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Overseas China Town denies it's a new white knight for troubled Kaisa

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State-owned conglomerate confirms it is planning something 'truly big', but dismisses rumours it will rescue Kaisa if Sunac pulls out

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Overseas China Town yesterday reiterated it is not in talks with troubled Shenzhen developer Kaisa Group, dashing hopes of a second white knight after Sunac China, which has warned of going back on its rescue offer if its plan to buy the company is not cleared quickly.

"Overseas Chinese Town (OCT) has made its message clear, which has been carried online and by media. We have nothing new to add here," Xie Mei, chief executive of Hong Kong-listed OCT (Asia), said during its earnings meeting yesterday.

Shenzhen-listed OCT Holdings and OCT (Asia) are controlled by China's state-owned property and tourism conglomerate OCT Group, with annual sales of 50 billion yuan (HK$63 billion).

Analysts had speculated that OCT Group, also based in Shenzhen, would come to Kaisa's rescue as the developer has grappled with a cash crunch since the local government restricted sales of its projects in December.

The rumour did not die down even after OCT Group spokesman Zeng Hui denied it on January 22 and rival Tianjin-based Sunac China last month announced a deal to buy Kaisa.

OCT has suspended trading of its shares since January 22.

"As stated in the announcements, we are planning something truly big. But I can't disclose more as the stock is still suspended," said Wang Xiaowen, chairman of OCT (Asia) and a vice-president at OCT Holdings. "We have been doing orderly preparation work for over a month."

The Shenzhen sales restriction triggered a wave of departures of senior executives, including Kaisa's founder and chairman and subsequently its chief financial officer. Kaisa also missed a coupon payment in January on dollar bonds due in 2020, but it managed to pay its bondholders within a 30-day grace period in February.

Two more coupons will be due on March 18 and March 19, which the company is unlikely to pay on time, after it proposed a restructuring of its offshore debt on March 9.

"A full liquidation is going to be highly uncertain to both offshore and onshore bondholders, and the value of equity shareholders may probably get wiped out," said Dilip Parameswaran, Hong Kong-based head of Asia Investment Advisors.

Problems including the appointment of a liquidator and China's legal process are the major uncertainties for Kaisa if the company cannot reach an agreement with Sunac.

Sunac has warned Kaisa credit holders that the company must close the deal in two months or it will pull out of an agreement to acquire a majority stake, increasing pressure on the troubled developer to complete the share sale transaction.

Parameswaran said: "It is a normal tactic to set a time limit during the negotiation process, since Sunac doesn't get anything by waiting as the clock is clearly ticking against Kaisa, which wouldn't be able to sell its physical assets at fair market price."

Sunac's rescue may indicate a lifting of the restrictions on Kaisa's Shenzhen projects might take a long time, said Carol Wu, executive director at DBS Vickers.

"If the projects in Shenzhen aren't going to be unblocked soon, OCT may regard it as unnecessary to be involved in the deal," Wu said earlier.