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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 AND CONNECTED TRANSACTIONS**

### **DISPOSAL OF MINORITY INTERESTS IN SHUI ON CONTRACTORS LIMITED UNDER AN EMPLOYEE EQUITY PARTICIPATION ARRANGEMENT**

The Board announces that on 4 August 2017, the Company entered into the Sale and Purchase Agreement with the Purchasers, all being employees of the SOCON Group, pursuant to which the Company has agreed to sell and the Purchasers have agreed to purchase the Sale Shares, representing 15% of the issued share capital of SOCON, for a total consideration of HK\$75,000,000.

The SOCON Group principally engages in the construction business in Hong Kong and Macau.

As all the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Disposal exceed 5% but are less than 25%, the Disposal constitutes a discloseable transaction of the Company, which is subject to the reporting and announcement requirements but exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

Mr. Lawrence Choi, being one of the Purchasers, is a director of certain members of the SOCON Group and is therefore a connected person of the Company at the subsidiary level under Chapter 14A of the Listing Rules. Accordingly, the LC Disposal constitutes a connected transaction of the Company. Despite that one of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the LC Disposal exceeds 5%, the LC Disposal is subject to the reporting and announcement requirements but exempt from the circular, independent financial advice and shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

In addition, Mr. David Chan, Mr. Gilbert Ng and Mr. K.F. Lee, being three of the Purchasers, are directors of certain members of the SOCON Group and Mr. K.F. Lee is also a substantial shareholder of a subsidiary of SOCON. Accordingly, they also constitute connected persons of the Company at the subsidiary level under Chapter 14A of the Listing Rules, and each of the DC Disposal, the GN Disposal and the LKF Disposal constitutes a connected transaction of the Company. Since one of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of each of these disposals exceeds 1% but is less than 5%, each of these connected transactions is subject to the reporting and announcement requirements but exempt from the circular, independent financial advice and shareholders' approval requirements under Rule 14A.76 of the Listing Rules.

## **INTRODUCTION**

The Board announces that on 4 August 2017, the Company entered into the Sale and Purchase Agreement with the Purchasers in respect of the Disposal.

## **SALE AND PURCHASE AGREEMENT**

### **Date**

4 August 2017

### **Parties**

- (1) Seller : The Company, which currently holds the entire issued share capital of SOCON
- (2) Purchasers : Seven employees of the SOCON Group, including Mr. Lawrence Choi, Mr. David Chan, Mr. Gilbert Ng and Mr. K.F. Lee

Mr. Lawrence Choi, Mr. David Chan, Mr. Gilbert Ng and Mr. K.F. Lee are directors of certain members of the SOCON Group. Mr. K.F. Lee is also a substantial shareholder of a subsidiary of SOCON.

Save as aforesaid, to the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries, the Purchasers are third parties independent of the Company and its connected persons.

## **Subject Matter**

Pursuant to the Sale and Purchase Agreement, the Company has agreed to sell and the Purchasers have agreed to purchase the Sale Shares, representing 15% of the issued share capital of SOCON, free from all encumbrances.

## **Consideration**

The Consideration is the sum of HK\$75,000,000, which shall be satisfied by the payment in cash by each of the Purchasers with respect to their proportional share of the Consideration to the Company as follows:

- (a) 20% of the Consideration upon signing of the Sale and Purchase Agreement; and
- (b) 80% of the Consideration upon Completion.

The Consideration was arrived at after arm's length negotiations between the Company and the Purchasers on normal commercial terms with reference to the unaudited pro-forma consolidated net asset value of the SOCON Group as at 30 June 2017.

## **Completion**

Completion shall take place on the thirtieth day following the date of the Sale and Purchase Agreement, or such other date as the Company and the Purchasers may agree in writing.

Following Completion, SOCON will become a 85%-owned subsidiary of the Company but its profits, losses, assets and liabilities will continue to be consolidated in the consolidated financial statements of the Group.

It is expected that there will be no material gain or loss arising from the Disposal.

The proceeds from the Disposal will be used by the Group for general working capital purpose.

## **Call option**

Pursuant to the Sale and Purchase Agreement, the Company has the right to exercise a call option at its absolute discretion to require any Purchaser to sell and transfer the Sale Shares he owns to the Company or its nominee(s), subject to compliance with any applicable requirements of the Listing Rules, upon the occurrence of certain specified events, including, without limitation, cessation of the Purchaser's employment in the SOCON Group, whether by retirement, resignation, termination, dismissal or otherwise. The call option shall be exercised at the price per Sale Share which is equal to the consolidated net asset value of the SOCON Group as at the end of the month immediately preceding the date of exercise of the call option by the Company divided by the number of shares of SOCON then in issue.

## **SHAREHOLDERS' AGREEMENT**

Upon Completion, the Shareholders' Agreement will be entered into between the Company, the Purchasers and SOCON to govern the management and operation of the affairs of the SOCON Group and the terms and conditions upon which the Purchasers are investing in SOCON. The principal terms and conditions of the Shareholders' Agreement are summarised as follows:

### **Board composition**

The number of directors of SOCON shall not be more than five. The Company will be entitled to appoint four of the directors and a Purchaser will be entitled to appoint one director if and for so long as he holds not less than 10% shareholding in SOCON.

The chairman of SOCON's board of directors, who has a second or casting vote in the event of an equality of voting, shall initially be Mr. Lo Hong Sui, Vincent, who is also the chairman of the Company.

### **Reserved matters**

Certain reserved matters of the SOCON Group are expressly provided to require the prior approval of all shareholders of SOCON. These reserved matters comprise acquisitions, disposals, giving guarantees, and creating and varying the terms of encumbrances over the assets of the SOCON Group with value amounting to 30% or more of the consolidated total assets of the SOCON Group.

### **Restrictions on transfer**

Subject to the provisions of the Shareholders' Agreement, none of the Purchasers may dispose of any of their shares in SOCON, except to the Company, unless the Company also disposes of its share interest in SOCON to a third party.

## **Dividend policy**

The initial dividend policy of SOCON shall, subject to the terms of the loans to the SOCON Group, if any, and the working capital requirements as determined from time to time by SOCON's board of directors, be to distribute a cash dividend equivalent to that amount not exceeding 50% but not less than 10% of the consolidated profits, after tax and minority interests, of the SOCON Group available for distribution for any financial year, having regard to the profitability of the SOCON Group and the need to maintain and build up the reserves of the SOCON Group to an appropriate level in a prudent manner in accordance with normal management practices.

## **INFORMATION OF THE SOCON GROUP**

The SOCON Group principally engages in the construction business in Hong Kong and Macau.

The unaudited pro-forma consolidated net asset value of the SOCON Group as at 30 June 2017 was approximately HK\$500 million.

Set out below is the unaudited pro-forma financial information of the SOCON Group for the years ended 31 December 2015 and 2016:

	<b>For the year ended 31 December</b>	
	<b>2015</b>	<b>2016</b>
	<i>HK\$ million</i>	<i>HK\$ million</i>
Net profit before taxation	113.3	99.2
Net profit after taxation and extraordinary items	90.6	76.8

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

The Directors are of the view that the Disposal will provide certain senior executives of the Group's construction division with an opportunity to have a personal stake in the construction business of the Group under an employee equity participation arrangement with a view to achieving the following objectives:

- (a) retain and motivate the senior executives to take on greater accountability and initiatives, and align their interests with the Company's interests in a bid to strive for improving performance and efficiency for the benefits of the Group; and
- (b) provide long-term incentive to the senior management to share in the future growth and success of the Group's construction business.

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

## **IMPLICATIONS OF THE LISTING RULES**

As all the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Disposal exceed 5% but are less than 25%, the Disposal constitutes a discloseable transaction of the Company, which is subject to the reporting and announcement requirements but exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

Mr. Lawrence Choi, being one of the Purchasers, is a director of certain members of the SOCON Group and is therefore a connected person of the Company at the subsidiary level under Chapter 14A of the Listing Rules. Accordingly, the LC Disposal constitutes a connected transaction of the Company. Despite that one of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the LC Disposal exceeds 5%, the LC Disposal is subject to the reporting and announcement requirements but exempt from the circular, independent financial advice and shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

In addition, Mr. David Chan, Mr. Gilbert Ng and Mr. K.F. Lee, being three of the Purchasers, are directors of certain members of the SOCON Group and Mr. K.F. Lee is also a substantial shareholder of a subsidiary of SOCON. Accordingly, they also constitute connected persons of the Company at the subsidiary level under Chapter 14A of the Listing Rules, and each of the DC Disposal, GN Disposal and the LKF Disposal constitutes a connected transaction of the Company. Since one of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of each of these disposals exceeds 1% but is less than 5%, each of these connected transactions is subject to the reporting and announcement requirements but exempt from the circular, independent financial advice and shareholders' approval requirements under Rule 14A.76 of the Listing Rules.

None of the Directors has any material interest in the Sale and Purchase Agreement nor was any of them required to abstain from voting on the resolutions which have been passed by the Board approving the Sale and Purchase Agreement.

## GENERAL INFORMATION

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

## 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 Disposal;
“connected person(s)”, “subsidiary(ies)” and “substantial shareholder”	each has the meaning ascribed to it under the Listing Rules;
“Consideration”	the total consideration payable by the Purchasers to the Company for the Disposal under the Sale and Purchase Agreement;
“DC Disposal”	the disposal of 4 shares out of the Sale Shares, representing 2% of the issued share capital of SOCON, by the Company to Mr. David Chan for a consideration of HK\$10,000,000 pursuant to the Sale and Purchase Agreement;
“Directors”	the directors of the Company;
“Disposal”	the disposal of the Sale Shares by the Company to the Purchasers under the Sale and Purchase Agreement;
“GN Disposal”	the disposal of 4 shares out of the Sale Shares, representing 2% of the issued share capital of SOCON, by the Company to Mr. Gilbert Ng for a consideration of HK\$10,000,000 pursuant to the Sale and Purchase Agreement;

“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;
“LC Disposal”	the disposal of 12 shares out of the Sale Shares, representing 6% of the issued share capital of SOCON, by the Company to Mr. Lawrence Choi for a consideration of HK\$30,000,000 pursuant to the Sale and Purchase Agreement;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“LKF Disposal”	the disposal of 4 shares out of the Sale Shares, representing 2% of the issued share capital of SOCON, by the Company to Mr. K.F. Lee for a consideration of HK\$10,000,000 pursuant to the Sale and Purchase Agreement;
“Macau”	the Macau Special Administrative Region of the People’s Republic of China;
“Mr. David Chan”	Mr. Chan Ngai Shing, David, a director of certain members of the SOCON Group;
“Mr. Gilbert Ng”	Mr. Ng Yat Hon, Gilbert, a director of certain members of the SOCON Group;
“Mr. K.F. Lee”	Mr. Lee Kwok Fai, a director and substantial shareholder of a subsidiary of SOCON;
“Mr. Lawrence Choi”	Mr. Choi Yuk Keung, Lawrence, a director of certain members of the SOCON Group;
“PRC”	the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, Taiwan and Macau);

“Purchasers”	seven employees of the SOCON Group, including Mr. Lawrence Choi, Mr. David Chan, Mr. Gilbert Ng and Mr. K.F. Lee;
“Sale and Purchase Agreement”	the sale and purchase agreement entered into between the Company and the Purchasers on 4 August 2017 in relation to the Disposal;
“Sale Shares”	the 30 shares of US\$1.00 each of SOCON, representing 15% of the issued share capital of SOCON;
“Shareholders’ Agreement”	the shareholders’ agreement to be entered into between the Company, the Purchasers and SOCON upon Completion;
“SOCON”	Shui On Contractors Limited, a company incorporated in the British Virgin Islands with limited liability, which is a wholly-owned subsidiary of Company at the date of this announcement;
“SOCON Group”	collectively, SOCON and its subsidiaries;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“US\$”	United State dollars, the lawful currency of the United States of America; and
“%”	per cent.

By order of the Board  
**SOCAM Development Limited**  
**Wong Yuet Leung, Frankie**  
*Executive Director, Chief Executive Officer and  
Chief Financial Officer*

Hong Kong, 4 August 2017

*At the date of this announcement, the executive Directors are Mr. Lo Hong Sui, Vincent and Mr. Wong Yuet Leung, Frankie; the non-executive Director is Mr. Tsang Kwok Tai, Moses; 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)