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中國海外發展有限公司
CHINA OVERSEAS LAND & INVESTMENT LTD.

(incorporated in Hong Kong with limited liability)
(Stock Code: 688)

CONNECTED TRANSACTION
DISPOSAL OF 30% INTEREST IN THE KAI TAK PROJECT

THE DISPOSAL

On 26 November 2021, the Seller and COLI Finance, both wholly-owned subsidiaries of the Company, entered into the SPA with the Purchaser, pursuant to which the Seller and COLI Finance have agreed to dispose of, and the Purchaser has agreed to acquire, 30% interest in the Kai Tak Project, by way of sale and purchase of 30% of all issued and outstanding shares in the Project Holdco and the corresponding shareholder loan for a total consideration of HKD1,348,131,245.74.

At present, the Company has 80% interest of the Project Holdco. Upon Closing, the Company's interest will be reduced to 50%. As such, the Project Holdco will no longer be a subsidiary of the Company upon Closing.

LISTING RULES IMPLICATIONS

As at the date of this announcement, COHL is a controlling shareholder of the Company by virtue of it being interested in approximately 56.09% of the issued share capital of the Company and the Purchaser is indirectly owned by COHL as to 50%. As the Purchaser is an associate of a connected person of the Company, the Transaction constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

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

I. INTRODUCTION

On 26 November 2021, the Seller and COLI Finance, both wholly-owned subsidiaries of the Company, entered into the SPA with the Purchaser, pursuant to which the Seller and COLI Finance have agreed to dispose of, and the Purchaser has agreed to acquire, 30% interest in the Kai Tak Project, by way of sale and purchase of 30% of all issued and outstanding shares in the Project Holdco and the corresponding shareholder loan for a total consideration of HKD1,348,131,245.74.

II. PRINCIPAL TERMS OF THE SPA

The key terms of the SPA are as follows:

Date: 26 November 2021

Parties: (1) The Seller, as the seller of the Sale Shares;

(2) COLI Finance, as the assignor of the corresponding shareholder loan;

(3) The Purchaser, as the purchaser; and

(4) Project Holdco, as the target company.

Subject matter

The Seller and COLI Finance have agreed to dispose of, and the Purchaser has agreed to acquire, 30% interest in the Kai Tak Project, by way of sale and purchase of the Sale Shares and the corresponding shareholder loan in the principal amount of HKD1,348,131,012.17, which is interest free and repayable on demand, representing 30% of the amount and portion of the shareholder loan that is outstanding and owed by the wholly-owned subsidiary of the Project Holdco to the shareholders of the Project Holdco.

Consideration

Pursuant to the SPA, the aggregate consideration in relation to the Transaction is HKD1,348,131,245.74. It consists of HKD233.57, being the agreed Hong Kong dollar equivalent of USD30 as consideration for the Sale Shares and HKD1,348,131,012.17 as consideration for the corresponding shareholder loan. The Purchaser will settle the aggregate consideration of HKD1,348,131,245.74 by cash at Closing.

The consideration is determined after arm's length negotiation between the parties, with reference to the nominal value of the Sale Shares, the principal amount of the corresponding shareholder loan, the amount invested so far by the shareholders of the Project Holdco in the Kai Tak Project and the underlying cost for the land which the Company acquired through government tender at about HKD4.27 billion in December 2020. Working capital requirements for the Kai Tak Project going forward will first be met by external loans or pro-rata shareholder loans but the total funding by shareholders of the Project Holdco has been agreed not to exceed HKD5.3 billion.

Closing and conditions precedent

Closing shall take place as soon as practicable but in any event no later than 10 Business Days from the SPA (or such other date as the parties may mutually agree) and is subject to customary conditions precedent, namely, that none of the following matters exist at the date of Closing: (a) breach of the terms of the SPA (including the warranties); and (b) outstanding proceedings or third-party (including government) consents or approvals (if any) which affect Closing.

Other terms

The existing shareholders' agreement governing the Project Holdco will also be amended and restated to reflect corresponding changes as a result of the Purchaser becoming a shareholder of the Project Holdco. The Purchaser is expected to exit its investment in the Kai Tak Project by year 2025 or earlier if and when the development and sales of units are substantially complete. The Company is expected to continue to act as the project manager for the Kai Tak Project and charge service fee, despite the fact that the Project Holdco will no longer be a subsidiary of the Company.

III. INFORMATION ON THE GROUP, THE SELLER, COLI FINANCE, COHL, THE PURCHASER AND THE PROJECT HOLDCO

The Group is principally engaged in property development and investment and other operations.

The Seller is a company incorporated in the British Virgin Islands with limited liability. As at the date of this announcement, it is an indirect wholly-owned subsidiary of the Company and is the sole and beneficial owner of 80% interest of the Project Holdco. Its principal business is investment holding.

COLI Finance is a company incorporated in Hong Kong with limited liability. As at the date of this announcement, it is a wholly-owned subsidiary of the Company. Its principal business is loan financing, investment holding and security investments.

COHL is a company incorporated in Hong Kong with limited liability and its principal business is investment holding. CSCEC is the ultimate holding company of each of COHL and the Company. 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.

The Purchaser is a company incorporated in the Cayman Islands with limited liability. As at the date of this announcement, the Purchaser is directly wholly-owned by HAIJIAN Fund L.P. (海建基金有限合夥) which is principally engaged in investment business. HAIJIAN Investment Limited (海建投資有限公司) acts as the General Partner of HAIJIAN Fund L.P. and is 50% indirectly owned by CSCEC and COHL and 50% indirectly owned by a subsidiary of China Construction Bank Corporation, a leading large-scale Chinese state-owned financial institution.

The Project Holdco is a company incorporated in the British Virgin Islands with limited liability. As at the date of this announcement, the Project Holdco has 80 ordinary shares in issue held by the Seller, representing 80% of the issued share capital of the Project Holdco. The Project Holdco is an indirect non wholly-owned subsidiary of the Company. It is principally engaged in investment holding.

Set out below is the unaudited financial information of the Project Holdco for the two financial years ended 31 December 2019 and 31 December 2020 respectively:

	For the year ended 31 December 2020 <i>HKD</i> <i>(unaudited)</i>	For the year ended 31 December 2019 <i>HKD</i> <i>(unaudited)</i>
Net profits before taxation	0	0
Net profits after taxation	0	0

Based on the audited consolidated financial statements of the Project Holdco prepared based on Hong Kong Financial Reporting Standards, as at 30 June 2021, the audited total asset value and net liabilities of the Project Holdco were approximately HKD4,495,045,373 and HKD34,503 respectively.

IV. REASONS AND BENEFITS FOR THE TRANSACTION

The Group is principally engaged in property development and investment and strives to expedite its development and expand its development scale through joint ventures, merger and acquisitions. The Transaction is in line with this development strategy. The Directors believe that the entering into the SPA would enable the Group to make use of the market resources, optimize the return on the investment on the Kai Tak Project and spread the project risks, thereby enhancing the liquidity of the Group and generating additional working capital for the Group.

The Kai Tak Project is a residential development project in Hong Kong. The Company acquired the underlying land in December 2020 and intended to develop it via the wholly-owned subsidiary of the Project Holdco.

As the Project Holdco contributes only a small portion to the overall profit of the Company, the Board is of the view that the Transaction offers an excellent opportunity to cash in part of its investment in the Kai Tak Project without materially impacting the operation of the Kai Tak Project especially considering that the Company still holds 50% in the Project Holdco. Therefore, the Board is of the view that the Transaction will enable the Company to utilize its resources to diversify its investment options and ensure the healthy and sustainable development of the Company in the long run.

At present, the Company has 80% interest of the Project Holdco. Upon Closing, the Company's interest will be reduced to 50%. As such, the Project Holdco will no longer be a subsidiary of the Company upon Closing.

The Company expects that there will be no gain or loss in respect of the Transaction, which is calculated with reference to the aggregate consideration of the Sale Shares and the corresponding shareholder loan less the carrying amount of the 30% investment by the Company in the Project Holdco. The net proceeds of HKD1,348,131,245.74 from the Transaction will be utilized as general working capital of the Company.

In light of the above, the Directors (including the Independent Non-executive Directors) consider that the Transaction was entered into in the ordinary and usual course of business of the Group and on normal commercial terms after arm's length negotiations, and that the terms of the SPA are fair and reasonable and in the interests of the Company and its shareholders as a whole. The Transaction is regarded as beneficial to the financial position and the long-term development of the Company.

V. THE LISTING RULES IMPLICATIONS

As at the date of this announcement, COHL is a controlling shareholder of the Company by virtue of it being interested in approximately 56.09% of the issued share capital of the Company and the Purchaser is indirectly owned by COHL as to 50%. As the Purchaser is an associate of a connected person of the Company, the Transaction constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

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

None of the Directors has a material interest in the Transaction and no Director is required to abstain from voting on the Board resolution(s) approving the Transaction. Mr. Yan Jianguo, being the Chairman and Executive Director of the Company and the chairman and president of COHL, has voluntarily abstained from voting on the Board resolution(s) of the Company approving the Transaction.

VI. DEFINITIONS

Unless the context otherwise requires, the following expressions have the following meanings:

“associate”, “connected person”, “connected transaction”, “controlling shareholder”, “percentage ratio(s)” and “subsidiary(ies)”	each has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;
“Business Day”	any day that is not a Saturday, Sunday, public holiday or other day on which commercial banks are open for general business in Hong Kong;
“Closing”	the completion of the sale and purchase of the Sale Shares and the corresponding shareholder loan under the SPA;

“COHL”	China Overseas Holdings Limited, a company incorporated in Hong Kong with limited liability and a controlling shareholder of the Company, which is interested in approximately 56.09% of the issued share capital of the Company;
“COLI Finance”	Chung Hoi Finance Limited, a company incorporated in Hong Kong with limited liability, which is a wholly-owned subsidiary of the Company as at the date of this announcement;
“Company”	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);
“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 People’s Republic of China, being the ultimate holding company of each of COHL and the Company;
“Director(s)”	the director(s) of the Company;
“Group”	the Company and its subsidiaries from time to time (excluding subsidiary(ies) listed on any stock exchange);
“HKD”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Kai Tak Project”	the development of a parcel of land situated at New Kowloon Inland Lot No. 6603, Kai Tak Area 4E, Site 1, Kai Tak, Kowloon;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Project Holdco”	Honour Vision Limited (景譽有限公司), a company incorporated in the British Virgin Islands with limited liability, which is the holding company for the Kai Tak Project;

“Purchaser”	HAIJIAN I INVESTMENT LIMITED, a company incorporated in the Cayman Islands with limited liability and directly wholly-owned by HAIJIAN Fund L.P. (海建基金有限合夥), which is principally engaged in investment business;
“Sale Shares”	30 ordinary shares of the Project Holdco with the nominal value of USD1 each, representing 30% of all its issued share capital;
“Seller”	Windy Summer Limited (夏風有限公司), a company incorporated in the British Virgin Islands with limited liability, which is an indirect wholly-owned subsidiary of the Company being the owner of the Sale Shares;
“SPA”	the share purchase agreement dated 26 November 2021 entered into among the Company, the Seller, the Purchaser, COLI Finance and the Project Holdco in relation to the Transaction;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Transaction”	the transactions contemplated under the SPA;
“USD”	United States Dollars, the lawful currency of the United States of America; and
“%”	per cent.

** English translation for identification purpose only*

By Order of the Board
China Overseas Land & Investment Limited
Yan Jianguo
Chairman and Executive Director

Hong Kong, 26 November 2021

As at the date of this announcement, Mr. Yan Jianguo (Chairman), Mr. Luo Liang (Vice Chairman), Mr. Zhang Zhichao (Chief Executive Officer) and Mr. Guo Guanghui are the Executive Directors of the Company; Mr. Zhuang Yong (Vice Chairman) and Mr. Zhao Wenhai are the Non-executive Directors of the Company; and Dr. Fan Hsu Lai Tai, Rita, Mr. Li Man Bun, Brian David and Professor Chan Ka Keung, Ceajer are the Independent Non-executive Directors of the Company.