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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

The Group has been leasing various office premises in the Properties to the COLI Group, among which certain leases will expire on 31 October 2023. On 31 October 2023, the Company and COLI entered into the Lease Framework Agreement, pursuant to which members of the COLI Group (as lessee) may lease Properties from members of the Group (as lessor) during the term of three years, commencing from 1 November 2023 and ending on 31 October 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 Leasing 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 Leasing 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.

LEASE FRAMEWORK AGREEMENT

The Group has been leasing various office premises in the Properties to the COLI Group, among which certain leases will expire on 31 October 2023. Such existing leases constituted continuing connected transactions of the Company, which in aggregate was *de minimis*. As the number of premises available for lease by the Group to the COLI Group and the total rent payable under such leases are expected to increase, on 31 October 2023, the Company and COLI entered into the Lease Framework Agreement, pursuant to which members of the COLI Group (as lessee) may lease Properties from members of the Group (as lessor) during the term of three years, commencing from 1 November 2023 and ending on 31 October 2026 (both dates inclusive), subject to the terms of the Lease Framework Agreement and the Caps.

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

Date

31 October 2023

Parties

1. the Company; and
2. COLI.

Term

The Lease Framework Agreement has a term of three years, commencing from 1 November 2023 and ending on 31 October 2026 (both dates inclusive).

Subject Matter

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

1. the Company and COLI may enter into, or procure members of the Group (as lessor) and members of the COLI Group (as lessee) respectively to enter into, the Leasing Transactions in relation to the Properties 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 may from time to time enter into separate definitive leasing agreement(s) in relation to any Leasing Transactions, which shall set out the particular terms and conditions of the Leasing Transaction(s) (including the payment terms) and be in compliance with the terms of the Lease Framework Agreement, in particular:
 - (i) the 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 more favourable to the COLI Group than those offered to the independent third parties by the Group; and
 - (ii) the fees for the Leasing Transactions shall be based on the pricing basis under the Lease Framework Agreement, which is set out in the paragraph headed "Pricing Basis" below.

Pricing Basis

In assessing the fees for the Leasing 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 qualifications and performance of contractual obligations of the potential tenants; (iii) the term of the leases; and (iv) the prevailing market fees of comparable properties within the proximity.

Caps

The Caps for the term of the Lease Framework Agreement shall not exceed the following:

For the period from 1 November to 31 December 2023	For the year ending 31 December 2024	For the year ending 31 December 2025	For the period from 1 January to 31 October 2026
RMB5,000,000	RMB31,000,000	RMB31,000,000	RMB26,000,000

Basis of Determination of the Caps

The Caps are calculated with reference to the following factors:

1. the aggregate rent charged by the Group to the COLI Group during the period from 1 April 2020 to 30 April 2023 under the lease agreements of the Properties collectively as a whole as disclosed in the announcements of the Company dated 1 April 2020 and 27 March 2023 (please refer to the paragraph headed “Historical Transaction Amounts” below for the aggregate rent);
2. the aggregate rent and the average monthly rent per square meter charged by the Group to the COLI Group for the premises in the Properties on an individual basis during the period from 1 April 2023 to 30 September 2023;
3. the rents for leasing the Properties collectively as a whole as compared to leasing the Properties on an individual basis;
4. the possible extension of the existing leases and the potential new leases that could be entered into with members of the COLI Group, and their respective locations, sizes, usages, nature, conditions, and the prevailing market rent of comparable properties within the proximity;
5. the recent average monthly rent per square meter charged by the Group to independent third parties of the Group for properties comparable to the Properties in terms of type, size and location in 2023; and
6. provision of buffer to cover the possible increase in demand for leasing the Properties, and the corresponding increase in leasable floor area of the Properties under the Leasing Transactions, and possible fluctuation in the rents in the PRC property market.

In light of the above factors, the Board considers 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 amount of the relevant Leasing 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.

Historical Transaction Amounts

The historical transaction amounts relating to leases of Properties by the Group to the COLI Group for the following periods/years are as follows:

For the period from 1 April to 31 December 2020	For the year ended 31 December 2021	For the year ended 31 December 2022	For the period from 1 January to 30 September 2023
RMB136,958,000 ^(1&3)	RMB211,256,000 ^(1&3)	RMB229,495,000 ^(1&3)	RMB57,525,000 ^(1,2&3)

Notes:

1. The aggregate rent charged by the Group to the COLI Group for the Properties during the period from 1 April 2020 to 30 April 2023 was approximately RMB626,066,000, which was negotiated for leasing the Properties as a whole.
2. Out of the RMB57,525,000 aggregate rent charged by the Group to the COLI Group, RMB9,169,000 was incurred for the lease of certain premises in the Properties during the period from 1 April 2023 (i.e. after the expiry of the lease of the entire relevant Property) to 30 September 2023 on an individual basis.
3. The aggregate maximum rent relating to leases of the Properties by the Group to the COLI Group is RMB136,958,300, RMB222,530,000, RMB238,162,500 and RMB98,349,100 for the period from 1 April to 31 December 2020 and for the years ended 31 December 2021, 2022 and 2023 respectively. Hence, the historical transaction amounts for the period from 1 April to 31 December 2020, for the years ended 31 December 2021 and 2022, and for the period from 1 January to 30 September 2023 did not exceed the aggregate maximum rent relating to leases of the Properties by the Group to the COLI Group.

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

The Group is principally engaged in property investment and development, property leasing and investment holding. Through the leases of Properties as disclosed in the announcements of the Company dated 1 April 2020 and 27 March 2023, the Group has continued to grow its property leasing capabilities and has strengthened the management for leasing of the Group's properties on an individual basis and the entering into of the Lease Framework Agreement is in line with the Group's business strategy. Further, as COLI is one of the leading property developers in the PRC and members of the COLI Group are the existing tenants of certain of the Properties, the entering into of the Lease Framework Agreement will facilitate the monitoring of the Leasing Transactions and bring a steady rental income and cash flows to the Group.

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 Leasing 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 Leasing 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 Leasing Transactions and ensure that the rent of the Leasing Transactions will be on normal commercial terms or better by comparing rent offered by independent third parties of the Group for leasing 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 Leasing Transactions;
3. the internal control team of the Company will ensure that the Leasing 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 Leasing Transactions and the Cap; and
6. the independent non-executive Directors will review all the continuing connected transactions of the Company (including the Leasing 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 have been carried out pursuant to the terms of such transactions, and that such terms are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

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. The Leasing 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 Leasing 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 Leasing 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 Leasing Transactions contemplated thereunder.

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.

DEFINITIONS

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

“Cap(s)”	the maximum aggregate amount receivable by the Group from the COLI Group during each period/year 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)”, “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;
“Hong Kong”	the Hong Kong Special Administrative Region of PRC;
“Lease Framework Agreement”	the framework agreement dated 31 October 2023 entered into between the Company and COLI in respect of the Leasing Transactions between members of the Group (as lessor) and members of the COLI Group (as lessee);

“Leasing Transactions”	all existing and future tenancy or licence transactions between members of the Group and members of the COLI Group for leasing the Properties as contemplated under separate definitive leasing agreement(s);
“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 Group in PRC, including but not limited to office premises, shops, car parking spaces, apartments, serviced apartments, hotels, storage rooms, advertising space, 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; and
“%”	per cent.

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

Hong Kong, 31 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.