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(incorporated in Hong Kong with limited liability)

(Stock Code: 81)

CONTINUING CONNECTED TRANSACTIONS WITH CHINA STATE CONSTRUCTION INTERNATIONAL HOLDINGS LIMITED IN RELATION TO CONSTRUCTION WORKS

Reference is made to the announcement of the Company dated 24 April 2020 in relation to, among other things, the Master Engagement Agreement entered into between the Company and CSC.

Under the Master Engagement Agreement, (i) 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 one year commenced from 1 July 2020 and ending on 30 June 2021 subject to the Caps; and (ii) the Group may engage the CSC Group as construction contractor for the Group's construction works in the PRC upon the CSC Group's successful tender.

On 19 November 2020, the Company and CSC entered into the New Master Engagement Agreement whereby (i) 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 2021 and ending on 31 December 2023 subject to the New Caps; and (ii) the Group may engage the CSC Group as construction contractor for the Group's construction works in the PRC upon the CSC Group's successful tender. The New Master Engagement Agreement (together with the New Caps) will replace and supersede all rights and obligations of the parties under the Master Engagement Agreement (together with the Caps) starting from 1 January 2021 with effect from the date of the satisfaction of the conditions precedent set out thereunder.

As at the date of this announcement, COHL is the controlling shareholder of both CSC and COLI by virtue of it being interested in approximately 64.66% of the issued share capital of CSC and approximately 55.99% of the issued share capital of COLI, which in turn, is the controlling shareholder of the Company by virtue of being interested in approximately 38.32% of the issued share capital of the Company. Accordingly, CSC is a connected person of the Company and the transactions contemplated under the New 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 as defined under the Listing Rules calculated for the Company in respect of the highest New Cap exceed 5%, the Continuing Connected Transactions are subject to the reporting, announcement, annual review 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 New Master Engagement Agreement (together with the New Caps) and the Continuing Connected Transactions. 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 New Master Engagement Agreement 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 New Master Engagement Agreement (together with the New 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 December 2020 in accordance with the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

Reference is made to the announcement of the Company dated 24 April 2020 in relation to, among other things, the Master Engagement Agreement entered into between the Company and CSC.

Under the Master Engagement Agreement, (i) 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 one year commenced from 1 July 2020 and ending on 30 June 2021 subject to the Caps; and (ii) the Group may engage the CSC Group as construction contractor for the Group's construction works in the PRC upon the CSC Group's successful tender.

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THE NEW MASTER ENGAGEMENT AGREEMENT

Date

19 November 2020

Parties

1. The Company; and
2. CSC.

Subject Matter

It is contemplated that the Group will invite the CSC Group to tender for more construction works of the Group in the PRC as construction contractor and (A) the Cap provided for in the Master Engagement Agreement for the period commencing from 1 January 2021 and ending on 30 June 2021; and (B) the term of the Master Engagement Agreement need to be revised. As such, on 19 November 2020, the Company and CSC entered into the New Master Engagement Agreement for a term of three years commencing from 1 January 2021 and ending on 31 December 2023 whereby the parties agreed, among other things, that:

- (a) 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 and on the same and normal terms as offered to other independent third party construction contractors;
- (b) 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 New Caps as set out below:

For the year commencing from 1 January 2021 and ending on 31 December 2021	For the year commencing from 1 January 2022 and ending on 31 December 2022	For the year commencing from 1 January 2023 and ending on 31 December 2023
RMB2,000 million	RMB2,500 million	RMB3,000 million

- (c) 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.

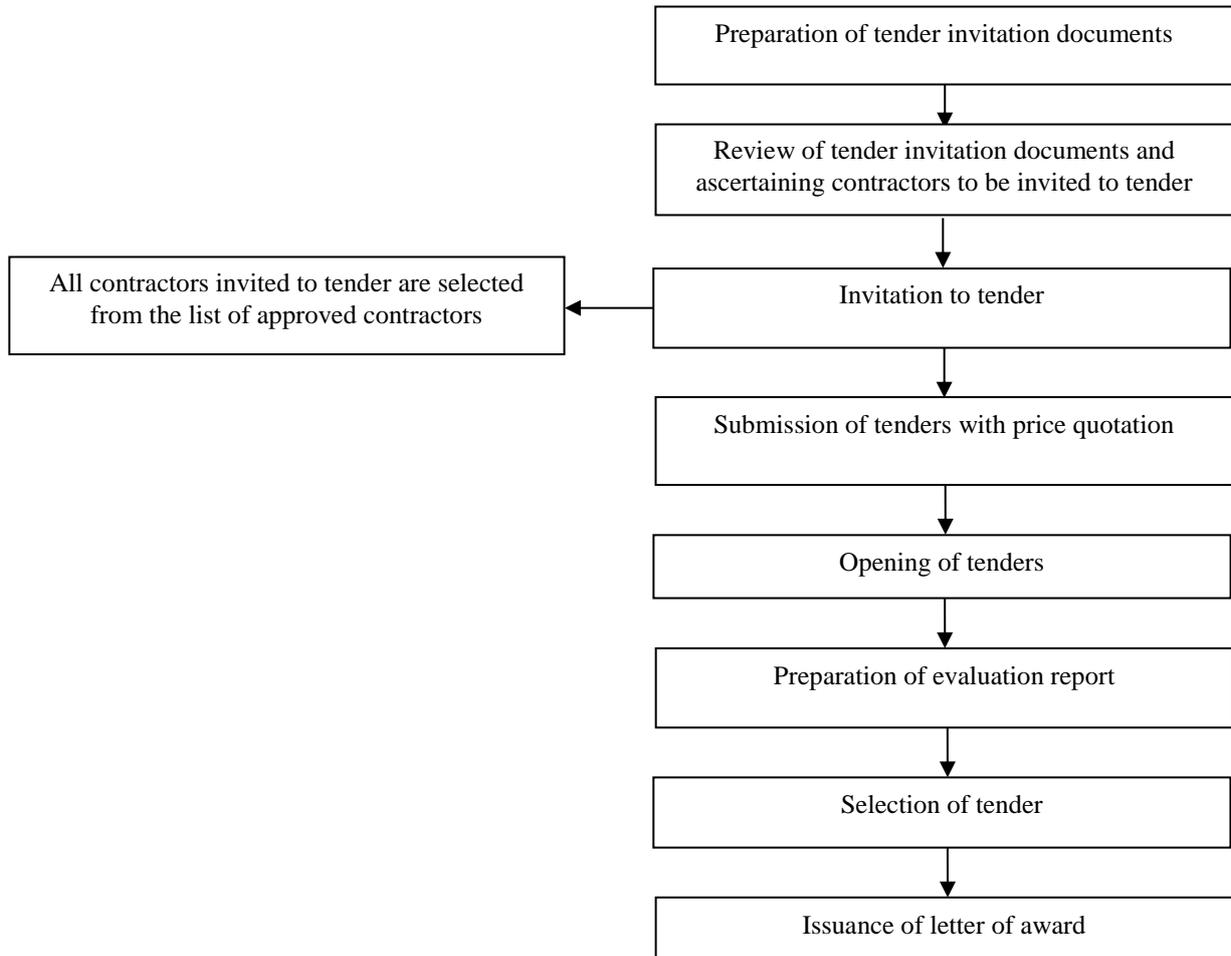
1. Invitations to Tender

- (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) The 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 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 Tenders*

- (i) Tendering: the Company has adopted an online tendering system which enables the tenderers to submit the tenders 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. 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 office, which comprises the general manager of the district office, the person in charge of each of the costs, construction, finance and treasury, and design departments of the district office, and the general manager of each of the construction costs, project development, finance and treasury, and design departments of the district office. For tenders with bids of RMB10 million or more, the relevant decision-making bodies are the tender working group of the relevant district office 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, construction costs and design departments of the headquarters, and the general manager of each of the construction costs 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 New Caps

The New 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 financial year ended 31 December 2017 of approximately RMB11,414.82 million, for the financial year ended 31 December 2018 of approximately RMB14,344.31 million, for the financial year ended 31 December 2019 of approximately RMB19,845.09 million and for the period from 1 January 2020 to 31 October 2020 of approximately RMB17,660.54 million;

2. the total contract sum of construction works of the Group in the PRC awarded by the Group to the CSC Group as construction contractor under the Master Engagement Agreement for the period from 1 July 2020 to 31 October 2020 of approximately RMB435.77 million;
3. the estimated total contract sum of not less than RMB30,000 million in respect of the potential new construction projects of the Group in the PRC for each of the financial years ending on 31 December 2021, 2022 and 2023 with reference to the total gross floor area of the Group's new construction projects for such period and the Group's future growth and expansion in its land reserves in the PRC for such period;
4. the estimated total contract sum within the range of RMB3,000 million to RMB4,000 million 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 financial years ending on 31 December 2021, 2022 and 2023, taking into account of the numbers 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 years 2021 to 2023 with reference to the inflation rate of 2.9% in the PRC in 2019.

The contract sums under the New Master Engagement Agreement will be satisfied by the Group in cash from its general working capital. The New Master Engagement Agreement (together with the New Caps) will replace and supersede all rights and obligations of the parties under the Master Engagement Agreement (together with the Caps) starting from 1 January 2021 with effect from the date of the satisfaction of the conditions precedent set out thereunder.

In the event that the New Master Engagement Agreement does not become effective, the Master Engagement Agreement (together with the Caps) will remain in full force and binding on the Company and CSC.

Conditions Precedent

The Continuing Connected Transactions are conditional upon (i) the passing of the resolution by the Independent Shareholders at the GM approving the New Master Engagement Agreement (together with the New Caps) and the Continuing Connected Transactions; (ii) the passing of the resolution by CSC's independent shareholders at CSC's general meeting approving the New Master Engagement Agreement (together with the New Caps) and the Continuing Connected Transactions; and (iii) the Company and CSC having complied with all requirements under the Listing Rules with respect to the New Master Engagement Agreement (together with the New Caps) and the Continuing Connected Transactions, if any.

REASONS FOR ENTERING INTO OF THE NEW MASTER ENGAGEMENT AGREEMENT

Taking into account CSC's experience in construction works and the expected increase in the total contract sum of the Group's construction works in the PRC which may lead to a potential increase in the total contract sum to be awarded by the Group to the CSC Group in the near future, the entering into of the New Master Engagement Agreement would provide the Group with a more diverse base of contractors to participate in the construction works of the Group, and if upon successful tender awarded to the CSC Group, could assure the quality of the construction works for the Group's property development projects up to standards.

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 Continuing Connected Transactions are expected to be entered into in the ordinary course of business of the Group, and the New Master Engagement Agreement (together with the New Caps) has been entered into on normal commercial terms after arm's length negotiations between the parties, and the terms of the New Master Engagement Agreement and the Continuing Connected Transactions (together with the New Caps) are fair and reasonable and in the best interests of the Company and its Shareholders as a whole.

GENERAL

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 in turn a controlling shareholder of each of the Company and CSC. The CSCEC Group is principally engaged in building construction, international contracting, real estate development and investment, infrastructure construction and investment and design and prospecting.

LISTING RULES IMPLICATIONS

As at the date of this announcement, COHL is the controlling shareholder of both CSC and COLI by virtue of being interested in approximately 64.66% of the issued share capital of CSC and 55.99% of the issued share capital of COLI, which is in turn a controlling shareholder of the Company by virtue of being interested in approximately 38.32% of the issued share capital of the Company. Accordingly, CSC is a connected person of the Company and the transactions contemplated under the New 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 as defined under the Listing Rules calculated for the Company in respect of the highest New Cap exceed 5%, the Continuing Connected Transactions are subject to the reporting, announcement, annual review 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 New Master Engagement Agreement (together with the New Caps) and the Continuing Connected Transactions. 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 New Master Engagement Agreement 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 New Master Engagement Agreement (together with the New 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 December 2020 in accordance with the Listing Rules.

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

The Shareholders should note that the New Caps represent the best estimates by the Directors of the amount of the relevant transaction(s) based on the information currently available. The New Caps bear no direct relationships to, nor should be taken to have any direct bearings to, 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 New 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 Rules;
“connected person(s)”,	
“continuing connected transaction(s),	
“controlling shareholder”,	
“percentage ratios” and	
“subsidiary(ies)”	

“Caps”	the maximum total contract sums of the construction contracts that may be awarded by the Group to the CSC Group for the relevant periods under the Master Engagement Agreement;
“COHL”	China Overseas Holdings Limited, a company incorporated in Hong Kong with limited liability, being a controlling shareholder of each of CSC, COLI and 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), being a 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);
“Continuing Connected Transactions”	the transactions contemplated under the New Master Engagement Agreement, as described under the section headed “Continuing Connected Transactions” in this announcement;
“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)) from time to time;
“Director(s)”	the director(s) of the Company;
“GM”	the general meeting of the Company to be held to consider and approve, among other things, the New Master Engagement Agreement and the Continuing Connected Transactions;

“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 of the Company to advise the Independent Shareholders on the New Master Engagement Agreement (together with the New Caps) and the Continuing Connected Transactions;
“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 New Master Engagement Agreement (together with the New Caps) and the Continuing Connected Transactions;
“Independent Shareholders”	shareholders of the Company, other than COHL and its associates;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Macau”	the Macao Special Administrative Region of the PRC;
“Master Engagement Agreement”	the engagement agreement entered into between the Company and CSC on 24 April 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 one year commencing from 1 July 2020 and ending on 30 June 2021;
“New Cap(s)”	the maximum total contract sum(s) of the construction works that may be awarded by the Group to the CSC Group (as construction contractor of the Group) for the three-year period(s) commencing from 1 January 2021 and ending on 31 December 2023 under the New Master Engagement Agreement;

“New Master Engagement Agreement”	the 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 commencing from 1 January 2021 and ending on 31 December 2023;
“PRC”	People’s Republic of China, but for the purpose of this announcement excluding Hong Kong, Macau and Taiwan;
“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, 19 November 2020

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. Yan Jianguo 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.