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Overseas Chinese Town (Asia) Holdings Limited

華僑城(亞洲)控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 03366)

PROPOSED MANDATE FOR POTENTIAL VERY SUBSTANTIAL DISPOSAL INVOLVING DISPOSAL OF ASSETS THROUGH PUBLIC TENDER

THE PROPOSED DISPOSAL AND PROPOSED MANDATE

OCT Shanghai Land (an indirect non-wholly-owned subsidiary of the Group) intends to dispose of the Sale Assets through Public Tender to be conducted on CBEX. Hence, the Board proposes to seek the Proposed Mandate to be granted in advance by the Shareholders at the EGM for the Directors to enter into and complete the Proposed Disposal.

LISTING RULES IMPLICATIONS

If the Group proceeds with the Proposed Disposal, the highest applicable percentage ratio calculated pursuant to the Listing Rules based on the Minimum Price in respect of the Proposed Disposal is more than 75%, the Proposed Disposal is therefore expected to constitute a very substantial disposal of the Company for the purpose of the Listing Rules and be subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

GENERAL

A circular containing, among others, further details about the Proposed Disposal and the Proposed Mandate, other information as required under the Listing Rules and a notice convening the EGM, is expected to be despatched to the Shareholders on or before 2 November 2023.

The terms of the Public Tender have yet to be finalised and therefore may be subject to changes. In addition, the Proposed Disposal may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution in dealing in the securities of the Company.

THE PROPOSED DISPOSAL THROUGH PUBLIC TENDER

OCT Shanghai Land intends to dispose of the Sale Assets through Public Tender to be conducted on CBEX.

OCT Shanghai Land is a state-controlled enterprise. Accordingly, the Proposed Disposal constitutes a transfer of state-owned assets, and is required by the relevant PRC laws and regulations to undergo the process of public tender through a qualified equity exchange institution.

Major Terms of the Proposed Disposal

Subject matter

The Sale Assets include the following components in the Suhewan project in Shanghai, the PRC. As of the date of this announcement and prior to the Proposed Disposal, OCT Shanghai Land is the sole holder of the real estate ownership of the Sale Assets.

Description	Location	Gross floor area
Main hotel block and other structures <i>(Notes 2, 3)</i>	No. 5–8, 11, 16–18 Lane 108, North Shanxi Road; No. 96, 98, 112, 116, 120, 126 North Shanxi Road; No. 673, 677, 681 Tian Tong Road; No. 17, 23 North Henan Road; 1/F–3/F and B1/F corridor, No. 33, 39, 51 North Henan Road; 1/F–2/F, No. 468 North Suzhou Road of Jing’an District, Shanghai	23,193.73 m ²
Hotel facilities and ancillary rooms in B1/F-B2/F of T1 building <i>(Note 4)</i>	No. 9, 10, Lane 88, North Shanxi Road, Jing’an District, Shanghai	6,924.68 m ²
88 underground car parks <i>(Note 4)</i>	No. 9, 10, Lane 88, North Shanxi Road, Jing’an District, Shanghai	5,128.80 m ²

Notes:

1. The Sale Assets are a series of assets of the hotel in the Suhewan project. The main hotel body is currently being used for hotel operation and for provision of ancillary services pursuant to branding arrangements with a licensor who is an independent third party. Continuation of such branding arrangements (if any) will be subject to negotiation and agreement between the Purchaser and the branding licensor.

Certain portions of the Sale Assets are currently being leased to third parties.

2. Pledged to a commercial bank, who is an independent third party, as security for the Group’s loan (with an outstanding balance of approximately RMB960 million as of 30 June 2023). It is intended that OCT Shanghai Land will arrange for the release of such pledge at or around the time of the registration of transfer of the Sale Assets.
3. Term of usage: 40 years for commercial use; 50 years for office, cultural and recreation uses; 70 years for residential use, all commenced from 10 March 2011.
4. Real estate ownership certificate has not yet been issued as of the date of this announcement. The area stated above was based on surveying report only, which may be updated based on the circumstances then prevailing at the time of the Public Tender.

Qualifications of the bidders

The Proposed Disposal will be conducted through Public Tender on CBEX. The successful bidder of the Public Tender will be the Purchaser. Interested bidders shall satisfy, among others, the following qualifications:

- i. it shall be a corporation or a non-corporate organization, legally registered with valid continuing existence, or shall be a natural person with full civil capacity, in mainland China;
- ii. it shall be financially sound, with ability to pay; and
- iii. other qualifications stipulated under applicable national laws and regulations.

A bidder will be required to undertake that it and its ultimate beneficial owners are not connected persons of the Company.

Procedure of the Public Tender

To commence the formal process of the Public Tender, OCT Shanghai Land will submit to CBEX an application to release information on the transfer of assets. Information to be released will include (among other things) information of the Sale Assets (including their location and other basic information), the Tender Base Price, principal terms of the transaction, and the qualifications of the bidders. CBEX will release such information on its website (the “**Publication Notice**”) if the release requirements are met. OCT Shanghai Land intends to apply to CBEX to commence the formal process of the Public Tender after having obtained the Shareholders’ approval of the Proposed Disposal and the Proposed Mandate at the EGM and having obtained the Supervisory Approvals necessary for such application.

The publication period will initially be 20 working days (commencing on the date immediately after the date of the Publication Notice) (the “**Publication Period**”). During the Publication Period, qualified bidders may conduct on-site inspection of the Sale Assets, and register themselves with CBEX as interested bidders. Interested bidders are required to pay a guarantee fee (which is expected to be not more than 30% of the Tender Base Price) (the “**Guarantee Fee**”) to the designated account of CBEX within the period prescribed by CBEX. Interested bidders may submit their bidding price within 22 working days from the date of the Publication Notice (the “**Free Bidding Period**”).

After the Free Bidding Period, all bids submitted during the Free Bidding Period will enter the online bidding to be conducted by CBEX. Interested bidders may submit their bidding price multiple times at such online bidding. The online bidding will conclude if no valid increased bid is submitted within 5 minutes since the current leading bid. The bidder with the leading bidding price at the conclusion of the online bidding will be the successful bidder. If there is only one interested bidder upon the close of the Free Bidding Period, the Final Consideration will be the price submitted by such bidder (which shall not be lower than the Tender Base Price). CBEX will notify OCT Shanghai Land of the identity of the successful bidder (being the Purchaser). It is expected that OCT Shanghai Land and the Purchaser will enter into the Transaction Agreement on or about the date on which the identity of the Purchaser is confirmed.

In the event that no interested bidders are identified during the Publication Period, the Publication Period will be extended.

As of the date of this announcement, certain material content of the Transaction Agreement such as the identity of the Purchaser, the Final Consideration, and closing date of the Proposed Disposal have not been finalised. The Company will make further announcement(s) on the Public Tender and the Proposed Disposal as and when appropriate.

Consideration

The Final Consideration of the Sale Assets shall be the winning bid price of the Public Tender pursuant to the procedure set out in the sub-section headed “*Procedure of the Public Tender*” above. OCT Shanghai Land will submit a Tender Base Price to CBEX, which will be released in the Publication Notice.

The Tender Base Price will be determined by the Group, but will not be lower than RMB2.43 billion (the “**Minimum Price**”, inclusive of value-added tax). In determining the Minimum Price, the Group has taken into account, among other things, (1) the preliminary aggregate appraisal value of the Sale Assets of approximately RMB1.70 billion as of 31 August 2023, prepared by an independent property valuer based on income approach; (2) the unaudited net book value of the Sale Assets of approximately RMB2.01 billion as of 30 June 2023 based on the management accounts of the Group; (3) tax, transaction fee and other fees and expenses to be incurred by the Group with respect to the Proposed Disposal (currently estimated to be approximately RMB0.36 billion in aggregate, assuming the Proposed Disposal completes at the Minimum Price); and (4) prospects of the Sale Assets.

In light of the above and information set out in the section headed “*Reasons for and benefits of the Proposed Disposal*” below, the Board considers that the Final Consideration to be arrived at will be fair and reasonable.

The Final Consideration will be paid in cash in RMB. One-off payment of the Final Consideration (after deducting the Guarantee Fee) shall be made to the designated account of CBEX on the date of the Transaction Agreement becoming effective. Transfer of the Final Consideration to the designated account of OCT Shanghai Land will take place on the date when CBEX issues the Certificate of Real Assets Transaction.

Registration of the Proposed Disposal

Application to register the transfer of the Sale Assets will be made with the relevant governmental authority(ies) in the PRC after CBEX having issued the Certificate of Real Assets Transaction.

Representations and warranties

It is expected that OCT Shanghai Land will give certain representations and warranties in relation to the Sale Assets in the Transaction Agreement, such as its right to dispose the Sale Assets, accuracies of information provided.

Conditions precedent to the Proposed Disposal

The Proposed Disposal will be subject to, among other things, having obtained the Shareholders’ approval on the Proposed Disposal and the Proposed Mandate at the EGM, and having obtained the Supervisory Approvals.

As OCT Shanghai Land (as the transferor of the Proposed Disposal) is a state-controlled enterprise, the Proposed Disposal is required by the relevant PRC laws and regulations to undergo the process of public tender through a qualified equity exchange institution. Pursuant to the relevant rules of CBEX, publication to formally commence a public tender should only be made after the transferor having completed relevant decision-making and approval procedures. Hence, it would not be practicable to formally commence the Public Tender with a term that the Proposed Disposal be conditional upon the Shareholders’ approval. The Board would like to seek the Proposed Mandate to be granted in advance by the Shareholders at the EGM for the Directors to enter into and complete the Proposed Disposal.

FINANCIAL INFORMATION ABOUT THE SALE ASSETS

Set out below is a summary of certain financial information attributable to the Sale Assets for the periods indicated, prepared in accordance with the Hong Kong Financial Reporting Standards based on the unaudited accounting records of the Group:

	For the year ended 31 December		For the six months ended
	2021	2022	30 June 2023
	<i>(RMB'000, unaudited)</i>	<i>(RMB'000, unaudited)</i>	<i>(RMB'000, unaudited)</i>
Revenue	248,705	140,446	118,892
Loss before taxation	(14,358)	(69,668)	(9,200)
Loss after taxation	(10,768)	(52,251)	(6,900)

As of 30 June 2023, the unaudited net book value of the Sale Assets was approximately RMB2.01 billion based on the management accounts of the Group.

INFORMATION ON THE GROUP

The principal business activity of the Company is investment holding. The Group is principally engaged in comprehensive development, equity investment and fund management. Equity investment and fund management involves direct equity investment and private equity fund investment in the primary market. Comprehensive development involves development and sale of residential properties, development and management of commercial properties, and development and operation of tourism projects.

OCT Shanghai Land is a non-wholly owned subsidiary of the Group. It is indirectly owned as to 50.5% by the Company, and as to 49.5% by Shenzhen OCT Real Estate, respectively. It is principally engaged in the development, operation, leasing, and property management of hotel properties, commercial properties, residential properties, office premises, and culture and entertainment projects of land pieces in Shanghai, together with the management of related parking lots as of the date of this announcement.

FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL AND INTENDED USE OF PROCEEDS

On the assumption that the Proposed Disposal is completed at the Minimum Price, it is estimated that a gain of about RMB57 million will be derived, which is calculated based on (1) the Minimum Price (i.e. RMB2.43 billion), (2) the tax, transaction fee and other fees and expenses relating to the Proposed Disposal (currently estimated to be approximately RMB0.36 billion in aggregate based on the Minimum Price), and (3) the unaudited net book value of the Sale Assets of approximately RMB2.01 billion as of 30 June 2023 based on the management accounts of the Group.

On the assumption that the Proposed Disposal is completed at the Minimum Price and taking into account the taxes, fees and expenses of the Proposed Disposal, it is estimated that the net proceeds from the Proposed Disposal will amount to approximately RMB2.07 billion. The Board intends to apply the net proceeds from the Proposed Disposal for repayment of loans and borrowing, and/or for general working capital of the Group.

Shareholders and potential investors should note that the above financial effects and estimations are for reference purpose only, and do not purport to represent how the financial position of the Group will be upon completion of the Proposed Disposal. The actual financial figures and effects resulted from the Proposed Disposal will be assessed based on the Final Consideration, the financial position of the Group at the time of completion of the Proposed Disposal, and will be subject to audit, and eventually be recognised in the consolidated financial statements of the Company upon completion of the Proposed Disposal.

REASONS FOR AND BENEFITS OF THE PROPOSED DISPOSAL

The Board considers that the Proposed Disposal, if materialised, would allow the Group (i) to revitalise its assets and accelerate asset turnover for the overall strategic planning of the Company; (ii) to apply the inflow of cash from the Proposed Disposal on repayment of loans and borrowings, and could lower the Group's interest-bearing liabilities; and (iii) to realise investment income.

In view of the above, the process of the Public Tender and how the Final Consideration will be arrived at, and other terms of the Proposed Disposal, the Directors are of the view that the Proposed Disposal and its key terms will be on normal commercial terms, fair and reasonable, and the Proposed Disposal is in the interests of the Company and the Shareholders as a whole.

To the best of the Directors' knowledge, information and belief, no Director has a material interest in, and no Director is required to abstain from voting on the Board resolutions approving, the Proposed Disposal and the transactions contemplated thereunder.

LISTING RULES IMPLICATIONS

If the Group proceeds with the Proposed Disposal, the highest applicable percentage ratio calculated pursuant to the Listing Rules based on the Minimum Price in respect of the Proposed Disposal is more than 75%, the Proposed Disposal is therefore expected to constitute a very substantial disposal of the Company for the purpose of the Listing Rules and be subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

GENERAL

Resolution will be proposed at the EGM to seek the Shareholders' approval on the Proposed Disposal, and the granting of the Proposed Mandate in advance by the Shareholders for the Directors to enter into and complete the Proposed Disposal. To the best of the knowledge of the Company, at present, no Shareholder shall be considered as having a material interest and be required to abstain from voting at the EGM.

A circular containing, among others, further details about the Proposed Disposal and the Proposed Mandate, other information as required under the Listing Rules and a notice convening the EGM, is expected to be despatched to the Shareholders on or before 2 November 2023.

The terms of the Public Tender have yet to be finalised and therefore may be subject to changes. In addition, the Proposed Disposal may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution in dealing in the securities of the Company. Further announcement(s) will be made by the Company as and when appropriate or required by the Listing Rules.

DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of directors of the Company
“CBEX”	China Beijing Equity Exchange

“Company”	Overseas Chinese Town (Asia) Holdings Limited (華僑城(亞洲)控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be convened and held for the Shareholders to consider and, if thought fit, approve the Proposed Disposal and the grant of the Proposed Mandate
“Final Consideration”	the final consideration for the Proposed Disposal
“Group”	the Company and its subsidiaries
“Guarantee Fee”	as defined in the section headed “ <i>The Proposed Disposal through Public Tender – Procedure of the Public Tender</i> ” in this announcement
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Minimum Price”	as defined in the section headed “ <i>The Proposed Disposal through Public Tender – Consideration</i> ” in this announcement, being the minimum amount which the Group may set as the Tender Base Price under the Proposed Mandate
“OCT Shanghai Land”	Overseas Chinese Town (Shanghai) Land Company Limited (華僑城(上海)置地有限公司), a company incorporated in the PRC with limited liability, and an indirect non-wholly-owned subsidiary of the Company
“PRC”	the People’s Republic of China, and for the purpose of this announcement only, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Proposed Disposal”	the proposed disposal of the Sale Assets

“Proposed Mandate”	a mandate proposed to be granted in advance by the Shareholders to the Directors to enter into and complete the Proposed Disposal through Public Tender
“Public Tender”	the public tender for the Proposed Disposal through CBEX
“Purchaser”	the successful bidder of the Public Tender
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Assets”	the real estates proposed to be disposed of, as detailed in the section headed “ <i>The Proposed Disposal through Public Tender – Subject Matter</i> ” in this announcement
“Share(s)”	the share(s) of the Company
“Shareholder(s)”	the shareholder(s) of the Company
“Shenzhen OCT Real Estate”	Shenzhen OCT Real Estate Company Limited, a company incorporated in the PRC with limited liability, and an associate Overseas Chinese Town Enterprises Company (a controlling shareholder of the Company)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisory Approvals”	approvals which are necessary or appropriate pursuant to the Measures for the Supervision and Administration of the Transactions of State-owned Assets of Enterprises for the Proposed Disposal

“Tender Base Price”	the base bidding price for the Sale Assets through Public Tender to be determined by and submitted to the CBEX by the Group, which in any event shall not be lower than the Minimum Price
“Transaction Agreement”	a real assets transaction agreement expected to be entered into between OCT Shanghai Land and the Purchaser with respect to the Proposed Disposal
“%”	per cent.

By the order of the Board
Overseas Chinese Town (Asia) Holdings Limited
Zhang Dafan
Chairman

Hong Kong, 11 October 2023

As at the date of this announcement, the Board comprises seven Directors, namely: Mr. Zhang Dafan, Mr. Wang Jianwen and Mr. Lin Kaihua as executive Directors; Mr. Wang Wenjin as non-executive Director; and Ms. Wong Wai Ling, Mr. Lam Sing Kwong Simon and Mr. Chu Wing Yiu as independent non-executive Directors.

Certain Chinese names of institutions, natural persons or other entities or words have been translated into English and included in this announcement as unofficial translations for reference only. In the event of any inconsistency, the Chinese names shall prevail.