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CONNECTED TRANSACTION

SALE AND PURCHASE OF 45% EQUITY INTEREST IN THE TARGET COMPANY OWNING THE HEFEI PROPERTY

THE SALE AND PURCHASE AGREEMENT

On 1 November 2022 (after trading hours), CSCII (a direct wholly-owned subsidiary of CSC) (as vendor) and GWAP (an indirect wholly-owned subsidiary of COGO) (as purchaser) entered into the Sale and Purchase Agreement following a public tender process in the CBEX. Pursuant to the Sale and Purchase Agreement, CSCII agreed to sell and GWAP agreed to purchase the Sale Interest (representing 45% of the equity interest in the Target Company) at the Consideration of RMB291,843,810 (equivalent to approximately HK\$321,028,191).

The equity interest of the Target Company is owned as to 45% by CSCII and 55% by GWAP as at the date of this joint announcement. It is a real estate development and management, and property leasing and management company which has developed the Hefei Property, i.e. the property development project known as “Central Mansion*” (中海央墅) located at Baohe District, Hefei City, Anhui Province of the PRC.

Relevant business registration of the change in shareholding in the Target Company shall be filed within 5 working days after CSCII’s receipt of the Consideration. Upon completion of the Transaction, CSC will cease to hold any interest in the Target Company, and the Target Company will become an indirect wholly-owned subsidiary of COGO.

LISTING RULES IMPLICATIONS

As at the date of this joint announcement, CSCEC is the ultimate holding company of COHL which in turn is the controlling shareholder of both CSC and COGO by virtue of it being interested in approximately 64.81% of the issued share capital of CSC and approximately 39.63% of the issued share capital of COGO. CSCII (a subsidiary of CSC) is therefore a connected person of COGO and GWAP (a subsidiary of COGO) is a connected person of CSC under Chapter 14A of the Listing Rules. Accordingly, the Transaction constitutes a connected transaction for each of CSC and COGO.

As one or more of the applicable percentage ratios calculated for both CSC and COGO in respect of the Transaction is more than 0.1% but all are less than 5%, the Transaction is subject to the reporting and announcement requirements but exempt from the independent shareholders’ approval requirement under Chapter 14A of the Listing Rules for both CSC and COGO.

THE SALE AND PURCHASE AGREEMENT

On 1 November 2022 (after trading hours), CSCII (a direct wholly-owned subsidiary of CSC) (as vendor) and GWAP (an indirect wholly-owned subsidiary of COGO) (as purchaser) entered into the Sale and Purchase Agreement for the sale and purchase of the Sale Interest following a public tender process in the CBEX. The principal terms of the Sale and Purchase Agreement are summarised as follows:

Date

1 November 2022

Parties

- (1) CSCII (as vendor); and
- (2) GWAP (as purchaser).

Subject matter

Pursuant to the Sale and Purchase Agreement, CSCII agreed to sell and GWAP agreed to purchase the Sale Interest, representing 45% of the equity interest in the Target Company at the Consideration.

Consideration and payment terms

The Consideration for the Sale Interest is RMB291,843,810 (equivalent to approximately HK\$321,028,191), of which the deposit of RMB87,553,143 (equivalent to approximately HK\$96,308,457) was paid by GWAP to CSCII pursuant to the requirements of CBEX on the date of this joint announcement. The remaining balance of the Consideration of RMB204,290,667 shall be paid by GWAP to CSCII in cash in full within 5 working days following the date of the Sale and Purchase Agreement.

Delay in payment of any part of the Consideration will be subject to a default interest calculated at four times the loan prime rate as promulgated by the National Interbank Funding Center for the period from the date after the deadline for payment to the date of actual payment.

GWAP will pay the Consideration from the internal resources of COGO Group.

Basis for determination of the Consideration

The Consideration represents the reserve price of the public tender set by CSCII, which was determined with reference to the appraised net asset value of the Sale Interest as at 31 December 2021 (the “**Valuation Benchmark Date**”) in the amount of RMB291,843,810 which was proportional to the appraised net asset value of the Target Company of RMB648,541,800 as stated in a valuation report prepared by an independent valuer engaged by CSCII, which has taken into account the net asset value of the Target Company as at 31 December 2021 and the market value of the remaining units in the Hefei Property held by the Target Company as at 31 December 2021.

GWAP submitted its tender at the Consideration, after taking into account that (a) the Consideration determined based on the said valuation report has reflected the appraised net asset value of the Sale Interest; (b) there being no material difference between the appraised net asset value of the Target Company of RMB649,012,200 as at the Valuation Benchmark Date as assessed by an independent valuer separately commissioned by GWAP and the one assessed by the independent valuer of CSCII; and (c) there being no material change in the net assets, business operation and business model of the Target Company for the period from the Valuation Benchmark Date to the date of the Sale and Purchase Agreement which may affect such valuation results as well as GWAP's entitlement to the Target Company's profits/ losses from the Valuation Benchmark Date.

Completion

Relevant business registration of the change in shareholding in the Target Company shall be filed within 5 working days after CSCII's receipt of the Consideration.

Upon completion of the Transaction, CSC will cease to hold any interest in the Target Company, and the Target Company will become an indirect wholly-owned subsidiary of COGO.

INFORMATION ON THE TARGET COMPANY

The Target Company is a company incorporated in the PRC with limited liability, and its equity interest is owned as to 45% by CSCII and 55% by GWAP as at the date of this joint announcement. The principal business activities of the Target Company are real estate development and management, and property leasing and management. The Target Company owns the remaining commercial units comprising office units and retail shops in the Hefei Property, i.e. the property development project known as "Central Mansion*" (中海央墅) located at Baohe District, Hefei City, Anhui Province of the PRC. CSCII's capital contribution to the Target Company was RMB247,500,000.

The audited net profit before and after taxation of the Target Company for each of the two financial years ended 31 December 2021 (prepared in accordance with generally accepted accounting principles in the PRC) are set out below:

	For the year ended 31 December	
	2020	2021
	<i>(approximately)</i>	<i>(approximately)</i>
Net profit before taxation	RMB9,679,000	RMB6,124,000
Net profit after taxation	RMB7,259,000	RMB4,424,000

As at 30 September 2022, the unaudited net asset value of the Target Company was approximately RMB653,870,000.

REASONS FOR AND BENEFITS OF THE TRANSACTION

CSC

When CSC Group first invested in the Target Company in 2015, the Hefei Property was still a piece of land to be developed. CSC Group invested at the inception of the property development project, and contributed its expertise in the construction, design and development of the Hefei Property. The investment has proven to be profitable since sales began following completion of construction of the Hefei Property. With the completion of flat sales of the development project and its office units and retail shops being delivered and leased, the CSC Directors believe that it is a good time for CSCII to dispose of the Sale Interest to focus on CSC Group's principal businesses and to obtain a reasonable return on investment.

In view of the above, the CSC Directors (including the independent non-executive CSC Directors) are of the view that, as far as the shareholders of CSC are concerned, the Transaction is in the ordinary and usual course of CSC Group's business, on normal commercial terms, fair and reasonable and in the interests of CSC and its shareholders as a whole.

As a result of the sale of the Sale Interest, CSC Group is expected to recognise a gain (before deducting relevant taxes and expenses) of approximately HK\$19,607,000, which is calculated on the basis of the difference between (i) the Consideration for the Sale Interest and (ii) CSC Group's carrying value of investment in the Target Company. The gain or loss to be recorded in CSC Group's consolidated financial statements is subject to audit. CSC Group intends to use the net proceeds of the sale of the Sale Interest for general working capital purposes.

COGO

The investment in the Target Company has proven to be profitable throughout the years. The COGO Directors expect the Target Company to continue to generate stable revenue from the sales of the remaining commercial units and leasing of retail shops in the Hefei Property. Ownership of the Target Company and its assets will also strengthen COGO Group's presence in Hefei City. The acquisition of the Sale Interest at the Consideration, which was determined with reference to independent valuations, is considered a good investment at a reasonable price.

In view of the above, the COGO Directors (including the independent non-executive COGO Directors) are of the view that, as far as the shareholders of COGO are concerned, the Transaction is in the ordinary and usual course of COGO Group's business, on normal commercial terms, fair and reasonable and in the interests of COGO and its shareholders as a whole.

INFORMATION ON THE PARTIES AND CSCEC

Information on CSC and CSCII

CSC Group is principally engaged in construction business, infrastructure investments and prefabricated constructions. CSCII is a company incorporated in Hong Kong with limited liability, and a wholly-owned subsidiary of CSC. The principal activity of CSCII is investment holding.

Information on COGO and GWAP

COGO Group is principally engaged in property investment and development, property leasing and investment holding. GWAP is a company incorporated in Hong Kong with limited liability, and an indirect wholly-owned subsidiary of COGO. The principal activity of GWAP is investment holding.

Information on CSCEC

CSCEC (a state-owned corporation in the PRC) is the ultimate controlling shareholder of CSC and COGO. 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.

LISTING RULES IMPLICATIONS

As at the date of this joint announcement, CSCEC is the ultimate holding company of COHL which in turn is the controlling shareholder of both CSC and COGO by virtue of it being interested in approximately 64.81% of the issued share capital of CSC and approximately 39.63% of the issued share capital of COGO. CSCII (a subsidiary of CSC) is therefore a connected person of COGO and GWAP (a subsidiary of COGO) is a connected person of CSC under Chapter 14A of the Listing Rules. Accordingly, the Transaction constitutes a connected transaction for each of CSC and COGO.

As one or more of the applicable percentage ratios calculated for both CSC and COGO in respect of the Transaction is more than 0.1% but all are less than 5%, the Transaction is subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules for both CSC and COGO.

None of the CSC Directors has a material interest in the Transaction and no CSC Director is required to abstain from voting on the board resolution(s) of CSC approving the Transaction. However, Mr. Yan Jianguo, who is the chairman of CSC and non-executive CSC Director and the chairman and president of COHL, Mr. Chen Xiaofeng, being a non-executive CSC Director and the managing director and chief financial officer of COHL, and Mr. Zhang Haipeng, being a CSC Director and a director of COHL, have voluntarily abstained from voting on the board resolution(s) of CSC approving the Transaction.

None of the COGO Directors has a material interest in the Transaction and no COGO Director is required to abstain from voting on the board resolution(s) of COGO approving the Transaction. However, Mr. Zhuang Yong, who is the Chairman and Executive Director of COGO, vice chairman and non-executive director of COLI and director of COHL, has voluntarily abstained from voting on the board resolution(s) of COGO approving the Transaction.

DEFINITIONS

In this joint announcement, unless the context otherwise requires, the following expressions have the following meanings:

“connected person(s)”, “connected transaction”, “controlling shareholder”, “holding company”, “percentage ratios” and “subsidiary(ies)”	each has the meaning ascribed to it in the Listing Rules;
“CBEX”	China Beijing Equity Exchange (北京產權交易所有限公司), a comprehensive property right exchange approved to be established by the Municipal People’s Government of Beijing;
“COGO”	China Overseas Grand Oceans Group Limited (中國海外宏洋集團有限公司), 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);
“COGO Board”	the board of COGO Directors;
“COGO Director(s)”	director(s) of COGO;
“COGO Group”	COGO and its subsidiaries from time to time;
“COHL”	China Overseas Holdings Limited (中國海外集團有限公司), a company incorporated in Hong Kong with limited liability, the controlling shareholder of both CSC and COGO;
“COLI”	China Overseas Land & Investment Limited (中國海外發展有限公司), 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), the controlling shareholder of COGO;
“Consideration”	the consideration for the Sale Interest in the amount of RMB291,843,810 (equivalent to approximately HK\$321,028,191) payable by GWAP to CSCII pursuant to the Sale and Purchase Agreement;
“CSC”	China State Construction International Holdings Limited (中國建築國際集團有限公司), 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 Board”	the board of CSC Directors;
“CSC Director(s)”	director(s) of CSC;

“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, and the ultimate holding company of COHL;
“CSC Group”	CSC and its subsidiaries (excluding subsidiary(ies) listed on any stock exchange and their respective subsidiary(ies), if any) from time to time;
“CSCII”	China State Construction International Investments Limited (中建國際投資集團有限公司), a company incorporated in Hong Kong with limited liability, and a direct wholly-owned subsidiary of CSC;
“GWAP”	Grand Will Asia Pacific Limited (宏志亞太有限公司), a company incorporated in Hong Kong with limited liability, and an indirect wholly-owned subsidiary of COGO;
“Hefei Property”	the property development project known as “Central Mansion*” (中海央墅) located at Baohe District, Hefei City, Anhui Province of the PRC;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“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 joint announcement, excluding Hong Kong, the Macao Special Administrative Region and Taiwan;
“RMB”	Renminbi, the lawful currency of the PRC;
“Sale and Purchase Agreement”	the sale and purchase agreement dated 1 November 2022 entered into between CSCII (as vendor) and GWAP (as purchaser) in relation to the sale and purchase of the Sale Interest;
“Sale Interest”	45% of the equity interest in the Target Company, being the entire equity interest held by CSCII as at the date of this joint announcement;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Target Company”	中海宏洋海富(合肥)房地產開發有限公司 (China Overseas Grand Oceans Haifu (Hefei) Properties Development Co., Ltd.*), a company incorporated in the PRC with limited liability, and is owned as to 45% by CSCII and 55% by GWAP as at the date of this joint announcement;
“Transaction”	the sale and purchase of the Sale Interest as contemplated under the Sale and Purchase Agreement;

“Valuation Benchmark Date” has the meaning ascribed to it under the section headed “THE SALE AND PURCHASE AGREEMENT – Consideration and payment terms – Basis for determination of the Consideration” of this joint announcement; and

“%” per cent.

Unless otherwise specified in this joint announcement, amounts denominated in RMB have been converted, for the purpose of illustration only, into HK\$ at the rate of RMB1 = HK\$1.1. The exchange rate does not constitute a representation that any amount has been, could have been or may be converted at the above rate or any other rates.

** The English names of the PRC entities/project referred to in this joint 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 COGO Board
**CHINA OVERSEAS GRAND OCEANS
GROUP LIMITED**
Zhuang Yong
Chairman and Executive Director

By Order of the CSC Board
**CHINA STATE CONSTRUCTION
INTERNATIONAL HOLDINGS LIMITED**
Yan Jianguo
Chairman and Non-executive Director

Hong Kong, 1 November 2022

The CSC Directors jointly and severally accept full responsibility for the accuracy of the information contained in this joint announcement (other than those relating to COGO Group save for the Target Company) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this joint announcement (other than those relating to COGO Group save for the Target Company) have been arrived at after due and careful consideration and there are no other facts not contained in this joint announcement (other than those relating to COGO Group save for the Target Company), the omission of which would make any statement in this joint announcement misleading.

The COGO Directors jointly and severally accept full responsibility for the accuracy of the information contained in this joint announcement (other than those relating to CSC Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this joint announcement (other than those relating to CSC Group) have been arrived at after due and careful consideration and there are no other facts not contained in this joint announcement (other than those relating to CSC Group), the omission of which would make any statement in this joint announcement misleading.

As at the date of this joint announcement, the CSC Board comprises Mr. Yan Jianguo as Chairman and non-executive director; Mr. Chen Xiaofeng as non-executive director; Mr. Zhang Haipeng (Chief Executive Officer), Mr. Zhou Hancheng and Mr. Hung Cheung Shew as executive directors; and Mr. Adrian David Li Man Kiu, Dr. Raymond Leung Hai Ming, Mr. Lee Shing See and Ms. Wong Wai Ching as independent non-executive directors.

As at the date of this joint announcement, the COGO 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.