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瑞安建業有限公司*
SOCAM Development Limited
(Incorporated in Bermuda with limited liability)
(Stock Code: 983)

**CONNECTED TRANSACTIONS
AND
CONTINUING CONNECTED TRANSACTIONS**

**FRAMEWORK AGREEMENT IN RELATION TO WORKS AND SERVICES
FOR SHUI ON CENTRE**

The Board is pleased to announce that on 7 March 2022, the Company and SOCL entered into the Framework Agreement in relation to the Group's possible undertaking and/or provision of the Works and the Services in relation to Shui On Centre.

Certain member(s) of the SOCL Group own(s) a majority part of Shui On Centre, and is the management company of Shui On Centre under the DMC. As SOCL is the controlling shareholder of the Company, SOCL and members of the SOCL Group are connected persons of the Company. Accordingly, the entering into of the Framework Agreement and, if materialised, the Transactions thereunder will constitute connected transactions and continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio calculated under Rule 14.07 of the Listing Rules in respect of each of (i) the Project Cap for the Works and (ii) the Service Cap for the Services exceeds 5%, the Framework Agreement and the Transactions (including the Annual Caps) are subject to the reporting, announcement and Independent Shareholders' approval requirements, while the Framework Agreement and provision of the Services (if awarded to any member of the Group pursuant to any tender submitted during the term of the Framework Agreement) are also subject to the annual review requirement under Chapter 14A of the Listing Rules.

The Independent Board Committee has been established to advise the Independent Shareholders in respect of the Framework Agreement and the Transactions (including the Annual Caps). In addition, Merdeka has been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard.

Since the term of the individual contract(s) in relation to the Services contemplated under the Framework Agreement, if awarded to any member of the Group pursuant to any tender submitted during the term of the Framework Agreement, may exceed 3 years reaching up to 12 years, the Independent Financial Adviser will also review and provide its opinion on whether it is normal business practice for agreements of this type to be of such duration in accordance with Rule 14A.52 of the Listing Rules.

A circular containing, among other things, details of the Framework Agreement and the Transactions, the recommendation of the Independent Board Committee to the Independent Shareholders, the advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, and a notice convening the SGM will be despatched to the Shareholders. As the Company requires more time for compiling the information for inclusion in the circular pursuant to the Listing Rules, the circular is expected to be despatched to the Shareholders on or before 30 April 2022.

The Framework Agreement merely sets out the scope and terms under which the Group may participate in the tenders for the Works and the Services. There is no certainty as to whether any Works or Services will be required for any part of Shui On Centre, and if required, whether contract will be awarded to any member of the Group pursuant to any tender submitted for the Works or the Services. Therefore, the Transactions may not materialise even if the Independent Shareholders' approval has been obtained for the Framework Agreement and the Transactions. Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

BACKGROUND

Certain member(s) of the SOCL Group own(s) a majority part of Shui On Centre, and is the management company of Shui On Centre under the DMC. As Shui On Centre has not undergone any major overhaul renovation or upgrading since 2011, it is expected that an overhaul enhancement of the property, possibly involving the Works and the Services, covering common areas and proprietary areas, will be conducted as the SOCL Group and the other owners of Shui On Centre may decide. The Group wishes to be considered and to participate in the tenders for the Works and the Services if invitation for any such tender is made by or on behalf of the SOCL Group and/or the other owners of Shui On Centre. As such, on 7 March 2022, the Company and SOCL entered into the Framework Agreement in relation to the Group's possible undertaking and/or provision of the Works and the Services in relation to Shui On Centre.

THE FRAMEWORK AGREEMENT

Date

7 March 2022

Parties

- (1) the Company
- (2) SOCL, being the controlling shareholder of the Company, certain subsidiary(ies) of which is/are the owners of certain proprietary areas of Shui On Centre and the management company of Shui On Centre under the DMC

Term

The period commencing from the business day following the date of fulfilment of the Condition (as set out below) and ending on 31 December 2024 (both days inclusive).

Subject matter

Pursuant to the Framework Agreement, subject to the Condition having been satisfied, any member of the Group may submit tender under any tender invitation made by or on behalf of the SOCL Group and/or the other owners of Shui On Centre and enter into any contract, if awarded, for the engagement of such member of the Group as contractor or service provider for the following works and services:

- (a) Overhaul enhancement works for Shui On Centre, covering its common areas and/or proprietary areas owned by the SOCL Group as the project may involve (the “**Works**”). This would cover all types of works typical of an asset enhancement project for an office commercial building of similar grading, including but not limited to builder works, building services works, renovation works, fitting-out works, additional and alteration works, maintenance works, and procurement and installation of the Smart Facilities; and
- (b) services that may be required for or incidental to the installation of the Smart Facilities (the “**Services**”), i.e. for a term of not more than 12 years, (i) provision of lease financing arrangement whereby the Group may procure the Smart Facilities for use at Shui On Centre by leasing the related equipment (the legal title to such equipment shall remain with the Group until passed to the owners of Shui On Centre at the end of the lease term for an agreed price), instead of providing such facilities as part of the contract for the Works, and provide after sales/maintenance service for such facilities where required; or (ii) provision of after sales/maintenance service for the Smart Facilities included under the Works.

Condition precedent

The Transactions contemplated under the Framework Agreement are conditional upon the necessary approval having been obtained from the Independent Shareholders on or before 15 June 2022 (the “**Condition**”).

Pricing basis of the tenders to be submitted by the Group

The prices and terms to be submitted by members of the Group in the tenders will be subject to the following standard and systematic internal pricing mechanism, which applies to tender submissions to both the Company's connected persons and independent third parties, in order to ensure that the prices and terms offered to members of the SOCL Group are no more favourable than those offered by the Group to independent third parties.

The Group's tender submission procedure involves the following major steps:

- (a) receiving tender details;
- (b) establishing internal working group;
- (c) assessing tender documents by the designated working group;
- (d) internally discussing the proposed tender price and terms;
- (e) preparation for and finalisation of tender submission; and
- (f) tender submission in accordance with the procedure required by the employer.

As a general principle, the prices and terms of the proposed tenders with respect to the Works and the Services will be determined in the Group's ordinary course of business on normal commercial terms, negotiated on arm's length basis and at prices and on terms no more favourable than those provided to the independent third party customers of the Group.

In order to ensure that the above general principle is implemented throughout the tender evaluation and preparation process, the Group will take into account, among other things, the following:

- (a) scope of works or services and other requirements of the relevant tender, such as timing, technical and quantity specifications;
- (b) the costs analysis and risk assessment conducted;
- (c) estimated profitability of the contract; and
- (d) internal and external reference data such as the prices and terms for the previous projects carried out by the Group for similar types of works and services, and its in-house directory of market information.

The relevant working group, if considered necessary, will also conduct site inspection and obtain fee quotations from subcontractors and suppliers to enhance the accuracy of its assessment of the relevant contract's costs and profitability.

Before submission of any tender for the Works or the Services, the price and terms to be offered by the Group will be scrutinised in accordance with the Group's usual procedures for scrutinising tenders for third party works and services. Comparison will also be made of the proposed tender price and terms with those of at least two previous projects of a similar nature for a connected person of the Company and an independent third party respectively, or if there are no such records of previous projects available, with the quotations collected from subcontractors and suppliers based on the applicable tender requirements, to ensure that the tender price and terms offered to the relevant member of the SOCL Group are no more favourable than those to independent third parties.

For tendering for the Works, the relevant member of the Group will determine the tender sum based on the expected scope and complexity of the Works, and the estimated costs of labour, materials and facilities, including the Smart Facilities, based on the prevailing market prices for carrying out similar works of comparable scale and complexity plus a fair and reasonable margin.

For tendering for the Services, the relevant member of the Group will also consider the following factors in determining the tender sum:

- (a) the costs of the Smart Facilities plus a fair and reasonable margin;
- (b) any lease purchase fee to be determined by assuming a fair and reasonable interest cost having considered the Group's own funding cost and commonly-used commercial terms and market practices such as that in relation to the length of term; and
- (c) any after sales/maintenance service fee to be determined in a fair and reasonable manner having considered the commonly-used commercial terms and conditions and the market price for the same or similar type of services, projected inflation of costs of labour and materials, and on no more favourable terms offered by the Group to independent third parties.

Payment terms

The fees payable to the Group for provision of the Works and the Services, if awarded, will be settled in accordance with the payment terms set out in the specific tender documentation and contracts.

ANNUAL CAPS AND BASIS OF DETERMINATION OF ANNUAL CAPS

The Project Cap

The maximum total contract sum of the Works that may be awarded to member(s) of the Group pursuant to the tenders submitted during the term of the Framework Agreement (the "**Project Cap**"), both (i) on an aggregated basis for all such Works awarded; and (ii) for the period ending 31 December 2022 and the years ending 31 December 2023 and 2024 respectively, shall be HK\$372 million.

The proposed Project Cap was determined based on:

- the size, office grading and location of Shui On Centre;
- the typical type and scope of enhancement works that may be conducted for office/commercial property in proximate location or of comparable grade, the anticipated scale of the Works given the size and the current state of Shui On Centre, and the estimated costs of the Group for carrying out the Works;
- the prevailing market prices of comparable suppliers of materials and equipment; and
- the estimated fluctuation in the average market prices of materials and equipment.

The Service Cap

The maximum aggregate of financing balance covering the principal of the finance lease and accrued after sales/maintenance service fees for the Services that may be awarded to member(s) of the Group pursuant to the tenders submitted during the term of the Framework Agreement (the “**Service Cap**”), both (i) on an aggregated basis for all such Services awarded; and (ii) for the period ending 31 December 2022 and the years ending 31 December 2023 up to 2036 respectively, shall be HK\$118 million.

The proposed Service Cap was determined based on:

- the size, office grading and location of Shui On Centre;
- the typical type of the Smart Facilities and the Services that may be provided for office/commercial property in proximate location or of comparable grade, the possible scale given the size of Shui On Centre, and the estimated costs of the Group for providing such Services;
- the prevailing market fees charged by service providers comparable to the Group for similar services;
- the estimated fluctuation in the average fees charged by service providers comparable to the Group for similar services;
- in respect of the finance lease arrangement involved in the Services, costs of the Smart Facilities and the Group’s own funding cost; and
- in respect of the Service Cap for each of the two years ending 31 December 2035 and 2036, it was set assuming all the Services would be awarded for a maximum of 12-year term pursuant to the tenders submitted at the end of the term of the Framework Agreement in 2024.

Shui On Centre has not undergone any major overhaul renovation or upgrading since 2011. The works and the services provided by the Group to the SOCL Group in relation to Shui On Centre in the past 2 years are of limited scope and scale, and are therefore not indicative of the scope and scale of the Works and the Services which may be required in relation to the expected overhaul enhancement of Shui On Centre.

It is still uncertain to the Company as to whether all the Works and the Services will be undertaken for Shui On Centre as its owners may decide. In particular, it is also unclear if the tenders for all the Works and the Services will be made in one single year, or spread over the term of the Framework Agreement. In order to allow the Group to capture the maximum opportunities to participate in the tenders for the Works and the Services, the Project Cap was set for the period ending 31 December 2022 and the years ending 31 December 2023 and 2024 respectively, and the Service Cap was set for the period ending 31 December 2022 and the years ending 31 December 2023 up to 2036 respectively, taking into account the circumstance that all the tenders might be released in one single year during the term of the Framework Agreement. Accordingly, the Project Cap of HK\$372 million represents the maximum total contract sum of the Works that may be awarded to member(s) of the Group pursuant to the tenders submitted during the term of the Framework Agreement on a cumulative aggregated basis, and the Service Cap of HK\$118 million represents the aggregate of (i) the maximum amount of financing balance for all the Smart Facilities that may be procured, maintained and serviced by member(s) of the Group pursuant to the tenders submitted during the term of the Framework Agreement; and (ii) the maximum after sales/maintenance service fee, both for the full 12-year term, on a cumulative aggregated basis. Neither the Project Cap nor the Service Cap should be taken as an indication that the Group may take on the Works or the Services with an aggregate contract sum equivalent to the total amount of the Project Cap or the Service Cap throughout the period and years up to 2024 or 2036 as mentioned above.

INTERNAL CONTROL MEASURES

The corporate evaluation department of the Company will be responsible for reviewing the procedures to prepare the tenders for the Works and the Services and ensuring that such tenders submitted by member(s) of the Group are in accordance with the terms of the Framework Agreement.

In addition, the independent non-executive Directors will conduct an annual independent review of the above control measures and the connected/continuing connected transactions arising from the Framework Agreement to ensure that such transactions are on normal commercial terms, fair and reasonable, and are carried out pursuant to the terms of the Framework Agreement. The external auditor of the Company will also be engaged to conduct an annual review and report on the continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules. The Company will provide necessary information to and facilitate access to such information by the independent non-executive Directors and auditor for the purpose of such review.

REASONS FOR AND BENEFITS OF THE FRAMEWORK AGREEMENT AND THE TRANSACTIONS

The Transactions form part of the Group's ordinary and usual business activities. The Framework Agreement will allow the Group to capitalise on its experience and expertise to increase its revenue and profit through tendering for and, upon successful tenders, participating in the Works and the Services.

The Directors (other than the independent non-executive Directors, whose views will be set out in a circular to be despatched to the Shareholders after receiving the advice from the Independent Financial Adviser) consider that the terms of the Framework Agreement and the Transactions (including the Annual Caps) are normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As SOCL is the controlling shareholder of the Company, SOCL and members of the SOCL Group are connected persons of the Company. Accordingly, the entering into of the Framework Agreement and, if materialised, the Transactions thereunder will constitute connected transactions and continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio calculated under Rule 14.07 of the Listing Rules in respect of each of (i) the Project Cap for the Works and (ii) the Service Cap for the Services exceeds 5%, the Framework Agreement and the Transactions (including the Annual Caps) are subject to the reporting, announcement and Independent Shareholders' approval requirements, while the Framework Agreement and provision of the Services (if awarded to any member of the Group pursuant to any tender submitted during the term of the Framework Agreement) are also subject to the annual review requirement under Chapter 14A of the Listing Rules.

SOCL is held under the Bosrich Unit Trust, the units of which are the property of a discretionary trust, of which Mr. Lo, an executive Director and the Chairman of the Company, is the founder and both Mr. Lo and Ms. Lo, a non-executive Director and the daughter of Mr. Lo, are discretionary beneficiaries. Given the interests of Mr. Lo and Ms. Lo in SOCL as set out above, both of them are considered to have material interests in the Framework Agreement and the Transactions and had abstained from voting at the relevant Board resolutions approving the same.

The Independent Board Committee has been established to advise the Independent Shareholders in respect of the Framework Agreement and the Transactions (including the Annual Caps). In addition, Merdeka has been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard.

Since the term of the individual contract(s) in relation to the Services contemplated under the Framework Agreement, if awarded to any member of the Group pursuant to any tender submitted during the term of the Framework Agreement, may exceed 3 years reaching up to 12 years, the Independent Financial Adviser will also review and provide its opinion on whether it is normal business practice for agreements of this type to be of such duration in accordance with Rule 14A.52 of the Listing Rules.

A circular containing, among other things, details of the Framework Agreement and the Transactions, the recommendation of the Independent Board Committee to the Independent Shareholders, the advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, and a notice convening the SGM will be despatched to the Shareholders. As the Company requires more time for compiling the information for inclusion in the circular pursuant to the Listing Rules, the circular is expected to be despatched to the Shareholders on or before 30 April 2022.

GENERAL INFORMATION

The Group principally engages in construction and building maintenance in Hong Kong and Macau, property development and investment in the PRC and provision of property management services in Hong Kong.

SOCL is a company incorporated in the British Virgin Islands with limited liability and its principal activity is investment holding.

The Framework Agreement merely sets out the scope and terms under which the Group may participate in the tenders for the Works and the Services. There is no certainty as to whether any Works or Services will be required for any part of Shui On Centre, and if required, whether contract will be awarded to any member of the Group pursuant to any tender submitted for the Works or the Services. Therefore, the Transactions may not materialise even if the Independent Shareholders' approval has been obtained for the Framework Agreement and the Transactions. Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

DEFINITIONS

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

“Annual Caps”	collectively, the Project Cap and the Service Cap
“associates”, “connected persons”, “controlling shareholder” and “subsidiary(ies)”	each has 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)
“Condition”	has the meaning as ascribed to it in the section headed “The Framework Agreement – <i>Condition precedent</i> ” of this announcement
“Director(s)”	the director(s) of the Company

“DMC”	the Deed of Mutual Covenant and Management Agreement in respect of Shui On Centre dated 17 February 1994 entered into between, among others, Shui On Centre Company Limited (the first owner of Shui On Centre) and Shui On Centre Property Management Limited (as the management company)
“Framework Agreement”	the framework agreement dated 7 March 2022 entered into between the Company and SOCL in relation to the Transactions
“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
“Independent Board Committee”	the committee of the Board comprising Ms. Li Hoi Lun, Helen, Mr. Chan Kay Cheung and Mr. William Timothy Addison, all being independent non-executive Directors, formed to advise the Independent Shareholders in respect of the Framework Agreement and the Transactions (including the Annual Caps)
“Independent Financial Adviser” or “Merdeka”	Merdeka Corporate Finance Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Framework Agreement and the Transactions (including the Annual Caps)
“Independent Shareholders”	Shareholders other than Mr. Lo, Ms. Lo and their associates, including SOCL
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Macau”	the Macao Special Administrative Region of the People’s Republic of China
“Mr. Lo”	Mr. Lo Hong Sui, Vincent, an executive Director and the Chairman of the Company
“Ms. Lo”	Ms. Lo Bo Yue, Stephanie, a non-executive Director and the daughter of Mr. Lo
“PRC”	the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, Macau and Taiwan)
“Project Cap”	has the meaning as ascribed to it in the section headed “ANNUAL CAPS AND BASIS OF DETERMINATION OF ANNUAL CAPS – <i>The Project Cap</i> ” of this announcement
“Services”	has the meaning as ascribed to it in the section headed “The Framework Agreement – <i>Subject matter</i> ” of this announcement
“Service Cap”	has the meaning as ascribed to it in the section headed “ANNUAL CAPS AND BASIS OF DETERMINATION OF ANNUAL CAPS – <i>The Service Cap</i> ” of this announcement
“SGM”	the special general meeting of the Company to be held for considering and, if appropriate, approving the Framework Agreement and the Transactions (including the Annual Caps)
“Shareholders”	the holders of the shares of the Company
“Shui On Centre”	a commercial building located at 6-8 Harbour Road, Hong Kong
“Smart Facilities”	such smart facilities, equipment, building management and related software systems for improving efficiency of energy consumption, facilities management and user journey

“SOCL”	Shui On Company Limited, a company incorporated in the British Virgin Islands with limited liability and the controlling shareholder of the Company
“SOCL Group”	collectively, SOCL and its subsidiaries
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transactions”	provision of the Works and the Services possibly awarded to any member of the Group by any member of the SOCL Group pursuant to the tenders submitted during the term of the Framework Agreement
“Works”	has the meaning as ascribed to it in the section headed “The Framework Agreement – <i>Subject matter</i> ” of this announcement
“%”	per cent

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

Hong Kong, 7 March 2022

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