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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

in relation to the options to acquire share interests in Great Giant Investment Limited and Lucky Lead Limited

Reference is made to the 2011 Announcement issued by the Company in relation to the acquisition and/or grant of (i) the GG Options, comprising the GG 90% Option for acquiring 90% of the GG Shares and the GG 10% Options for acquiring 10% of the GG Shares from Main Surplus by the Purchaser (an indirect wholly-owned subsidiary of the Company) pursuant to the GG Master Agreement; and (ii) the LL Options, comprising the LL 90% Option for acquiring 90% of the LL Shares and the LL 10% Options for acquiring 10% of the LL Shares from Talent Act by the Purchaser pursuant to the LL Master Agreement. The GG 90% Option and the LL 90% Option (i.e. the 90% Options) were acquired, together with the assignment of shareholders' loans, for a respective consideration of approximately RMB54.8 million (equivalent to approximately HK\$60.0 million) and RMB163.7 million (equivalent to approximately HK\$179.3 million) and no further consideration will be payable on exercise of the same. The GG 10% Options and the LL 10% Options (i.e. the 10% Options) are exercisable at the GG 10% Option Price and the LL 10% Option Price, which would depend on the fair market values of the GG Shares and the LL Shares, respectively.

The Board announces that (i) on 3 July 2020, the Purchaser has received a notice from each of Main Surplus and Talent Act on their exercise of the GG 10% Put Option and the LL 10% Put Option requiring the Purchaser to acquire from them 10% of the GG Shares and 10% of the LL Shares at the GG 10% Option Price and the LL 10% Option Price respectively in accordance with the terms of the Master Agreements; and (ii) on 6 July 2020, the Purchaser has exercised the GG 90% Option and the LL 90% Option requiring Main Surplus and Talent Act to sell to it 90% of the GG Shares and 90% of the LL Shares respectively without further payment by the Purchaser pursuant to the terms of the Master Agreements. In view of the exercise of the 10% Put Options by Main Surplus and Talent Act, the Purchaser has decided that there is no need to exercise the 10% Call Options, which relate to the same shares subject to the 10% Put Options, and the 10% Call Options will accordingly lapse on their expiry date on 8 July 2020 pursuant to the Master Agreements.

The principal assets of the GG Group and the LL Group are collectively the investments in a property development project known as Tianjin Veneto located at the Wuqing District of Tianjin, the PRC. Phase 1 of the project was completed in 2014 and was designed as a retail mall, featuring Italian style pedestrian lanes. Phase 2 of the project, comprising retail and SOHO spaces for sales, is currently under development, and is expected to be completed in 2020.

As one of the applicable percentage ratios calculated under rule 14.07 of the Listing Rules for the exercise of the 90% Options in aggregate exceeds 5% but is less than 25%, the exercise of these options 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.

At the date of this announcement, the Group controls the majority of the board of directors of each of Great Giant and Lucky Lead pursuant to the terms of the Master Agreements. As such, both companies are accounted for as subsidiaries in the financial statements of the Group on a consolidated basis and accordingly they are also subsidiaries of the Company for the purpose of the Listing Rules. Since Main Surplus and Talent Act, both being the grantors of the 90% Options and the 10% Call Options, currently hold the entire issued share capital of Great Giant and Lucky Lead respectively, they are also regarded as substantial shareholders of Great Giant and Lucky Lead and hence connected persons of the Company at the subsidiary level. Pursuant to Rule 14A.79(2) of the Listing Rules, the 90% Options were already classified as if exercised when granted to the Purchaser on 12 December 2011 and the related disclosure was made by the Company in the 2011 Announcement in compliance with the requirements under Chapter 14A of the Listing Rules.

Pursuant to Rules 14.74 and 14A.61 of the Listing Rules, the 10% Put Options were also classified as if exercised when granted by the Purchaser on 12 December 2011 and the related disclosure was also made by the Company in the 2011 Announcement in compliance with the requirements under Chapter 14 and Chapter 14A of the Listing Rules. However, as Main Surplus and Talent Act are connected persons of the Company at the subsidiary level, the Purchaser's non-exercise of the 10% Call Options would be treated as if exercised under Rule 14A.79(4) of the Listing Rules and would constitute a connected transaction of the Company under Chapter 14A of the Listing Rules. The fair market values of the GG Shares and the LL Shares are yet to be evaluated for determining the 10% Option Prices in accordance with the Master Agreements. However, according to the Company's current best estimation, the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the non-exercise of the 10% Call Options in aggregate will only exceed 1% but will be less than 5%. As such, the non-exercise of the 10% Call Options is also subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules. Further announcement will be made after the 10% Option Prices are determined.

BACKGROUND

Reference is made to the 2011 Announcement issued by the Company in relation to the acquisition and/or grant of the 90% Options and the 10% Options.

EXERCISE OF THE 90% OPTIONS

Date

6 July 2020

Parties

- (1) The Purchaser, being an indirect wholly-owned subsidiary of the Company and the holder of the 90% Options
- (2) Main Surplus, being the grantor of the GG 90% Option, which holds the entire issued share capital of Great Giant at the date of this announcement
- (3) Talent Act, being the grantor of the LL 90% Option, which holds the entire issued share capital of Lucky Lead at the date of this announcement

Options exercised

The Purchaser has served written notices on Main Surplus and Talent Act to exercise the GG 90% Option and the LL 90% Option requiring Main Surplus and Talent Act to sell to it 90% of the GG Shares and 90% of the LL Shares respectively pursuant to the terms of the Master Agreements.

Exercise price

Pursuant to the Master Agreements, no further payment is required to be paid by the Purchaser for exercise of the 90% Options.

Completion

Completion shall take place on 13 August 2020, or such later date as agreed by the parties.

EXERCISE OF THE 10% PUT OPTIONS

Date

3 July 2020

Parties

- (1) The Purchaser, being an indirect wholly-owned subsidiary of the Company and the grantor of the 10% Put Options
- (2) Main Surplus, being the holder of the GG 10% Put Option, which holds the entire issued share capital of Great Giant at the date of this announcement
- (3) Talent Act, being the holder of the LL 10% Put Option, which holds the entire issued share capital of Lucky Lead at the date of this announcement

Options exercised

Each of Main Surplus and Talent Act has served a written notice on the Purchaser to exercise the GG 10% Put Option and the LL 10% Put Option requiring the Purchaser to acquire 10% of the GG Shares and 10% of the LL Shares respectively pursuant to the terms of the Master Agreements.

Exercise prices

For the GG 10% Put Option, the Purchaser shall pay to Main Surplus the higher of (i) approximately RMB7.1 million (equivalent to approximately HK\$7.8 million); and (ii) the fair market value of the 10% of the GG Shares (being the average of the values as determined by the independent appraisers appointed by Main Surplus and the Purchaser respectively pursuant to the terms of the GG Master Agreement) (the “GG 10% Option Price”).

For the LL 10% Put Option, the Purchaser shall pay to Talent Act the higher of (i) approximately RMB17.2 million (equivalent to approximately HK\$18.8 million); and (ii) the fair market value of the 10% of the LL Shares (being the average of the values as determined by the independent appraisers appointed by Talent Act and the Purchaser respectively pursuant to the terms of the LL Master Agreement) (the “LL 10% Option Price”).

Completion

Completion shall take place on 13 August 2020, or such later date as agreed by the parties.

NON-EXERCISE OF THE 10% CALL OPTIONS

Parties

- (1) The Purchaser, being an indirect wholly-owned subsidiary of the Company and the holder of the 10% Call Options
- (2) Main Surplus, being the grantor of the GG 10% Call Option, which holds the entire issued share capital of Great Giant at the date of this announcement
- (3) Talent Act, being the grantor of the LL 10% Call Option, which holds the entire issued share capital of Lucky Lead at the date of this announcement

Options lapsed

In view of the exercise of the 10% Put Options by Main Surplus and Talent Act, the Purchaser has decided that there is no need to exercise the 10% Call Options, which relate to the same shares subject to the 10% Put Options, and the 10% Call Options will accordingly lapse on their expiry date on 8 July 2020 pursuant to the Master Agreements.

INFORMATION ON THE GG GROUP AND THE LL GROUP

Set out below are summaries of certain financial information of the GG Group and the LL Group based on their unaudited consolidated financial statements for the two years ended 31 December 2018 and 2019:

The GG Group

	Unaudited 2018		Unaudited 2019	
	<i>RMB million</i>	<i>Equivalent to approximately HK\$ million</i>	<i>RMB million</i>	<i>Equivalent to approximately HK\$ million</i>
Net profit (before taxation and extraordinary items)	3.2	3.5	5.3	5.8
Net profit (after taxation and extraordinary items)	4.8	5.3	4.4	4.8

The LL Group

	Unaudited 2018		Unaudited 2019	
	<i>RMB million</i>	<i>Equivalent to approximately HK\$ million</i>	<i>RMB million</i>	<i>Equivalent to approximately HK\$ million</i>
Net loss (before taxation and extraordinary items)	(36.9)	(40.4)	(28.4)	(31.1)
Net profit (loss) (after taxation and extraordinary items)	9.9	10.8	(31.2)	(34.2)

At 31 December 2019, the unaudited consolidated net asset values of the GG Group was approximately RMB37.5 million (equivalent to approximately HK\$41.1 million) and the unaudited consolidated net liabilities of the LL Group was approximately RMB246.4 million (equivalent to approximately HK\$269.8 million).

The principal assets of the GG Group and the LL Group are collectively the investments in a property development project known as Tianjin Veneto located at the Wuqing District of Tianjin, the PRC. Phase 1 of the project was completed in 2014 and was designed as a retail mall, featuring Italian style pedestrian lanes. Phase 2 of the project, comprising retail and SOHO spaces for sales, is currently under development, and is expected to be completed in 2020.

At the date of this announcement, the Group controls the majority of the board of directors of each of Great Giant and Lucky Lead and accordingly both companies are accounted for as subsidiaries in the financial statements of the Group on a consolidated basis. Following completion of the acquisition of the entire issued share capital of Great Giant and Lucky Lead due to exercise of the 90% Options and the 10% Put Options, Great Giant and Lucky Lead will become wholly-owned subsidiaries of the Company and will remain to be accounted for as subsidiaries in the financial statements of the Group on a consolidated basis.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

As Main Surplus and Talent Act have exercised the GG 10% Put Option and the LL 10% Put Option respectively, the Board believes that it is now appropriate to exercise the 90% Options to formalise the Group's holding of the Tianjin Veneto project through acquisition of all the GG Shares and the LL Shares, instead of merely holding the rights to acquire such shares.

In view of the exercise of the 10% Put Options by Main Surplus and Talent Act, there is no need for the Group to exercise the 10% Call Options, which relate to the same shares subject to the 10% Put Options.

Based on the above, the Directors (including all the independent non-executive Directors) consider that the exercise of the 90% Options is fair and reasonable and the Transactions are in the interest of the Company and its shareholders as a whole.

IMPLICATIONS OF THE LISTING RULES

As one of the applicable percentage ratios calculated under rule 14.07 of the Listing Rules for the exercise of the 90% Options in aggregate exceeds 5% but is less than 25%, the exercise of these options 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.

At the date of this announcement, the Group controls the majority of the board of directors of each of Great Giant and Lucky Lead pursuant to the terms of the Master Agreements. As such, both companies are accounted for as subsidiaries in the financial statements of the Group on a consolidated basis and accordingly they are also subsidiaries of the Company for the purpose of the Listing Rules. Since Main Surplus and Talent Act, both being the grantors of the 90% Options and the 10% Call Options, currently hold the entire issued share capital of Great Giant and Lucky Lead respectively, they are also regarded as substantial shareholders of Great Giant and Lucky Lead and hence connected persons of the Company at the subsidiary level. Pursuant to Rule 14A.79(2) of the Listing Rules, the 90% Options were already classified as if exercised when granted to the Purchaser on 12 December 2011 and the related disclosure was made by the Company in the 2011 Announcement in compliance with the requirements under Chapter 14A of the Listing Rules.

Pursuant to Rules 14.74 and 14A.61 of the Listing Rules, the 10% Put Options were also classified as if exercised when granted by the Purchaser on 12 December 2011 and the related disclosure was also made by the Company in the 2011 Announcement in compliance with the requirements under Chapter 14 and Chapter 14A of the Listing Rules. However, as Main Surplus and Talent Act are connected persons of the Company at the subsidiary level, the Purchaser's non-exercise of the 10% Call Options would be treated as if exercised under Rule 14A.79(4) of the Listing Rules and would constitute a connected transaction of the Company under Chapter 14A of the Listing Rules. The fair market values of the GG Shares and the LL Shares are yet to be evaluated for determining the 10% Option Prices in accordance with the Master Agreements. However, according to the Company's current best estimation, the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the non-exercise of the 10% Call Options in aggregate will only exceed 1% but will be less than 5%. As such, the non-exercise of the 10% Call Options is also subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules. Further announcement will be made after the 10% Option Prices are determined.

As none of the Directors has any material interest in the Transactions, no Director is required to abstain from voting on the relevant Board resolutions approving the Transactions.

GENERAL INFORMATION

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

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

Main Surplus and Talent Act are limited companies incorporated in Hong Kong and principally engage in real estate development and investment holding in the PRC. Both companies are beneficially owned by Mr. Chau Yu Lau. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Main Surplus and Talent Act together with their ultimate beneficial owner are, save for their share interests in Great Giant and Lucky Lead or directorships arising therefrom, third parties independent of the Company and its connected persons.

DEFINITIONS

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

“10% Call Options”	collectively, the GG 10% Call Option and the LL 10% Call Option;
“10% Option Prices”	collectively, the GG 10% Option Price and the LL 10% Option Price;
“10% Options”	collectively, the 10% Call Options and the 10% Put Options;

“10% Put Options”	collectively, the GG 10% Put Option and the LL 10% Put Option;
“2011 Announcement”	the announcement of the Company dated 12 December 2011 in relation to the acquisition and/or grant of the 90% Options and the 10% Options under the Master Agreements;
“90% Options”	collectively, the GG 90% Option and the LL 90% Option;
“Board”	the board of directors of the Company;
“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);
“connected person(s), subsidiary(ies) and substantial shareholders”	each has the meaning ascribed to it under the Listing Rules;
“Directors”	the directors of the Company;
“Great Giant”	Great Giant Investment Limited, a company incorporated in Hong Kong with limited liability, which is a subsidiary of the Company for the purpose of the Listing Rules;
“GG 10% Call Option”	the option exercisable during the exercise period (i.e. 9 July 2019 to 8 July 2020) at the discretion of the Purchaser requiring Main Surplus to sell to it 10% of the GG Shares at the GG 10% Option Price;
“GG 10% Options”	collectively, the GG 10% Call Option and the GG 10% Put Option;
“GG 10% Option Price”	has the meaning ascribed to it under the section headed “EXERCISE OF THE 10% PUT OPTIONS – Exercise prices” of this announcement;
“GG 10% Put Option”	the option exercisable during the exercise period (i.e. 9 July 2019 to 8 July 2020) at the discretion of Main Surplus requiring the Purchaser to acquire from it 10% of the GG Shares at the GG 10% Option Price;

“GG 90% Option”	the option exercisable at any time after 12 December 2011 at the discretion of the Purchaser to acquire 90% of the GG Shares without further payment pursuant to the terms of the GG Master Agreement;
“GG Group”	Great Giant and its subsidiary, namely Summer Great (Tianjin) Co., Ltd., a company established under the laws of the PRC with limited liability;
“GG Master Agreement”	the master agreement dated 12 December 2011 entered into between, among others, the Purchaser and Main Surplus in relation to (among other things) the grant of the GG Options;
“GG Options”	collectively, the GG 90% Option and the GG 10% Options;
“GG Shares”	10,000 ordinary shares of Great Giant, representing the entire issued share capital of Great Giant;
“Group”	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;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Lucky Lead”	Lucky Lead Limited, a company incorporated in Hong Kong with limited liability, which is a subsidiary of the Company for the purpose of the Listing Rules;
“LL 10% Call Option”	the option exercisable during the exercise period (i.e. 9 July 2019 to 8 July 2020) at the discretion of the Purchaser requiring Talent Act to sell to it 10% of the LL Shares at the LL 10% Option Price;
“LL 10% Options”	collectively, the LL 10% Call Option and the LL 10% Put Option;
“LL 10% Option Price”	has the meaning ascribed to it under the section headed “EXERCISE OF THE 10% PUT OPTIONS – Exercise prices” of this announcement;

“LL 10% Put Option”	the option exercisable during the exercise period (i.e. 9 July 2019 to 8 July 2020) at the discretion of Talent Act requiring the Purchaser to acquire from it 10% of the LL Shares at the LL 10% Option Price;
“LL 90% Option”	the option exercisable at any time after 10 January 2012 at the discretion of the Purchaser to acquire 90% of the LL Shares without further payment pursuant to the terms of the LL Master Agreement;
“LL Group”	Lucky Lead and its subsidiaries, namely Tianjin Keteni Trade Commercial Co., Ltd., Tianjin Macherston Commerce and Trade Co., Ltd. and 嘉傑（天津）置業投資有限公司 (Jiajie (Tianjin) Property Investment Co., Ltd.*), all being companies established under the laws of the PRC with limited liability;
“LL Master Agreement”	the master agreement dated 12 December 2011 entered into between, among others, the Purchaser and Talent Act in relation to (among other things) the acquisition and/or grant of the LL Options;
“LL Options”	collectively, the LL 90% Option and the LL 10% Options;
“LL Shares”	the 10,000 ordinary shares of Lucky Lead, representing the entire issued share capital of Lucky Lead;
“Main Surplus”	Main Surplus Limited, a company incorporated in Hong Kong with limited liability, which holds the entire issued share capital of Great Giant at the date of this announcement;
“Master Agreements”	collectively, the GG Master Agreement and the LL Master Agreement;
“PRC”	the People’s Republic of China (excluding, for the purpose of this announcement, Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan);
“Purchaser”	Cosy Rich Limited, a company incorporated in the British Virgin Islands with limited liability, which is an indirect wholly-owned subsidiary of the Company;

“RMB”	Renminbi, the lawful currency of the PRC;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Talent Act”	Talent Act Limited, a company incorporated in Hong Kong with limited liability, which holds the entire issued share capital of Lucky Lead at the date of this announcement;
“Transactions”	collectively, the exercise of the 90% Options and the non-exercise of the 10% Call Options; and
“%”	percentage.

For the purpose of this announcement and for illustrative purpose only, RMB is converted into HK\$ at the rate of RMB1:HK\$1.095. No representation is made that any amounts in RMB has been or could be converted at the above rate or at any other rates.

By order of the Board
SOCAM Development Limited
Lee Chun Kong, Freddy
Executive Director and Chief Executive Officer

Hong Kong, 6 July 2020

At the date of this announcement, the executive Directors are Mr. Lo Hong Sui, Vincent and Mr. Lee Chun Kong, Freddy; the non-executive Director is Ms. Lo Bo Yue, Stephanie; 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