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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 LEASE FRAMEWORK AGREEMENT

LEASE FRAMEWORK AGREEMENT

On 1 February 2024, the Company and COLI entered into the Lease Framework Agreement, pursuant to which members of the Group (as lessee) may lease Properties from members of the COLI Group (as lessor) during the period from 1 February 2024 to 31 December 2026 (both dates inclusive), subject to the terms of the Lease Framework Agreement and the Caps.

LISTING RULES IMPLICATIONS

As at the date of this announcement, COLI holds approximately 39.63% of the issued share capital of the Company. Accordingly, members of the COLI Group are connected persons of the Company and the Transactions contemplated under the Lease 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 in respect of the highest Cap is more than 0.1% but all are less than 5%, the Transactions contemplated under the Lease Framework Agreement are only subject to the reporting, announcement and annual review requirements but are exempt from the circular and the independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

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Principal terms of the Lease Framework Agreement are summarised as follows:

Date

1 February 2024

Parties

1. the Company; and
2. COLI.

Term

The Lease Framework Agreement will commence from 1 February 2024 and end on 31 December 2026 (both dates inclusive).

Subject Matter

Pursuant to the Lease Framework Agreement, it is agreed that:

1. the Company and COLI shall enter into, or procure members of the Group (as lessee) and members of the COLI Group (as lessor) respectively to enter into, the Transactions in relation to the Properties pursuant to the Lease Framework Agreement in the ordinary and usual course of their respective businesses within the limit of the Caps; and
2. during the term of the Lease Framework Agreement, any member of the Group and any member of the COLI Group shall from time to time enter into separate definitive leasing agreement in relation to each Transaction, which shall set out the particular terms and conditions of the Transaction (including but not limited to, where applicable, the parties, detailed description of the Properties, usage, duration, rents/licence fees, management fees, payment terms and/or specific terms such as rent free period, early termination, deposits, other fees and/or charges).

Pricing Basis

The rents/licence fees and terms of the definitive leasing agreement(s) shall be determined in the ordinary course of business, on normal commercial terms, negotiated on an arm's length basis, and shall be no less favourable to the Group than those which the Group could obtain from independent third party landlords or lessors of comparable properties. In assessing the rents/licence fees (exclusive of rates, government rent, water charges, cleaning charges and electricity charges) for the Transactions in relation to the Properties, members of the Group will take into account of, among others, (i) the location, size, usage, nature and conditions of the Properties; (ii) the term of the leases/licences; and (iii) the prevailing market rents/licence fees of comparable properties within the proximity.

The amount payable by the Group under the Leasing Framework Agreement will be funded by internal resources of the Group.

Caps

The payments to be made by the Group under the definitive leasing agreement(s) mainly consist of the rents/licence fees. In accordance with HKFRS 16 “Leases”, the Group will recognise a right-of-use asset (being the present value of the rents/licence fees calculated in accordance with HKFRS 16) and related lease liability in its consolidated statement of financial position in connection with the rents/licence fees under the definitive leasing agreement(s). As a result, the Group is required to set a Cap on the maximum aggregate right-of-use assets related to the Transactions to be entered into in each period/year under the Lease Framework Agreement.

The Caps during the term of the Lease Framework Agreement are as follows:

For the period from 1 February to 31 December 2024	For the year ending 31 December 2025	For the year ending 31 December 2026
RMB10,000,000	RMB11,000,000	RMB11,000,000

Basis of Determination of the Caps

The Company and COLI have not entered into any previous leasing transactions in which the Group leases the Properties from the COLI Group and therefore, the Caps are not calculated with reference to the historical transaction amount but the following factors:

1. the expected/potential new leases that could be entered into with members of the COLI Group during the term of the Leasing Framework Agreement, and their respective locations, sizes, usages, nature, conditions, and the prevailing market fees of comparable properties within the proximity; and
2. the provision of buffer to cover the possible increase in demand for leasing the Properties and the possible adjustment of fees.

In light of the above factors, the Directors consider that the Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Shareholders should note that the Caps represent the best estimates by the Directors of the amounts 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.

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

The Group’s businesses are mainly in PRC. In view of the insufficient office space for the Group’s expansion of business development, the Group’s Shenzhen headquarters needs to lease the Properties owned by the COLI Group, and the entering into of the Lease Framework Agreement will allow members of the Group to enter into leases with member of the COLI Group for office and daily operation.

The Directors (including the independent non-executive Directors) are of the view that the Lease Framework Agreement has been entered into in the ordinary and usual course of business of the Company and on normal commercial terms after arm's length negotiations between the parties, and the terms of the Lease 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.

INTERNAL CONTROL MEASURES

In order to ensure that the Transactions will be entered into in accordance with the terms of the Lease Framework Agreement, the Group has adopted the following measures:

1. the internal control team of the Company will monitor the Transactions, and will ensure that the fees of the Transactions will be on normal commercial terms or better by comparing the fees offered by independent third parties for the properties comparable to the Properties in terms of type, size and location;
2. the Company will comply with its internal control procedures in respect of connected transactions before the Group enters into any Transactions;
3. the internal control team of the Company will ensure that the Transactions will be conducted in accordance with the terms of the Lease Framework Agreement and the Caps will not be exceeded;
4. the Company will continue to review on a regular basis the implementation and the effectiveness of the internal control system of the Group;
5. the Company will appoint an external auditor pursuant to the Listing Rules to conduct annual review of the Transactions and the Caps; and
6. the independent non-executive Directors will review the report of the continuing connected transactions of the Company (including the Transactions) annually to ensure that they have been entered into in the ordinary and usual course of business of the Group and on normal commercial terms, and that such terms are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

INFORMATION ON THE PARTIES

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

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

LISTING RULES IMPLICATIONS

As at the date of this announcement, COLI holds approximately 39.63% of the issued share capital of the Company. Accordingly, members of the COLI Group are connected persons of the Company and the Transactions contemplated under the Lease 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 in respect of the highest Cap is more than 0.1% but all are less than 5%, the Transactions contemplated under the Lease Framework Agreement are only subject to the reporting, announcement and annual review requirements but are exempt from the circular and the independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

None of the Directors is regarded as having a material interest in the Lease 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 the executive director and vice-president of COLI, have voluntarily abstained from voting on the board resolution(s) of the Company approving the Lease Framework 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:

“Cap(s)”	the maximum aggregate right-of-use assets which may be recognised by the Group for the Transactions for the relevant periods/years under the Lease Framework Agreement, details of which are set out under the paragraph headed “Lease Framework Agreement – Caps” in this announcement;
“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 whose shares are listed on the Main Board of the Stock Exchange (stock code: 688);
“COLI Group”	COLI and its subsidiaries 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)”, “connected transaction(s)”, “continuing connected transaction(s)”, “holding company”, “percentage ratios” and “subsidiary(ies)”	each has the meaning ascribed to it in the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Group”	the Company and its subsidiaries from time to time;

“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 PRC;
“Lease Framework Agreement”	the framework agreement dated 1 February 2024 entered into between the Company and COLI in respect of the Transactions;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China, and for the purpose of this announcement excluding Hong Kong, the Macao Special Administrative Region of PRC and Taiwan;
“Properties”	the properties owned by the COLI Group, including but not limited to office premises, apartments, shops, parking lots, canteens, etc.;
“RMB”	Renminbi, the lawful currency of PRC;
“Shareholder(s)”	the shareholder(s) of the Company from time to time;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Transactions”	all lease or licence transactions between members of the Group (as lessees) and members of the COLI Group (as lessors) for leasing the Properties as contemplated under separate definitive leasing agreement(s); and
“%”	per cent.

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

Hong Kong, 1 February 2024

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.