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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 35% EQUITY INTEREST IN NANJING JIANGNAN CEMENT CO., LTD.**

The Board announces that on 29 August 2016, the Vendor (an indirect wholly-owned subsidiary of the Company which currently holds 60% equity interest in the Target Company) and the Purchaser entered into the Framework 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 Interest, being 35% equity interest in the Target Company; and (ii) the Purchaser has agreed to provide the Purchaser's Loans to the Target Company for its partial settlement of the Vendor's Advances on a dollar-to-dollar basis, for the Total Transaction Amount, initially being approximately RMB147.6 million (equivalent to approximately HK\$171.2 million), subject to adjustment.

The Target Company principally engages in manufacturing and trading of cement in Nanjing, the PRC.

As the highest applicable percentage ratio calculated under Rule 14.07 of the Listing Rules in respect of the Transaction exceeds 5% but is below 25%, the Transaction 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.

**Completion is subject to, among other things, the Target Company's Board Approval having been obtained. As such, the Transaction may or may not materialise. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.**

## INTRODUCTION

The Board announces that on 29 August 2016, the Vendor and the Purchaser entered into the Framework Agreement in respect of the Transaction.

## THE FRAMEWORK AGREEMENT

### Date

29 August 2016

### Parties

Vendor: Great Market Limited, an indirect wholly-owned subsidiary of the Company and the holder of the Sale Interest

Purchaser: 江蘇南碧房地產開發有限公司 (Jiangsu Nan Bi Property Development Co., Ltd.\*), 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 matter

Subject to the terms of the Framework Agreement, the Vendor shall enter into the Equity Transfer Agreement with the Purchaser for the disposal of the Sale Interest, being 35% equity interest in the Target Company, to the Purchaser within 5 Working Days after unanimous approval has been obtained from the board of directors of the Target Company (which comprises directors nominated by the Other Shareholder) in respect of the Disposal (the “**Target Company’s Board Approval**”).

In addition, the Purchaser shall provide the Purchaser’s Loans to the Target Company for its partial settlement of the Vendor’s Advances on a dollar-to-dollar basis, in accordance with the provisions of the Framework Agreement.

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

Subject to adjustment, the Total Transaction Amount is approximately RMB147.6 million (equivalent to approximately HK\$171.2 million), which comprises the following:

- (i) a sum of RMB42 million (equivalent to approximately HK\$48.7 million) being the consideration payable to the Vendor for the Disposal (the “**Disposal Consideration**”); and
- (ii) a sum of approximately RMB105.6 million (equivalent to approximately HK\$122.5 million), being the Purchaser’s Loans to be provided to the Target Company for its partial settlement of the Vendor’s Advances on a dollar-to-dollar basis.

The Disposal Consideration shall be adjusted in accordance with the terms of the Framework Agreement based on the difference between the share attributable to the Sale Interest of the net current assets value of the Target Company as at 31 May 2016 and such value as at the end of the month immediately preceding the date of signing of the Equity Transfer Agreement. To the best estimation of the Company, such adjustment will not be more than RMB5.0 million (equivalent to approximately HK\$5.8 million).

Subject to the terms of the Framework Agreement, the Total Transaction Amount shall be settled in cash in the following manner:

- (i) on the next Working Day after the date of signing of the Framework Agreement, a sum of RMB5.0 million (equivalent to approximately HK\$5.8 million) earnest money previously deposited by the Purchaser in an escrow account shall be released to the Vendor as deposit, which shall be used for the partial settlement of the Disposal Consideration on the date when the Target Company’s Board Approval has been obtained;
- (ii) on the date when the Target Company’s Board Approval has been obtained, a total sum of approximately RMB142.6 million (equivalent to approximately HK\$165.4 million) shall be settled by the Purchaser as follows:
  - (a) a sum of RMB37.0 million (equivalent to approximately HK\$42.9 million), subject to adjustment, shall be paid to the Vendor for settlement of the balance of the Disposal Consideration; and

- (b) a sum of approximately RMB105.6 million (equivalent to approximately HK\$122.5 million), being the Purchaser's Loans, shall be provided to the Target Company for its partial settlement of the Vendor's Advances within 2 Working Days; and
- (iii) on the date of signing of the Equity Transfer Agreement, any shortfall in the Disposal Consideration after adjustment shall be paid by the Purchaser to the Vendor or, where applicable, the Vendor shall refund any excess amount of the Disposal Consideration after adjustment to the Purchaser.

The Total Transaction Amount was determined based on arm's length negotiations between the Purchaser and the Vendor on normal commercial terms with reference to the original cost of the Group's investment in the Target Company attributable to the Sale Interest.

In the event that the Target Company's Board Approval has not been obtained within 6 months from the date of signing of the Framework Agreement, either the Vendor or the Purchaser may (i) extend such period after agreement with the other party; or (ii) terminate the Framework Agreement.

### **Completion**

Pursuant to the terms of the Framework Agreement, Completion will take place when the Disposal has been duly registered with the relevant government authorities in the PRC, which is expected to take around 6 months after signing of the Equity Transfer Agreement.

At the date of this announcement, the Target Company is regarded as a subsidiary of the Company for the purposes of the Listing Rules, but is accounted for as a joint venture using the equity method of accounting in the Group's consolidated financial statements. Following Completion, the Group's equity interest in the Target Company will be reduced from 60% to 25%. The Target Company will cease to be a subsidiary of the Company for the purposes of the Listing Rules, but will continue to be accounted for as a joint venture of the Group.

After signing of the Framework Agreement, the Purchaser and the Vendor will, incidental to their negotiation with the Other Shareholder on the Target Company's Board Approval, negotiate with the Other Shareholder over the terms of a revised joint venture contract to govern the management and operation of the Target Company after Completion, which shall be executed at the date of signing of the Equity Transfer Agreement.

## INFORMATION ON THE TARGET COMPANY

The Target Company is incorporated in the PRC with limited liability with a paid-up registered capital of RMB120.0 million (equivalent to approximately HK\$139.2 million). It principally engages in manufacturing and trading of cement in Nanjing, the PRC.

As at 31 December 2015, the audited net liabilities of the Target Company were approximately RMB138.6 million (equivalent to approximately HK\$160.8 million), of which approximately RMB83.2 million (equivalent to approximately HK\$96.5 million) was attributable to the Group.

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

	<b>2015</b> <i>(audited)</i>		<b>2014</b> <i>(audited)</i>	
	<i>Equivalent to</i>		<i>Equivalent to</i>	
	<i>approximately</i>		<i>approximately</i>	
	<i>RMB</i>	<i>HK\$</i>	<i>RMB</i>	<i>HK\$</i>
	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>
Net loss (both before and after taxation and extraordinary items)	19.1	22.2	14.1	16.4

## REASONS FOR AND BENEFITS OF THE TRANSACTION

The Directors consider that the Transaction provides an opportunity for the Group to realise progressively its investment in the Target Company, as part of the Company's strategy to exit from the cement business, which will make a positive contribution to the results, cash flow and financial position of the Group. It is the present intention of the Group to dispose of its remaining interest in the Target Company to the Purchaser at a later stage for a consideration to be agreed with the Purchaser with reference to the then prevailing value of the Target Company.

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

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

It is expected that upon Completion, the Group will record a gain of approximately HK\$34.2 million on the Transaction, being the difference between the Total Transaction Amount and the aggregate of the estimated carrying value (after reversal of impairment loss of approximately HK\$28.9 million recognised in respect of the Sale Interest) of the Group's investment in the Sale Interest and the estimated costs and expenses in relation to the Transaction.

The net proceeds from the Transaction of approximately RMB135.1 million (equivalent to approximately HK\$156.7 million) (after deduction of relevant transaction costs and expenses) will be used by the Group to primarily reduce bank borrowings and for general working capital purposes.

## **LISTING RULES IMPLICATIONS**

As the highest applicable percentage ratio calculated under Rule 14.07 of the Listing Rules in respect of the Transaction exceeds 5% but is below 25%, the Transaction 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.

**Completion is subject to, among other things, the Target Company's Board Approval having been obtained. As such, the Transaction may or may not materialise. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.**

## **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 a property development company and is an indirect wholly-owned subsidiary of Country Garden. Country Garden 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:

“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 Transaction in accordance with the terms of the Framework Agreement;
“connected persons” and “subsidiary(ies)”	each has the meaning ascribed to it under the Listing Rules;
“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 Interest pursuant to the Framework Agreement and the Equity Transfer Agreement;
“Disposal Consideration”	has the meaning ascribed to it under the section headed “THE FRAMEWORK AGREEMENT — Total Transaction Amount and payment terms” of this announcement;
“Equity Transfer Agreement”	the equity transfer agreement in respect of the Disposal to be entered into between the Vendor and the Purchaser pursuant to the terms of the Framework Agreement;
“Framework Agreement”	the framework agreement dated 29 August 2016 entered into between the Vendor and the Purchaser in relation to the Transaction;
“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 PRC;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Other Shareholder”	江南水泥廠 (Jiangnan Cement Plant*), a company organised under the laws of the PRC, which holds 40% equity interest in the Target Company;
“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);
“Purchaser”	江蘇南碧房地產開發有限公司 (Jiangsu Nan Bi Property Development Co., Ltd.*), a company organised under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of Country Garden;
“Purchaser’s Loans”	the interest-free and unsecured loans in a total amount of approximately RMB105.6 million (equivalent to approximately HK\$122.5 million) to be provided by the Purchaser to the Target Company;
“RMB”	Renminbi, the lawful currency of the PRC;
“Sale Interest”	35% equity interest in the paid-up registered capital of the Target Company held by the Vendor at the date of this announcement;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Target Company”	Nanjing Jiangnan Cement Co., Ltd. (南京江南水泥有限公司), a company organised under the laws of the PRC with limited liability, which is owned as to 60% by the Vendor and 40% by the Other Shareholder at the date of this announcement;
“Target Company’s Board Approval”	has the meaning ascribed to it under the section headed “THE FRAMEWORK AGREEMENT — Subject matter” of this announcement;

“Total Transaction Amount”	the total consideration for the Transaction, being approximately RMB147.6 million (equivalent to approximately HK\$171.2 million), subject to adjustment, in accordance with the terms of the Framework Agreement;
“Transaction”	the disposal of the Sale Interest by the Vendor to the Purchaser and the provision of the Purchaser’s Loans by the Purchaser to the Target Company for its partial settlement of the Vendor’s Advances, pursuant to the terms of the Framework Agreement;
“Vendor”	Great Market Limited, a company incorporated in Hong Kong with limited liability, which is an indirect wholly-owned subsidiary of the Company;
“Vendor’s Advances”	the interest-free and unsecured advances owed by the Target Company to the Vendor and its affiliates in an aggregate amount of approximately RMB148.4 million (equivalent to approximately HK\$172.1 million) at the date of this announcement;
“Working Days”	any days other than Saturdays, Sundays and public holidays in Hong Kong and the PRC; 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\$1.16. 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, 29 August 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, Mr. Chan Kay Cheung and Mr. William Timothy Addison.*

\* *For identification purpose only*

Website: [www.socam.com](http://www.socam.com)