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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

ACQUISITION OF 40% EQUITY INTEREST IN THE PROJECT COMPANY

THE ACQUISITION

Reference is made to the Announcement in relation to the Formation of Joint Venture. In February 2020, CGOSIL (an indirect wholly-owned subsidiary of the Company), Shenzhen Chuangying and the Project Company (an indirect non wholly-owned subsidiary of the Company) entered into the Cooperation Agreement to develop the Project on the Land located in Huizhou City, the PRC and, as of the date of this announcement, CGOSIL and Shenzhen Chuangying own as to 60% and 40% of the equity interest in the Project Company, respectively.

On 20 September 2023, CGOSIL, Shenzhen Chuangying and the Project Company entered into the Exit Agreement, pursuant to which CGOSIL agreed to acquire, and Shenzhen Chuangying agreed to sell, the Equity Interest representing 40% of the equity interest in the Project Company at a total consideration of RMB480,098,022.94. The Project Company is principally engaged in the development of the Project on the Land located in Huizhou City, the PRC.

Upon completion of the Acquisition, CGOSIL will own the entire equity interest in the Project Company and therefore, the Project Company will become an indirect wholly-owned subsidiary of the Company and the financial results of the Project Company will continue to be consolidated into the financial statements of the Group.

LISTING RULES IMPLICATIONS

As at the date of this announcement, (a) Shenzhen Chuangying owns 40% of the equity interest in the Project Company and hence is a substantial shareholder of a non wholly-owned subsidiary of the Company; and (b) the immediate controlling shareholder of Shenzhen Chuangying, Shenzhen Anchuang, is a substantial shareholder of Shenzhen Chuangshi, a non wholly-owned subsidiary of the Company. Therefore, each of Shenzhen Chuangying and Shenzhen Anchuang is a connected person of the Company at subsidiary level. Accordingly, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the Acquisition exceeds 1% but all are less than 5%, pursuant to Rule 14A.76 of the Listing Rules, the Acquisition is subject to the announcement requirement but is exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

THE ACQUISITION

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As disclosed in the Announcement, pursuant to the Cooperation Agreement, Shenzhen Chuangying will be entitled to exit from the joint venture in the event that 95% of the saleable floor area of the Project has been sold and the relevant sales contracts have been filed with the relevant authorities.

As of the date of this announcement, the Project Company has sold over 95% of the saleable floor area of the Project and therefore, on 20 September 2023, CGOSIL, Shenzhen Chuangying and the Project Company entered into the Exit Agreement, pursuant to which CGOSIL agreed to acquire, and Shenzhen Chuangying agreed to sell, the Equity Interest.

EXIT AGREEMENT

The principal terms of the Exit Agreement are summarised below:

Date

20 September 2023

Parties

- (a) CGOSIL, an indirect wholly-owned subsidiary of the Company;
- (b) Shenzhen Chuangying; and
- (c) the Project Company, an indirect non wholly-owned subsidiary of the Company.

Subject matter

Pursuant to the Exit Agreement, CGOSIL agreed to acquire, and Shenzhen Chuangying agreed to sell, the Equity Interest (free from any encumbrances), which represents 40% of the total equity interest in the Project Company, subject to the terms and conditions of the Exit Agreement.

As of the date of this announcement, the Project Company is owned as to 60% and 40% by CGOSIL and Shenzhen Chuangying, respectively. Upon completion of the Acquisition, CGOSIL will own the entire equity interest in the Project Company and therefore, the Project Company will become an indirect wholly-owned subsidiary of the Company and the financial results of the Project Company will continue to be consolidated into the financial statements of the Group. Pursuant to the Exit Agreement, CGOSIL shall be entitled to the rights and risks attached to the Equity Interest in respect of the Project Company's profits and reserves from the signing date of the Exit Agreement. The terms of the Exit Agreement have been arrived at after arm's length negotiations among CGOSIL, Shenzhen Chuangying and the Project Company.

Consideration

Pursuant to the Exit Agreement, the consideration for the Equity Interest is RMB480,098,022.94. As of the signing date of the Exit Agreement, the amounts due to the Project Company owed by Shenzhen Chuangying amounted to RMB373,359,359.48 in aggregate, which were the current accounts repaid by the Project Company to its shareholders on pro rata basis in accordance with the respective equity interest in the Project Company. After setting off the amounts due to the Project Company owed by Shenzhen Chuangying, the remaining balance of RMB106,738,663.46 will be paid in cash by CGOSIL in two instalments, of which the first instalment of RMB85,390,930.77 is expected to be paid on 20 September 2023 and the second instalment of RMB21,347,732.69 will be paid within three business days after the registration of the transfer of Equity Interest with the relevant authorities.

Completion

Within three business days after the payment of the first instalment above, Shenzhen Chuangying will cooperate with CGOSIL in the preparation of the relevant documents for the registration of the transfer of the Equity Interest with the relevant authorities.

After payment in full of the two instalments above, Shenzhen Chuangying will cooperate with CGOSIL to update the signatory authorities and return the chops, certificates used for the management of the Project Company.

BASIS OF THE CONSIDERATION

The consideration for the Equity Interest was determined after arm's length negotiations among CGOSIL, Shenzhen Chuangying and the Project Company after taking into consideration, amongst others, (a) the appraised fair value of the owner's equity of the Project Company as at 21 August 2023 according to the valuation report prepared by an independent valuer which was chosen by the parties; and (b) the proportion represented by the Equity Interest.

INFORMATION OF THE PROJECT COMPANY

The Project Company

The Project Company is a company established in the PRC with limited liability and an indirect non wholly-owned subsidiary of the Company as at the date of this announcement. The Project Company is principally engaged in the development of the Project on the Land located in Huizhou City, the PRC.

The Land

The Land is a piece of land with the lot no. LJL-38-10-01 located in Maan Urban Centre, Huicheng District, Huizhou City, the PRC* (惠州市惠城區馬安中心區). The Land is planned for residential and commercial use, with a total site area of approximately 123,000 sq.m., and a term of 70 years for residential purpose and 40 years for commercial purpose.

The Project

The Project is called China Overseas Riverview Mansion (Second Phase)* (中海閱江府二期). It involves the development and sale of residential properties with a gross floor area of approximately 348,000 sq.m. and commercial properties with a gross floor area of approximately 12,400 sq.m. on the Land by the Project Company. The construction of the properties on the Land commenced in March 2020 and was completed in August 2022. Further, the pre-sale of the properties on the Land commenced in August 2020 and the delivery of properties to the relevant purchasers commenced in December 2022. As of the date of this announcement, the Project Company has sold over 95% of the saleable floor area of the Project.

Financial information of the Project Company

Set out below is the financial information of the Project Company for the years ended 31 December 2021 and 31 December 2022 based on the audited financial statements of the Project Company prepared in accordance with generally accepted accounting principles in the PRC:

	For the year ended 31 December 2021 <i>(Audited)</i>	For the year ended 31 December 2022 <i>(Audited)</i>
Profit before taxation	RMB536,428,705	RMB203,520,073
Profit after taxation	RMB402,153,910	RMB152,444,284

The unaudited net asset value of the Project Company as at 31 August 2023 based on the management accounts of the Project Company was RMB1,200,275,250.06.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Project Company is primarily engaged in the development of the Project, which is in its final stages and more than 95% of the saleable floor area of the Project has been sold as at the date of this announcement. Pursuant to the Cooperation Agreement, Shenzhen Chuangying will be entitled to exit from the joint venture in the event that 95% of the saleable floor area of the Project has been sold and the relevant sales contracts have been filed with the relevant authorities. Therefore, through the Acquisition, CGOSIL has fulfilled its obligation under the Cooperation Agreement. Further, after taking into account of the location and the prospect of the Project, it is considered that the Acquisition will allow the Group to wholly own the Project Company and provide the Group with greater flexibility to dispose of the remaining assets, and will enhance overall operational efficiency of the Group, hence the Acquisition is in the interests of the Group as a whole.

The Directors (including the independent non-executive Directors) have approved the Exit Agreement and the transactions contemplated thereunder and the Directors (including the independent non-executive Directors) have confirmed that the terms of the Exit Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms and in the interests of the Company and its shareholders as a whole.

None of the Directors has any material interest in the Exit Agreement and the transactions contemplated thereunder, and none of the Directors has abstained from voting on the board resolution(s) approving the Exit Agreement and the transactions contemplated thereunder.

INFORMATION OF THE PARTIES

The Group and CGOSIL

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.

CGOSIL is a company established in the PRC with limited liability and is an indirect wholly-owned subsidiary of the Company. CGOSIL is principally engaged in investment holding.

Shenzhen Chuangying

Shenzhen Chuangying is a company established in the PRC with limited liability and is principally engaged in investment advisory, sales agency and property management services in the PRC. To the best knowledge of the Company based on information publicly available, the indirect controlling shareholder of Shenzhen Chuangying is Ping An Real Estate Co., Ltd.* (平安不動產有限公司), which ultimate controlling shareholder's H shares are listed on the Main Board of the Stock Exchange (stock code: 2318) and A shares are listed on the Shanghai Stock Exchange (stock code: 601318).

LISTING RULES IMPLICATIONS

As at the date of this announcement, (a) Shenzhen Chuangying owns 40% of the equity interest in the Project Company and hence is a substantial shareholder of a non wholly-owned subsidiary of the Company; and (b) the immediate controlling shareholder of Shenzhen Chuangying, Shenzhen Anchuang, is a substantial shareholder of Shenzhen Chuangshi, a non wholly-owned subsidiary of the Company. Therefore, each of Shenzhen Chuangying and Shenzhen Anchuang is a connected person of the Company at subsidiary level. Accordingly, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the Acquisition exceeds 1% but all are less than 5%, pursuant to Rule 14A.76 of the Listing Rules, the Acquisition is subject to the announcement requirement but is exempt from the circular and independent shareholders' approval requirements under Chapter 14A 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 by CGOSIL from Shenzhen Chuangying as contemplated under the Exit Agreement
“Announcement”	the announcement of the Company dated 27 February 2020 in relation to, among others, the Formation of Joint Venture
“Board”	the board of Directors
“CGOSIL”	China Overseas Grand Oceans (Shenzhen) Investment Group Co., Ltd.* (中海宏洋(深圳)投資集團有限公司), formerly known as China Overseas Grand Oceans (Shenzhen) Investment Co., Ltd.* (中海宏洋(深圳)投資有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary 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)
“Cooperation Agreement”	the cooperation agreement dated 27 February 2020 entered into among CGOSIL, Shenzhen Chuangying and the Project Company in relation to, among others, the formation of joint venture by CGOSIL and Shenzhen Chuangying through the Project Company, details of which are set out in the Announcement
“Director(s)”	the director(s) of the Company

“Equity Interest”	40% equity interest in the Project Company
“Exit Agreement”	the exit agreement entered into among CGOSIL, Shenzhen Chuangying and the Project Company on 20 September 2023 in relation to, among others, the Acquisition
“Formation of Joint Venture”	the formation of joint venture pursuant to the Cooperation Agreement, details of which are set out in the Announcement
“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Land”	a piece of land with the lot no. LJL-38-10-01 located in Maan Urban Centre, Huicheng District, Huizhou City, the PRC* (惠州市惠城區馬安中心區)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	People’s Republic of China, and for the purpose of this announcement only, excluding Hong Kong, Macau and Taiwan
“Project”	the construction and development of the Land by the Project Company
“Project Company”	Huizhou City Haiping Real Estate Co., Ltd.* (惠州市海平置業有限公司), a company established in the PRC with limited liability and an indirect non wholly-owned subsidiary of the Company as at the date of this announcement
“RMB”	Renminbi, the lawful currency of the PRC
“Shenzhen Anchuang”	Shenzhen Anchuang Investment Management Co., Ltd.* (深圳安創投資管理有限公司), a company established in the PRC with limited liability and a substantial shareholder of Shenzhen Chuangshi, a non wholly-owned subsidiary of the Company, and therefore a connected person of the Company at subsidiary level
“Shenzhen Chuangshi”	Shenzhen Chuangshi Enterprise Management Co., Ltd.* (深圳市創史企業管理有限公司), a company established in the PRC with limited liability and an indirect non wholly-owned subsidiary of the Company

“Shenzhen Chuangying”	Shenzhen City Chuangying Enterprise Management Co., Ltd.* (深圳市創應企業管理有限公司), a company established in the PRC with limited liability and a connected person of the Company at subsidiary level
“sq.m.”	square meter(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

In this announcement, unless the context otherwise requires, the terms “connected person(s)”, “connected transaction(s)”, “controlling shareholder(s)”, “percentage ratio(s)”, “subsidiary(ies)” and “substantial shareholder(s)” 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, 20 September 2023

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. Zhou Hancheng; 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. Andrew Fan Chun Wah.