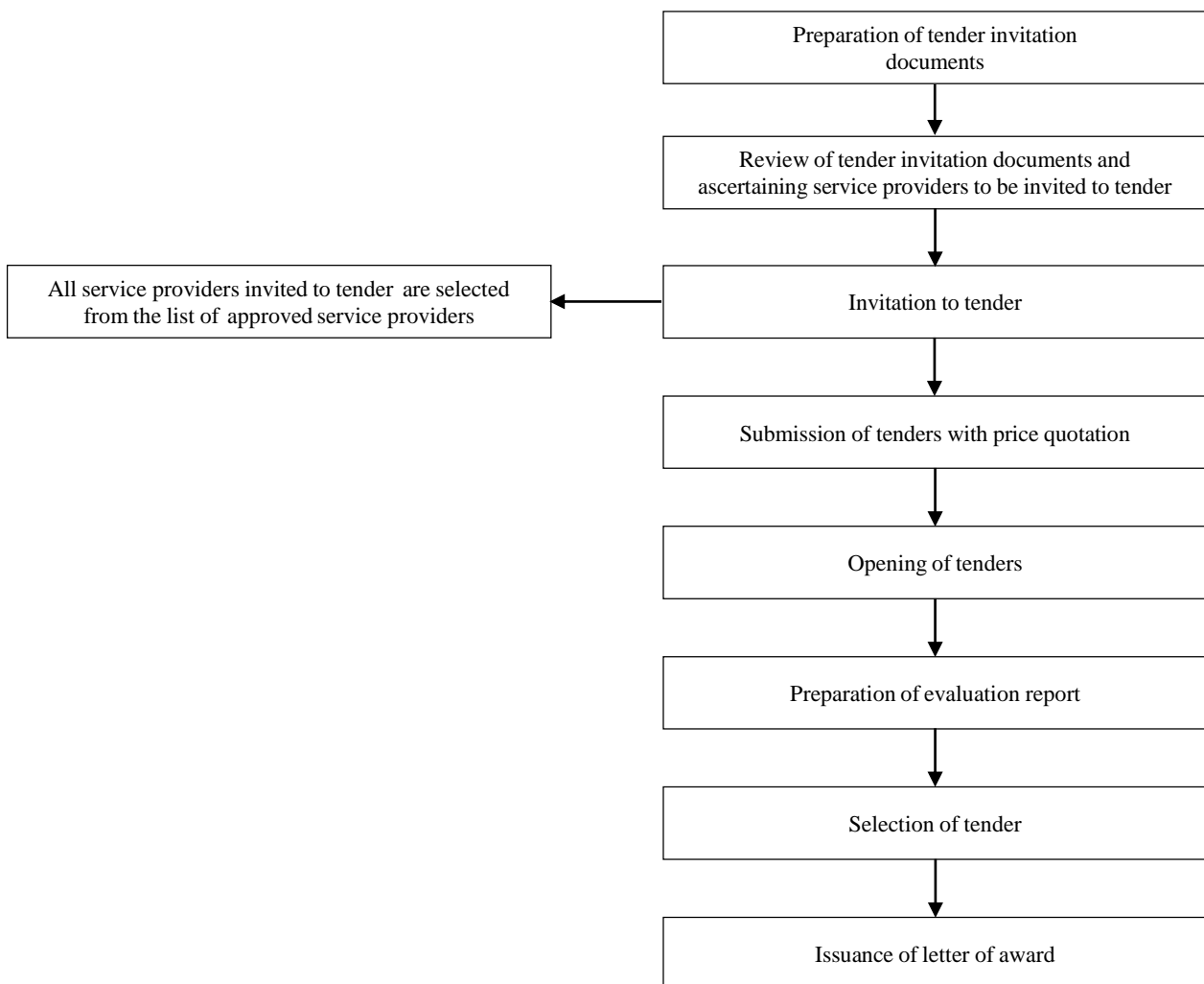
- (i) The Group has established its own list of approved service providers (which is subject to periodic review and update by its management). All service providers invited to submit tenders for the Group's property development projects in PRC are selected from such list. Service providers on the list include those with or without prior working history with the Group. Service providers with working history with the Group will be subject to a suitability assessment following completion of their works in the Group's project. A service provider can be retained on the list if the result of such assessment is satisfactory to the Group. The Group will remove a service provider from the list if it fails to meet the minimum criteria for retention. If a service provider has no prior working history with the Group, the service provider will be subject to qualification evaluation and review to ascertain if it is suitable to include the service provider in the list.
- (ii) *The number of tenders to be invited:* for every contract for the provision of Services to the Group's property development projects in PRC, not less than three service providers will be invited to submit tenders.
- (iii) *Selection of service providers to be invited to tender:* the suitability of a service provider is assessed with reference to selection criteria including but not limited to the service provider's qualification grade, technical capability, cooperation record, project management ability, quality of design and business management capability. Depending on the estimated value of the relevant Service contract and the compatibility of the project and the service provider, the general manager and the person-in-charge of the regional office of the Group shall conduct a vetting process to ascertain the service providers to be invited to tender, following which letters 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 a tenderer to submit its tender by accessing the system through its account login name and password.

- (ii) *Opening of tenders:* upon the deadline for tender submission, the tenders submitted will be opened through the online tendering system which will be operated by the officer-in-charge of the tendering process, who will be from the Design Department of the Group, and will be circulated to the general manager of each of the Design Department and the Finance and Treasury Department, as well as the person-in-charge of the Design Department of the Group. After the tenders are opened, the tender-opening records and the information submitted by the tenderers will be saved in the tendering system and will be unalterable.
- (iii) *Selection of tenders:* the Group will select the tender through the online tendering system. 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 service provider’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 Procedure



As part of the Group's tendering procedures, in the event that the expected contract amount involved is relatively small or no tenderer is available, and it will not be appropriate for the Group to go through the above tendering procedures, the Group will seek quotations from at least three different service providers, among which the lowest quotation will be selected on the condition that the selected service provider also satisfies the selection criteria as described above. If the price and terms offered by a member of the Huayi Design Group are equal to or better than those offered by the independent third party service providers, such member of the Group may accept the quotation from such member of the Huayi Design Group.

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

Basis of Calculation of the Caps

The Caps are calculated with reference to the following factors:

1. the historical total contract sums awarded by the Group to the Huayi Design Group for its provision of Services to the Group's property development projects in PRC under the Existing Framework Agreement, being (i) RMB12,127,995 for the ten months ended 31 December 2020, (ii) RMB2,983,898 for the year ended 31 December 2021, and (iii) RMB49,634 for the eleven months ended 30 November 2022;
2. the estimated total contract sum of the Services to be required for the Group's potential new property development projects in PRC for which the Group may invite the Huayi Design Group to participate in competitive tenders for the period from 1 January 2023 to 31 December 2025, with reference to the Group's expected future growth and expansion in its land reserves in PRC and in consideration of the proposed further strengthening and broadening of the business cooperation with the Huayi Design Group; and
3. the estimated fees for the Services in the three-year period commencing from 2023 to 2025, estimated with reference to the year-on-year increase of 1.6% in the consumer price index of PRC as published in November 2022 and the prevailing market fees.

REASONS FOR AND BENEFITS OF THE ENTERING INTO OF THE NEW FRAMEWORK AGREEMENT

Huayi Design possesses extensive experiences in construction design. The entering into of the New Framework Agreement provides the Company with the option to engage the Huayi Design Group (upon successful awards to the Huayi Design Group in accordance with the Group's standard tendering procedures) to provide Services to the Group's property development projects in PRC which will help ensure the quality of the construction design of the projects.

The Directors (including the independent non-executive Directors) are of the view that, as far as the Shareholders are concerned, the New Framework Agreement (together with the Caps) has been entered into in the ordinary and usual 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 Framework Agreement (together with the Caps) and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the date of this announcement, COLI is the controlling shareholder of the Company by virtue of it being interested in approximately 39.63% of the issued share capital of the Company. Accordingly, Huayi Design, being a subsidiary of COLI, is a connected person of the Company. The transactions contemplated under the New Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios calculated for the Company in respect of the Caps is more than 0.1% but all are less than 5%, the transactions contemplated under the New Framework Agreement are only 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 Shareholders should note that the Caps represent the best estimates by the Directors of the amount of the relevant transactions based on the information currently available. The Caps bear no direct relationship to, nor should they be taken to have any direct bearings on, the Group's financial or potential financial performance. The Group may or may not engage the Huayi Design Group to provide Services up to the level of the Caps, if at all, as its engagement is subject to the tendering procedures which are open to other independent third party service providers.

None of the Directors is regarded as having a material interest in the New Framework Agreement and the transactions contemplated thereunder. However, Mr. Zhuang Yong, being the Chairman and Executive Director of the Company, vice chairman and non-executive director of COLI and director of COHL, and Mr. Guo Guanghui, being the Non-executive Director of the Company and executive director and vice-president of COLI, have voluntarily abstained from voting on the board resolution(s) of the Company approving the New Framework Agreement and the transactions contemplated thereunder.

INFORMATION ON THE PARTIES

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

The Huayi Design Group, wholly owned by COLI, is mainly engaged in public and civil building engineering design, urban design, residential planning, interior design, preliminary consulting, architectural planning and research.

COLI Group is principally engaged in the business of property development and investment, and other operations.

CSCEC (a state-owned corporation in the PRC) is the ultimate controlling shareholder of the Company and COLI. CSCEC, together with its subsidiaries (excluding those listed on any stock exchange), 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 shall have the meanings set out below unless the context requires otherwise:

“Cap(s)”	the maximum total contract sum of the contracts in respect of the Services that may be awarded by the Group to the Huayi Design Group for each year of the term of the New Framework Agreement;
“COHL”	China Overseas Holdings Limited, a company incorporated in Hong Kong with limited liability, and the controlling shareholder of the Company and 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), and the controlling shareholder of the Company;
“COLI Group”	COLI and its subsidiaries (excluding subsidiary(ies) listed on any stock exchange) from time to time;
“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 transactions”, “controlling shareholder”, “holding company”, “percentage ratios” and “subsidiary(ies)”	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 PRC, and the ultimate holding company of COLI;
“Director(s)”	the director(s) of the Company;

“Existing Framework Agreement”	the existing framework agreement entered into between the Company and Huayi Design on 27 February 2020 in respect of the engagement of the Huayi Design Group by the Group for the provision of Services to the Group’s property development projects in PRC;
“Group”	the Company and its subsidiaries from time to time;
“Hong Kong”	the Hong Kong Special Administrative Region of PRC;
“Huayi Design”	Hua Yi Design Consultants Limited, a company incorporated in Hong Kong with limited liability which is a wholly-owned subsidiary of COLI;
“Huayi Design Group”	Huayi Design and its subsidiaries from time to time;
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange;
“New Framework Agreement”	the new framework agreement entered into between the Company and Huayi Design on 16 December 2022 in respect of the engagement of the Huayi Design Group by the Group for the provision of Services to the Group’s property development projects in PRC;
“PRC”	the People’s Republic of China, and for the purpose of this announcement excluding Hong Kong, the Macao Special Administrative Region and Taiwan;
“RMB”	Renminbi, the lawful currency of PRC;
“Services”	scheme design, preliminary design and construction drawing design services in each construction stage (which include but not limited to general plan design, architectural design, structural design, facilities design, pipe network design, interior design, civil air defense design, and other special items designs; coordinate and cooperate with other designers engaged by the Group for interior design, landscape design and other designs);
“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*

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

Hong Kong, 16 December 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.