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*(incorporated in Hong Kong with limited liability)*

**(Stock Code: 81)**

## **CONNECTED TRANSACTION FORMATION OF A JOINT VENTURE COMPANY**

The Board is pleased to announce that on 3 February 2012, China Grand (H.K.) and Xihua Shiye have entered into the Framework Agreement, pursuant to which China Grand (H.K.) and Xihua Shiye will procure to establish the JV Company as the joint venture entity for property acquisition, development and management in the PRC. The JV Company will be owned as to 88% by China Grand (H.K.) and as to 12% by Xihua Shiye. China Grand (H.K.) and Xihua Shiye will enter into a formal joint venture agreement in respect of the JV Company as soon as practicable.

The registered capital of the JV Company is approximately RMB300 million (equivalent to approximately HK\$365.9 million). China Grand (H.K.) and Xihua Shiye will contribute approximately RMB264 million (equivalent to approximately HK\$322 million) and approximately RMB36 million (equivalent to approximately HK\$43.9 million), to the JV Company, respectively.

As Xihua Shiye is a substantial shareholder of the Company's subsidiaries, Xihua Shiye is a connected person of the Company at the subsidiary level. Accordingly, the entering into the Framework Agreement constitutes a connected transaction of the Company under the Listing Rules.

As certain applicable percentage ratio(s) in respect of the formation of the JV Company fall below 5%, the entering into the Framework Agreement is only subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under the Listing Rules.

The Directors (including the independent non-executive Directors) are of the view that as far as the shareholders of the Company are concerned, the Framework Agreement is entered into in the ordinary and usual course of the Company's business, on normal commercial terms, fair and reasonable and in the best interests of the Company and its shareholders as a whole.

## 1. FORMATION OF JOINT VENTURE COMPANY

The Board is pleased to announce that on 3 February 2012, China Grand (H.K.) and Xihua Shiye have entered into the Framework Agreement, pursuant to which China Grand (H.K.) and Xihua Shiye will procure to establish the JV Company as the joint venture entity for property acquisition, development and management in the PRC. The JV Company will be owned as to 88% by China Grand (H.K.) and as to 12% by Xihua Shiye. China Grand (H.K.) and Xihua Shiye will enter into a formal joint venture agreement in respect of the JV Company as soon as practicable.

### (1) The Framework Agreement

Date : 3 February 2012

Parties : (i) China Grand (H.K.) and  
(ii) Xihua Shiye

### (2) The principal terms of the Framework Agreement are set out below:

Principal business of the JV Company : Subject to the approval of the relevant government departments, it is the intention of China Grand (H.K.) and Xihua Shiye to establish the JV Company for the purpose of property acquisition, development and management in the PRC.

Registered capital : The registered capital of the JV Company is approximately RMB 300 million (equivalent to approximately HK\$365.9 million). China Grand (H.K.) and Xihua Shiye will contribute approximately RMB264 million (equivalent to approximately HK\$322 million) and approximately RMB36 million (equivalent to approximately HK\$43.9 million), to the JV Company, respectively. Based on the contributions as abovementioned, the JV Company will be owned as to 88% by China Grand (H.K.) and as to 12% by Xihua Shiye. The capital contribution in the JV Company by each of the parties will be proportionate to their respective equity interests in the JV Company.

- Board composition : The board of the JV Company shall comprise five members. China Grand (H.K.) shall appoint four members to the board and Xihua Shiye shall appoint one member to the board. The chairman of the board shall be appointed by China Grand (H.K.).
- Profit distribution : The profits available for distribution of the JV Company will be distributed to China Grand (H.K.) and Xihua Shiye in proportion to their respective equity interests in the JV Company.
- Termination : The actual terms of the formal joint venture agreement are still under negotiation between China Grand (H.K.) and Xihua Shiye and are subject to changes. If the parties cannot reach an agreement on the terms of the formal joint venture agreement, the Framework Agreement will be terminated.

The Company intends to finance the capital contribution of the JV Company from its internal resources and bank borrowings.

Upon duly establishment of the JV Company, the JV Company will be a subsidiary of the Company.

## **2. REASONS FOR AND BENEFITS OF THE ENTERING INTO THE TRANSACTION**

The Directors have been continuing in exploring suitable business opportunities to broaden the revenue base and to expand its business in the PRC property market. The Directors are optimistic about the property market in the PRC and believe that the investment in the JV Company will contribute positively to the future development of the Group.

## **3. INFORMATION ON THE COMPANY, CHINA GRAND (H.K.) AND XIHUA SHIYE**

### **(1) Information on the Company**

The Company is a company incorporated in Hong Kong with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange. As at the date of this announcement, the Group is principally engaged in property investment and development in the PRC.

(2) Information on China Grand (H.K.)

China Grand (H.K.) is a company incorporated in Hong Kong with limited liability and is principally engaged in property investment. It is an indirect subsidiary of the Company.

(3) Information on Xihua Shiye

To the best of the Directors' knowledge, information and belief, and after making all reasonable enquiries, Xihua Shiye is a limited liability company established in the PRC. Xihua Shiye is principally engaged in property development business in the PRC.

#### **4. LISTING RULES IMPLICATIONS**

As Xihua Shiye is a substantial shareholder of the Company's subsidiaries, Xihua Shiye is a connected person of the Company at the subsidiary level. Accordingly, the entering into the Framework Agreement constitutes a connected transaction of the Company under the Listing Rules.

As certain applicable percentage ratio(s) in respect of the formation of the JV Company fall below 5%, the entering into the Framework Agreement is only subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under the Listing Rules.

The Directors (including the independent non-executive Directors) are of the view that as far as the shareholders of the Company are concerned, the entering into the Framework Agreement is in the ordinary and usual course of the Company's business, on normal commercial terms, fair and reasonable and in the best interests of the Company and its shareholders as a whole.

Further, none of the Directors has a material interest in the entering into the Framework Agreement and none of them has abstained from voting on the relevant Board resolutions approving the entering into the Framework Agreement.

## DEFINITIONS

Unless otherwise stated, the following words and phrases have the following meanings in this announcement:

“associate(s)”, “connected person(s)”, “controlling shareholder”, “percentage ratios”, “subsidiary(ies)”, “substantial shareholder”	each has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“China Grand (H.K.) ”	China Grand (H.K.) Limited (海基(香港)有限公司), a company incorporated in Hong Kong with limited liability and an indirect subsidiary of the Company
“Company”	China Overseas Grand Oceans Group Ltd., a company incorporated in Hong Kong with limited liability and whose shares are listed on the Main Board of the Stock Exchange
“Director(s)”	the director(s) of the Company
“Framework Agreement”	the Framework Agreement dated 3 February 2012 entered into between China Grand (H.K.) and Xihua Shiye in relation to the formation of the JV Company
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“JV Company”	a joint venture company to be incorporated in the PRC which will be owned as to 88% by China Grand (H.K.) and 12% by Xihua Shiye for property acquisition, development and management in the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“PRC”	the People’s Republic of China. Geographical references in this announcement to the PRC exclude Hong Kong, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	the ordinary share(s) of HK\$0.01 each in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Xihua Shiye	錫華實業投資集團有限公司 (Xihua Shiye Investment Group Limited*), a limited liability company established in the PRC
“%”	per cent.

By Order of the Board  
**China Overseas Grand  
Oceans Group Limited**  
**Hao Jian Min**  
*Chairman and Non-Executive Director*

Hong Kong, 3 February 2012

*As at the date of this announcement, the Board comprises nine Directors, of which four are executive Directors, namely, Mr. Chen Bin, Mr. Yu Shangyou, Mr. Xiang Hong and Mr. Paul Wang Man Kwan; two non-executive Directors, namely Mr. Hao Jian Min 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.*

*For the purpose of this announcement, all amounts denominated in RMB have been translated (for information only) into HK\$ using exchange rate of RMB0.82: HK\$1.00. No representation is made that any amounts in RMB or HK\$ can be or could have been converted at the relevant dates at the above rates or any other rates at all.*

*\* English or Chinese translation, as the case may be, is for identification only.*