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瑞安建業有限公司\*

**SOCAM Development Limited**

(Incorporated in Bermuda with limited liability)

(Stock Code: 983)

## **DISCLOSEABLE TRANSACTION**

### **DISPOSAL OF ZUNYI PROJECT**

The Board announces that on 4 January 2016, the Vendor (an indirect wholly-owned subsidiary of the Company) and the Purchaser entered into the Agreement, pursuant to the terms and conditions of which (i) the Vendor has agreed to sell and the Purchaser has agreed to acquire the Sale Share, representing the entire issued share capital of the Target Company, and the Sale Loan for a total consideration of approximately RMB318.1 million (equivalent to approximately HK\$379.7 million); and (ii) the Purchaser has agreed to provide a loan to the Project Company for its settlement of the Vendor's Onshore Advances, amounting to approximately RMB69.9 million (equivalent to approximately HK\$83.4 million).

The principal asset of the Target Company is an investment in the Zunyi Project held via the Project Company.

As one of the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the Disposal contemplated under the Agreement exceeds 5% but is below 25%, the Disposal constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements but exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

## **INTRODUCTION**

The Board announces that on 4 January 2016, the Vendor and the Purchaser entered into the Agreement in respect of the Disposal.

## **THE AGREEMENT**

### **Date**

4 January 2016

### **Parties**

Vendor: Link Reach Holdings Limited, an indirect wholly-owned subsidiary of the Company and the holder of the Sale Share and the Sale Loan

Purchaser: Angel View International Limited, an indirect wholly-owned subsidiary of Country Garden

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

### **Subject matters**

Pursuant to the Agreement, (i) the Vendor has agreed to sell and the Purchaser has agreed to acquire the Sale Share, representing the entire issued share capital of the Target Company, and the Sale Loan; and (ii) the Purchaser has agreed to provide a loan to the Project Company for its settlement of the Vendor's Onshore Advances, subject to the terms and conditions contained therein.

### **Transaction Amount and payment terms**

The Transaction Amount is RMB388.0 million (equivalent to approximately HK\$463.1 million), which comprises the following:

- (i) a sum of RMB10.0 (equivalent to approximately HK\$11.9) as consideration for disposal of the Sale Share;
- (ii) a sum of approximately RMB318.1 million (equivalent to approximately HK\$379.7 million) as consideration for disposal of the Sale Loan on a dollar to dollar basis; and

(iii) a sum of approximately RMB69.9 million (equivalent to approximately HK\$83.4 million) for settlement of the Vendor's Onshore Advances on a dollar to dollar basis.

The Transaction Amount was determined based on arm's length negotiations between the Purchaser and the Vendor with reference to the original cost and the market price of the Land Parcels.

The Transaction Amount shall be settled in cash by the Purchaser (or its affiliates) in the following manner:

- (i) Within 3 business days from the date of signing of the Agreement, a sum of approximately RMB51.0 million (equivalent to approximately HK\$60.9 million) (the "**First Payment**") shall be paid to the Project Company as deposit, which shall be used for its partial settlement of the Vendor's Onshore Advances on Completion.
- (ii) On Completion, a total sum of approximately RMB298.2 million (equivalent to approximately HK\$355.9 million) (the "**Second Payment**") shall be settled as follows:
  - (a) a sum of approximately RMB279.3 million (equivalent to approximately HK\$333.4 million) shall be paid to the Vendor in settlement of the consideration for the Sale Share and as part payment of the consideration for the Sale Loan; and
  - (b) a sum of approximately RMB18.9 million (equivalent to approximately HK\$22.5 million), being refundable earnest money deposited by an onshore affiliate of the Purchaser into the Jointly Controlled Account before signing of the Agreement, shall be released to the Project Company for its settlement of the remaining outstanding balance of the Vendor's Onshore Advances.
- (iii) At the date falling on the 180th day from the date of signing of the Agreement, a sum of approximately RMB38.8 million (equivalent to approximately HK\$46.3 million) (the "**Final Payment**") shall be paid to the Vendor in settlement of the remaining balance of the consideration for the Sale Loan.

Pursuant to the Agreement, upon the settlement of the Final Payment, the Purchaser has a right to retain certain amounts for settling the costs to be incurred for (i) the clearance of the plantation and properties on the Land Parcels; and (ii) the termination of the existing employment contracts and other contracts, which are to be terminated, of the Project Company. According to the Company's best estimation, a maximum amount of not exceeding RMB5.0 million (equivalent to approximately HK\$6.0 million) will be deducted by the Purchaser from the Final Payment.

In the event that the Purchaser fails to make the First Payment in accordance with the terms of the Agreement, the Vendor may terminate the Agreement and receive from the Purchaser a sum of approximately RMB56.7 million (equivalent to approximately HK\$67.7 million) as liquidated damages. If the Purchaser fails to make the Second Payment in accordance with the terms of the Agreement, the Vendor may terminate the Agreement and forfeit the First Payment. In addition, it shall be entitled to receive from the Purchaser a sum of approximately RMB5.6 million (equivalent to approximately HK\$6.7 million) as liquidated damages. On the contrary, if the Vendor fails to effect the transfer of the Sale Share and the Sale Loan to the Purchaser after receiving the payment in accordance with the terms of the Agreement, the Purchaser may terminate the Agreement and receive from the Vendor a sum of approximately RMB56.7 million (equivalent to approximately HK\$67.7 million) as liquidated damages.

### **Completion**

Completion shall take place on the 7th business day after the date of signing of the Agreement or such other date as notified by one party to the other party in writing, but in any event no later than 15 January 2016.

Following Completion, the Vendor will no longer have any shareholding interest in the Target Group. Accordingly, all members of the Target Group will cease to be subsidiaries of the Company.

At the date of signing of the Agreement, a receivable in the sum of approximately RMB8.6 million (equivalent to approximately HK\$10.3 million) is owed by the Honghuagang Government of the Zunyi Municipal (遵義市紅花崗政府) to the Project Company. Under the terms of the Agreement, the Purchaser shall pay, or procure the Project Company to pay, to the Vendor a sum equal to the amount of cash or benefit that the Project Company has received from the said government in settlement of the receivable (or any part thereof), within 15 business days after receipt.

### **INFORMATION ON THE TARGET GROUP**

The principal asset of the Target Company is an investment in the Zunyi Project held via the Project Company. The Project Company is the sole owner of the Zunyi Project, comprising the Land Parcels located in the Honghuagang District, Zunyi City, Guizhou, the PRC with a total site area of approximately 296,250 square metres to be developed into a residential and commercial property development.

Set out below is a summary of the unaudited financial information of the Target Group for the years ended 31 December 2014 and 31 December 2015:

	<b>2015</b>		<b>2014</b>	
	<i>(unaudited)</i>		<i>(unaudited)</i>	
	<i>Equivalent to</i>		<i>Equivalent to</i>	
	<i>RMB</i>	<i>approximately</i>	<i>RMB</i>	<i>approximately</i>
	<i>million</i>	<i>HK\$ million</i>	<i>million</i>	<i>HK\$ million</i>
Net losses (both before and after taxation and extraordinary items)	(17.8)	(21.2)	(4.6)	(5.5)

As at 31 December 2015, the unaudited consolidated net liabilities of the Target Group were approximately RMB23.3 million (equivalent to approximately HK\$27.8 million).

## **REASONS FOR AND BENEFITS OF THE DISPOSAL**

The Directors consider that the Disposal represents an opportunity for the Group to realise its investment in the Zunyi Project as part of the Group's strategic monetisation plan for its property portfolio, which will make a positive contribution to the cash flow and financial position of the Group.

The Directors (including the independent non-executive Directors) consider that the terms of the Agreement are fair and reasonable, and the Disposal contemplated thereunder are on normal commercial terms and are in the interests of the Company and its shareholders as a whole.

## **FINANCIAL EFFECTS OF THE DISPOSAL AND USE OF PROCEEDS**

The Group expects to record a loss of approximately RMB206.0 million (equivalent to approximately HK\$245.9 million) on the Disposal, being the difference between the Transaction Amount and the aggregate of the estimated carrying value of the Group's investment in the Target Group and the transaction costs and expenses for the Disposal. The loss is mainly due to the fact that the carrying value of the Group's investment in the Target Group has been lifted by the fair value increase of HK\$221.0 million previously recognised by the Group in its consolidated income statement on its 80% retained interest in the Zunyi Project upon the disposal of 20% interest therein to an independent third party in 2012.

The net proceeds from the Disposal of approximately RMB377.6 million (equivalent to approximately HK\$450.7 million) (after deduction of relevant transaction costs and related taxes) will be used by the Group to primarily reduce bank borrowings and for general working capital purpose. The exact allocation of the net proceeds will depend on the proportion of bank borrowings that may be renewed, extended or refinanced under the prevailing credit market condition.

## **LISTING RULES IMPLICATIONS**

As one of the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the Disposal contemplated under the Agreement exceeds 5% but is below 25%, the Disposal constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements but exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

## **GENERAL INFORMATION**

The Group principally engages in property development and investment, asset management and construction in Hong Kong and the PRC.

The Vendor is an indirect wholly-owned subsidiary of the Company and its principal activity is investment holding.

The Purchaser is an investment holding company and is an indirect wholly-owned subsidiary of Country Garden, which together with its subsidiaries principally engage in property development, construction, fitting and decoration, property management and hotel operation primarily in the PRC.

## **DEFINITIONS**

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

“Agreement”	the agreement dated 4 January 2016 entered into between the Vendor and the Purchaser in relation to the Disposal;
“connected persons” and “subsidiary(ies)”	each shall have the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;

“Company”	SOCAM Development Limited, a company incorporated in Bermuda with limited liability, whose shares are listed on the Main Board of the Stock Exchange (stock code: 983);
“Completion”	completion of the Disposal in accordance with the terms and conditions of the Agreement;
“Country Garden”	Country Garden Holdings Company Limited, a company incorporated in the Cayman Islands with limited liability, whose shares are listed on the Main Board of the Stock Exchange (stock code: 2007);
“Directors”	the directors of the Company;
“Disposal”	the disposal of the Sale Share and the Sale Loan by the Vendor to the Purchaser and settlement of the Vendor’s Onshore Advances as procured by the Purchaser pursuant to the Agreement;
“Final Payment”	has the meaning ascribed to it under the section headed “Transaction Amount and payment terms”;
“First Payment”	has the meaning ascribed to it under the section headed “Transaction Amount and payment terms”;
“Group”	collectively, the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Jointly Controlled Account”	a bank account maintained in the name of the Purchaser’s onshore affiliate which is operated by the authorised signatories nominated by each of the Purchaser and the Vendor;
“Land Parcels”	the two land parcels located at land lot nos. 2010-29 and 2010-30, Yonghecun, Zhongzhuangzhen in the Honghuagang District of Zunyi City, Guizhou, the PRC with a total site area of 296,250 square metres as set out in the relevant land use right certificates;

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan);
“Project Company”	遵義天時利房地產開發有限公司 (Zunyi Tinsley Real Estate Development Co., Ltd.*), a wholly foreign-owned enterprise established under the laws of the PRC with limited liability, which is a direct wholly-owned subsidiary of the Target Company and the sole owner of the Zunyi Project;
“Purchaser”	Angel View International Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of Country Garden;
“RMB”	Renminbi, the lawful currency of the PRC;
“Sale Loan”	the interest-free and unsecured shareholder’s loan owed by the Target Company to the Vendor in an amount of approximately RMB318.1 million (equivalent to approximately HK\$379.7 million) at the date of this announcement;
“Sale Share”	one ordinary share of the Target Company, representing its entire issued share capital;
“Second Payment”	has the meaning ascribed to it under the section headed “Transaction Amount and payment terms”;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Target Company”	New Prime Investments Limited, a company incorporated in Hong Kong with limited liability, which is a direct wholly-owned subsidiary of the Vendor at the date of this announcement;
“Target Group”	collectively, the Target Company and the Project Company;



“Transaction Amount”	the aggregate transaction amount for the Disposal, being RMB388.0 million (equivalent to approximately HK\$463.1 million);
“Vendor”	Link Reach Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company;
“Vendor’s Onshore Advances”	the interest-free and unsecured advances owed by the Project Company to the Vendor’s onshore affiliate in an aggregate amount of approximately RMB69.9 million (equivalent to approximately HK\$83.4 million) at the date of Completion;
“Zunyi Project”	a residential and commercial property project to be developed on the Land Parcels; and
“%”	per cent.

*For the purpose of this announcement and for illustrative purpose only, RMB is converted into HK\$ at the rate of RMB1 : HK\$1.1936. No representation is made that any amounts in RMB have been or could be converted at the above rate or at any other rates.*

By order of the Board  
**SOCAM Development Limited**  
**Wong Fook Lam, Raymond**  
*Managing Director and Chief Financial Officer*

Hong Kong, 4 January 2016

*At the date of this announcement, the executive Directors are Mr. Lo Hong Sui, Vincent and Mr. Wong Fook Lam, Raymond; the non-executive Directors are Mr. Tsang Kwok Tai, Moses and Mr. Gerrit Jan de Nys; and the independent non-executive Directors are Ms. Li Hoi Lun, Helen and Mr. Chan Kay Cheung.*

\* *For identification purpose only*

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