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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)

**CONTINUING CONNECTED TRANSACTIONS
RENEWAL OF EXISTING MASTER ENGAGEMENT AGREEMENT
WITH CHINA STATE CONSTRUCTION INTERNATIONAL
HOLDINGS LIMITED IN RELATION TO CONSTRUCTION WORKS**

RENEWAL OF EXISTING MASTER ENGAGEMENT AGREEMENT

Reference is made to the announcement of the Company dated 19 November 2020 and the circular of the Company dated 10 December 2020 in relation to, among other things, the Existing Master Engagement Agreement entered into between the Company and CSC.

The Existing Master Engagement Agreement will expire on 31 December 2023 and the Group expects to continue to engage the CSC Group as construction contractor of the construction works of the Group in the PRC upon successful tender(s) by the CSC Group. As such, on 20 October 2023, the Company and CSC entered into the Renewal Master Engagement Agreement for a term of three years, commencing from 1 January 2024 and ending on 31 December 2026, and subject to the Caps.

LISTING RULES IMPLICATIONS

As at the date of this announcement, COHL holds approximately 64.81% of the issued share capital of CSC and, through COLI, holds approximately 39.63% of the issued share capital of the Company. Accordingly, CSC is a connected person of the Company and the transactions contemplated under the Renewal Master Engagement Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Since one or more of the applicable percentage ratios calculated for the Company in respect of the Cap exceed 5%, the transactions contemplated under the Renewal Master Engagement Agreement are subject to the reporting, announcement, annual review, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

An Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders in respect of the Renewal Master Engagement Agreement (together with the Caps) and the transactions contemplated thereunder. Maxa Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this connection.

A GM will be convened and held for the Independent Shareholders to consider and, if thought fit, approve the Renewal Master Engagement Agreement (together with the Caps) and the transactions contemplated thereunder. Voting at the GM will be conducted by poll and COHL and its associates will abstain from voting at the GM.

A circular containing, among other things, particulars of the Renewal Master Engagement Agreement and the Caps, the recommendation of the Independent Board Committee, a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders and a notice convening the GM are expected to be despatched to the Shareholders on or around 10 November 2023 in accordance with the Listing Rules.

RENEWAL OF EXISTING MASTER ENGAGEMENT AGREEMENT

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THE RENEWAL MASTER ENGAGEMENT AGREEMENT

Date

20 October 2023

Parties

1. the Company; and
2. CSC.

Subject Matter

Pursuant to the Renewal Master Engagement Agreement, it is agreed that:

1. any member of the CSC Group may tender for the Group's construction works in the PRC as construction contractor in accordance with the tendering procedures of the Group from time to time for a term of three years commencing from 1 January 2024 and ending on 31 December 2026 and on the same and normal terms as offered to other independent third party construction contractors;

2. if any contract is granted in favour of the CSC Group as a result of the above tender, the CSC Group may act as construction contractor for the Group's construction works in the PRC based on the terms of the successful tender provided that the maximum total contract sums of the construction works that may be awarded by the Group to the CSC Group shall not exceed the corresponding Caps as set out below:

For the year ending 31 December 2024	For the year ending 31 December 2025	For the year ending 31 December 2026
RMB1.8 billion	RMB1.8 billion	RMB1.8 billion

3. the fees in respect of the construction works payable by the Group to the CSC Group will be settled pursuant to the payment terms set out in the tender documents for the relevant contracts for the specific construction works.

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, negotiated on an arm's length basis and at prices and on terms no more favourable than those awarded to the independent third party construction contractors of the Group.

The Group will normally invite construction contractors to participate in competitive tenders for the Group's construction works in the PRC as construction contractor 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 CSC Group in the tender process shall not in any way affect the Group's tendering procedures, contract terms and selection principles. The members of the CSC 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 CSC Group for the Group's construction works in the PRC as construction contractor are subject to the standard and systematic tender 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 CSC Group are no more favourable than those awarded to independent third parties.

1. *Invitations to Tender*

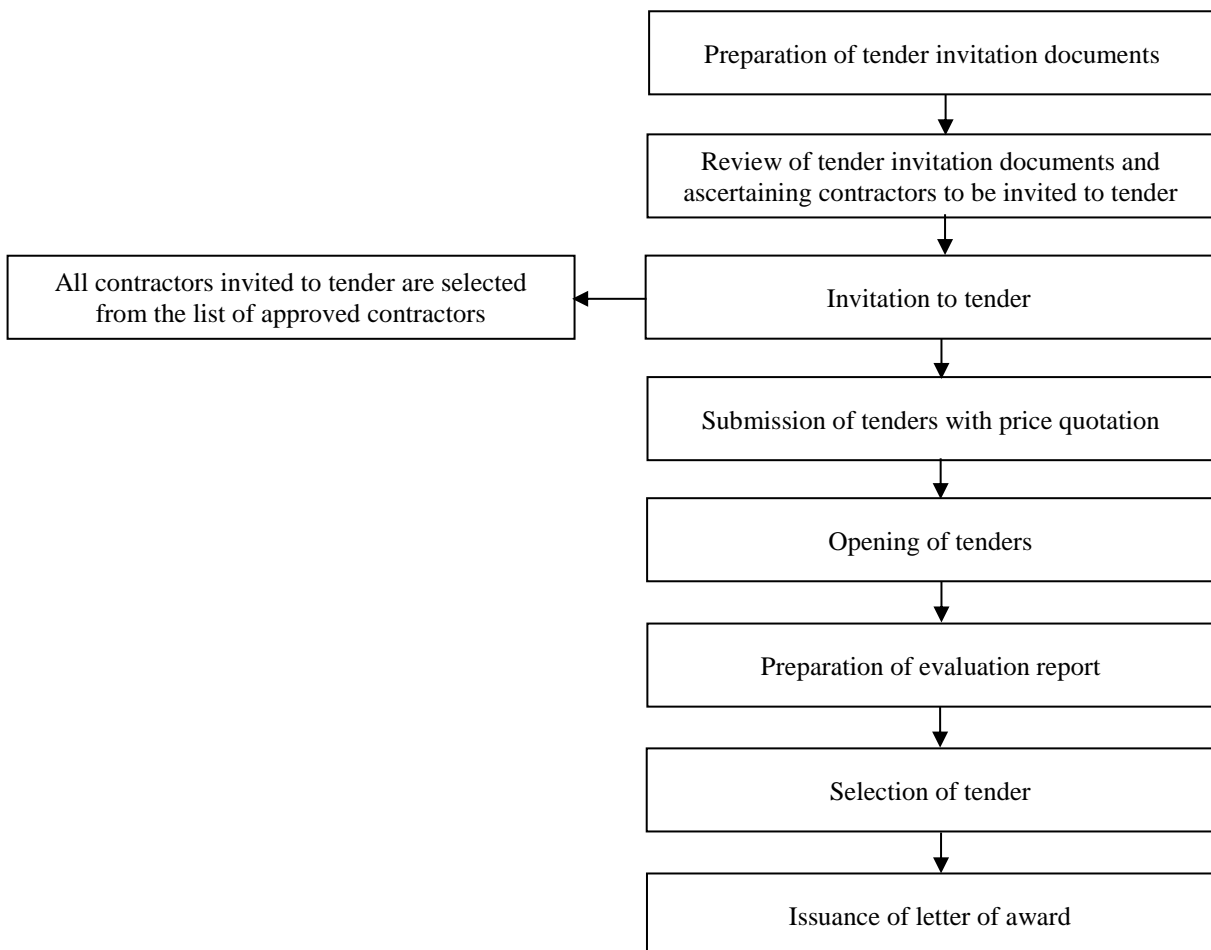
- (i) The Group has established its own list of approved contractors (which is subject to periodic review and update by its management). All contractors invited to submit tenders for the Group's projects are selected from such list. Contractors in the list include those contractors with or without prior 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 including the contractor in the list.
- (ii) Number of tenders to be invited: for every tender for the Group's construction works in the PRC as construction contractor, 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 construction contract, the person in charge and line managers of the district company 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 Tenders*

- (i) Tendering: the Company has adopted an online tendering system which enables the tenderers to submit their tenders after logging into their account.
- (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. 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 relevant decision-making body in a meeting where contents of the proposed tender, the contractor's capability and risk of default are given full consideration. For tenders with bids less than RMB10 million, the relevant decision-making body is the tender working group of the relevant district company, which comprises the general manager of the district company, the person in charge of each of the cost management, engineering management, finance and treasury, and planning and design departments, and the general manager of each of the cost management, project development, finance and treasury, and planning and design departments of the district company. For tenders with bids of RMB10 million or more, the relevant decision-making bodies are the tender working group of the relevant district company and the Group's construction management committee, which comprises the Company's Chief Executive Officer, the person in charge of each of the finance and treasury, cost management, and planning and design departments, and the general manager of each of the cost management, and finance and treasury departments of the headquarters. All members of the decision-making bodies are independent of the CSC Group. The relevant letter of award will be issued once the final decision is made in the meeting of the relevant decision-making body based on the final tender amount.

Tendering Procedure



Calculation of the Caps

The Caps are calculated with reference to the following factors:

1. the total contract sum of construction works projects of the Group in the PRC:

For the year ended 31 December 2021	For the year ended 31 December 2022	For the period from 1 January to 30 September 2023
RMB36,699 million	RMB19,465 million	RMB8,879 million

2. the total contract sum of construction works projects of the Group in the PRC awarded by the Group to the CSC Group as construction contractor under the Existing Master Engagement Agreement:

For the year ended 31 December 2021	For the year ended 31 December 2022	For the period from 1 January to 30 September 2023
RMB1,847 million	Nil	Nil

3. the estimated total contract sum of not less than RMB12 billion in respect of the potential new construction projects of the Group in the PRC for each of the years ending on 31 December 2024, 2025 and 2026 with reference to the total gross floor area of the Group's new construction projects and the Group's future growth and expansion in its land reserves in the PRC for such years; and
4. the estimated total contract sum within the range of RMB1 billion to RMB2 billion of the Group's construction works in the PRC for which the Group will invite the CSC Group to participate in competitive tenders from time to time for each of the years ending on 31 December 2024, 2025 and 2026, taking into account of the number and size of the potential new construction projects of the Group in the PRC.

The contract sums under the Renewal Master Engagement Agreement will be satisfied by the Group in cash from its general working capital.

Conditions Precedent

The obligations in the Renewal Master Engagement Agreement are conditional upon the following conditions being satisfied on or before 31 December 2023 (or such other date as the parties may agree in writing):

1. the passing of the resolution by the Independent Shareholders at the GM approving the Renewal Master Engagement Agreement (together with the Caps) and the transactions contemplated thereunder; and

2. the Company and CSC having complied with all other requirements under the Listing Rules with respect to the Renewal Master Engagement Agreement (together with the Caps) and the transactions contemplated thereunder, if any.

REASONS FOR AND BENEFITS OF THE ENTERING INTO OF THE RENEWAL MASTER ENGAGEMENT AGREEMENT

Taking into account CSC Group's technical skills, capabilities and experience in construction works and the estimated total contract sum of the Group's construction works in the PRC, the entering into of the Renewal Master Engagement Agreement would provide the Group with a more diverse base of contractors to be invited to tender for the construction works and participate in the construction works of the Group. The invited contractors will have to submit tenders which are no higher than the Group's budget to have a chance of success in bidding. Therefore, the benign competition among the contractors will effectively reduce the cost of construction. If the competitive tender is awarded to the CSC Group, the quality of the construction works for the Group's property development projects could be maintained.

The Directors (other than the independent non-executive Directors whose opinion will be provided after reviewing the advice of the Independent Financial Adviser) are of the view that as far as the Shareholders are concerned, the transactions contemplated under the Renewal Master Engagement Agreement are expected to be entered into in the ordinary and usual course of business of the Group, and the Renewal Master Engagement Agreement (together with the Caps) has been entered into on normal commercial terms after arm's length negotiations between the parties, and the terms of the Renewal Master Engagement Agreement (together with the Caps) and the transactions contemplated thereunder are fair and reasonable and in the best interests of the Company and its Shareholders as a whole.

INFORMATION ON THE PARTIES

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

The CSC Group is principally engaged in construction business, infrastructure investments and prefabricated constructions.

CSCEC is the ultimate holding company of COHL, which is the holding company of COLI and CSC. The CSCEC Group is principally engaged in housing construction engineering, real estate development and investment, infrastructure construction and investment, and survey and design.

LISTING RULES IMPLICATIONS

As at the date of this announcement, COHL holds approximately 64.81% of the issued share capital of CSC and, through COLI, holds approximately 39.63% of the issued share capital of the Company. Accordingly, CSC is a connected person of the Company and the transactions contemplated under the Renewal Master Engagement Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Since one or more of the applicable percentage ratios calculated for the Company in respect of the Cap exceed 5%, the transactions contemplated under the Renewal Master Engagement Agreement are subject to the reporting, announcement, annual review, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

An Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders in respect of the Renewal Master Engagement Agreement (together with the Caps) and the transactions contemplated thereunder. Maxa Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this connection.

A GM will be convened and held for the Independent Shareholders to consider and, if thought fit, approve the Renewal Master Engagement Agreement (together with the Caps) and the transactions contemplated thereunder. Voting at the GM will be conducted by poll and COHL and its associates will abstain from voting at the GM.

A circular containing, among other things, particulars of the Renewal Master Engagement Agreement and the Caps, the recommendation of the Independent Board Committee, a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders and a notice convening the GM are expected to be despatched to the Shareholders on or before 10 November 2023 in accordance with the Listing Rules.

None of the Directors is regarded as having a material interest in the Renewal Master Engagement Agreement (together with the Caps) and the transactions contemplated thereunder. Mr. Zhuang Yong, being the Chairman and executive Director of the Company, vice chairman and non-executive director of COLI, and director of COHL, has voluntarily abstained from voting on the board resolutions approving the Renewal Master Engagement Agreement (together with the Caps) and the transactions contemplated thereunder.

Shareholders should note that the Caps represent the best estimates by the Directors of the amount of the relevant transaction(s) based on the information currently available. The Caps bear no direct relationships to, nor should be taken to have any direct bearings on, the Group's financial or potential financial performance. The Group may or may not retain the CSC Group to engage in construction works up to the level of the Caps, if at all, as the engagements are subject to tendering procedures which are open to other independent third party construction contractors.

DEFINITIONS

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

“associate(s)”,	each has the meaning ascribed to it under the Listing
“connected person(s)”,	Rules;
“continuing connected transaction(s)”,	
“holding company”,	
“percentage ratios” and	
“subsidiary(ies)”	

“Cap(s)”	the maximum total contract sums of the construction contracts that may be awarded by the Group to the CSC Group for the relevant years under the Renewal Master Engagement Agreement, details of which are set out under the paragraph headed “The Renewal Master Engagement Agreement – Subject Matter” in this announcement;
“COHL”	China Overseas Holdings Limited, a company incorporated in Hong Kong with limited liability, which holds approximately 64.81% of the issued share capital of CSC and through COLI holds approximately 39.63% of the issued share capital of the Company;
“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), which holds approximately 39.63% of the issued share capital 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);
“CSC”	China State Construction International Holdings Limited, a company incorporated in the Cayman Islands with limited liability and whose shares are listed on the Main Board of the Stock Exchange (stock code: 3311);
“CSC Group”	CSC and its subsidiaries (for the purpose of this announcement, excluding any listed subsidiary(ies)) from time to time;
“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, being the ultimate holding company of COHL;
“CSCEC Group”	CSCEC and its subsidiaries (for the purpose of this announcement, excluding any listed subsidiary(ies) other than 中國建築股份有限公司 (China State Construction Engineering Corporation Limited*)) from time to time;
“Director(s)”	the director(s) of the Company;

“Existing Master Engagement Agreement”	the master engagement agreement entered into between the Company and CSC on 19 November 2020 in respect of the engagement by the Group of the CSC Group as construction contractor for the Group’s construction works in the PRC from time to time for a term of three years commenced from 1 January 2021 and ending on 31 December 2023;
“GM”	the general meeting of the Company to be held to consider and approve, among other things, the Renewal Master Engagement Agreement (together with the Caps) and the transactions contemplated thereunder;
“Group”	the Company and its subsidiaries from time to time;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	the independent board committee of the Company, comprising all the independent non-executive Directors to advise the Independent Shareholders on the Renewal Master Engagement Agreement (together with the Caps) and the transactions contemplated thereunder;
“Independent Financial Adviser” or “Maxa Capital”	Maxa Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities), and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Renewal Master Engagement Agreement (together with the Caps) and the transactions contemplated thereunder;
“Independent Shareholders”	Shareholders other than COHL and its associates;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	People’s Republic of China, but for the purpose of this announcement excluding Hong Kong, Macao Special Administrative Region of the PRC and Taiwan;

“Renewal Master Engagement Agreement”	the master engagement agreement entered into between the Company and CSC on 20 October 2023 in respect of the engagement by the Group of the CSC Group as construction contractor for the Group’s construction works in the PRC from time to time for a term of three years commencing from 1 January 2024 and ending on 31 December 2026;
“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.

** The English names of the PRC entities referred to in this announcement are translations from their Chinese names and are for identification purpose only. If there is any inconsistency, the Chinese name shall prevail.*

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

Hong Kong, 20 October 2023

As at the date of this announcement, the board of Directors 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.