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## **SOUTHEAST ASIA PROPERTIES & FINANCE LIMITED**

**華信地產財務有限公司**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 252)**

### **DISCLOSEABLE TRANSACTION MAIN CONSTRUCTION CONTRACT IN RELATION TO THE WORKS OF THE HOTEL**

#### **Main Construction Contract in relation to the Works of the Hotel**

The Board hereby announces that on 2 September 2022 (after trading hours), SAP Realty (a directly wholly-owned subsidiary of the Company) as owner has awarded the Main Construction Contract with the Contractor (an Independent Third Party) as prime contractor in respect of Works for the Hotel. The Works form part of the alteration and addition works in order to prepare the Hotel to be reopened currently expected to be in the last quarter of 2024.

Pursuant to the Main Construction Contract, the Works for the Hotel are currently expected to be substantially completed by July 2024. Upon completion of the Works, the Hotel shall be turned into a 22-storey hotel building and will provide 95 guest rooms, approximately 332 square metres of usable areas for shops, and other back-of-house and front-of-house areas.

#### **Listing Rules Implications**

As the Hotel is for the Group's own use in its usual course of business, according to Rule 14.23A of the Listing Rules, the transaction contemplated under the Main Construction Contract and other transactions made or to be made between SAP Realty and the Contractor in respect of the Hotel (if any) are not required to be aggregated and treated as one transaction.

However, as one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Main Construction Contract exceeds 5% but are less than 25%, the transaction contemplated under the Main Construction Contract constitutes a discloseable transaction of the Company and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

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### **Principal Terms of the Main Construction Contract**

Summarized below are the principal terms of the Main Construction Contract:

Date: 2 September 2022

Parties: (1) SAP Realty (as owner); and  
(2) the Contractor (as prime contractor)

Scope of Works: The scope of the alteration and addition works for the Hotel includes, but not limited to, the improvement works of the existing shops along Cameron Road and the reconstruction works of the remaining portion of the existing building to a 22-storey hotel building completed with all necessary building services installation works, internal decoration and finishes, furniture and fixtures and external façade. After completion of the alteration and addition works, the hotel building will provide 95 guest rooms, approximately 332 square metres of usable areas for shops, and other back-of-house and front-of-house areas.

Substantial Completion Time of the Works:	The Works will be completed in sections. The first section includes obtaining occupation permit for the building. The second section includes completion of all works necessary for obtaining hotel licence for the Hotel. When Works of the respective sections are substantially complete, the Architect will prepare a certificate of substantial completion for the respective sections, which shall establish the date of substantial completion. Subject to any extension of time granted by the Architect pursuant to the Main Construction Contract, the Contractor shall achieve substantial completion of the first section of the Works in February 2024 and substantial completion of second section of the Works in July 2024.
Contract sum:	The total contract sum payable by SAP Realty to the Contractor shall be approximately HK\$192.5 million (subject to adjustments for any variations and additional works as in accordance with the Main Construction Contract).
Payment terms:	The contract sum shall be paid by progress payments based on applications for payment submitted by the Contractor together with certificates for payment issued by the Quantity Surveyor and the Architect and other supporting documents. The interval of each application for payment shall be one calendar month. For each progress payment, SAP Realty has the right to retain 10% from the amount otherwise due as retention money. Once the Works are 50% complete, the retention money shall be reduced to 5%. One half of the retention money shall be released to the Contractor upon substantial completion of the Works certified by the Architect. The final payment will be payable after full performance of the Main Construction Contract by the Contractor. The final accounts for the construction costs to SAP Realty will be assessed by the Quantity Surveyor and the Architect in accordance with the Main Construction Contract and the final certificate for payment will be issued by the Quantity Surveyor and the Architect.

## **Information of the Group**

The Group is principally engaged in property investment, development and leasing, hotel operation, manufacturing and distribution of plastic packaging materials, broking and securities margin financing.

Based on the 2022 Annual Report, the net asset value of the Company as at 31 March 2022 was approximately HK\$1,074.2 million.

### **Information of the Hotel and SAP Realty**

The Hotel comprises a Class C site (having site frontage abutting onto three streets) with an area of 274.53 square metres. It has been previously developed with 9-storey hotel building. As at the date of this announcement, the Hotel is a cleared and vacant site except a 2-storey bare shell structure (being the remaining structure of the aforesaid 9-storey hotel building) standing on the site frontage of the Property abutting onto Cameron Road with a floor area of approximately 210 square metres.

SAP Realty is directly wholly-owned by the Company which currently owns the Hotel. The principal business activity is property investment.

### **Information of the Contractor**

The Contractor is principally engaged in design and build engineering. To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, the Contractor and its ultimate beneficial owner are Independent Third Parties.

The Contractor was selected by SAP Realty as the prime contractor after due and careful consideration, taking into account a number of factors, including quality of work, experience and market position.

### **Value of consideration**

The aggregate value of the consideration payable under the Main Construction Contract is approximately HK\$192.5 million, which will be funded partly by the bank borrowings and partly by the Group's internal resources.

The consideration was determined after arm's length negotiations between SAP Realty and the Contractor and on normal commercial terms with reference to the standard required for the Works, the experience and market position of the Contractor and the expected quality of the Works.

### **Reasons and benefits for entering into the Main Construction Contract**

Two of the principal businesses of the Group are property investment, development and leasing and hotel operation.

As disclosed in the Announcement, due to the escalation of COVID-19 outbreak into a pandemic and the enhanced anti-epidemic measures implemented by the Hong Kong Government, net loss was incurred for hotel operation business. The Board considers that the suspension of operation of Hotel for alteration and addition works is in the best interest of the Company and its shareholders as a whole.

Taking into account the market landscape of the Hotel, the Board is of the view that the Works under the Main Construction Contract will increase the number of guest rooms and the size of commercial areas to fully utilize the plot ratio with a view to generating additional hotel accommodation income and rental income for the Group in the coming years. This is in line with the Group's business strategies to (1) increase average room rates and achieve stronger yield and (2) expand the long-term accommodation capacity and shop units capacity.

The Board, having reviewed and approved the Main Construction Contract and based on its industry experiences, is of the view that the terms of the Main Construction Contract are on normal commercial terms and are fair and reasonable and entering into of the Main Construction Contract is in the interests of the Company and the Shareholders as a whole.

None of the Directors has a material interest in the Main Construction Contract or was required to abstain from voting on the Board resolutions approving the Main Construction Contract.

### **Implications under the Listing Rules**

As the Hotel is for the Group's own use in its usual course of business, according to Rule 14.23A of the Listing Rules, the transaction contemplated under the Main Construction Contract and other transactions made or to be made between SAP Realty and the Contractor (if any) in respect of the Hotel are not required to be aggregated and treated as one transaction.

However, as one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Main Construction Contract exceeds 5% but are less than 25%, the transaction contemplated under the Main Construction Contract constitutes a discloseable transaction of the Company and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

## DEFINITIONS

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

“2022 Annual Report”	the annual report of the Company dated 29 June 2022 for the financial year ended 31 March 2022
“Announcement”	the announcement of the Company dated 6 April 2020 in relation to suspension of hotel operations of the Group
“Architect”	KLS International Architects & Planners Company Limited, an independent architect engaged by SAP Realty in respect of the Works of the Hotel
“Board”	the board of directors of the Company
“Company”	Southeast Asia Properties & Finance Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the main board of the Stock Exchange (stock code: 252)
“Main Construction Contract”	The letter of award dated 2 September 2022 issued by SAP Realty for accepting the terms of the tenders submitted by the Contractor in relation to the provision of the Works on the Hotel. The Contractor acknowledged receipt of said letter of award on the same date
“Contractor”	Wise Trend Engineering Limited, a company incorporated in Hong Kong with limited liability, the ultimate beneficial owner of which is Central Holding Group Co., Ltd., a company incorporated in Cayman Islands with limited liability, which has an indirect equity interest of 100% in the Contractor and its shares are listed on the main board of the Stock Exchange (stock code: 1735)
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

“Hong Kong Government”	the Government of Hong Kong
“Hotel”	Hotel Benito, located at 7–7B Cameron Road, Tsim Sha Tsui, Kowloon, Hong Kong
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Third Party(ies)”	has its meanings ascribed to it under the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Quantity Surveyor”	Beria Consultants Limited, an independent quantity surveyor engaged by SAP Realty in respect of the Works of the Hotel
“SAP Realty”	SAP Realty Company Limited, a direct wholly-owned subsidiary of the Company
“Works”	the construction works in respect of the Hotel to be carried out on as specified in the tender issued by the Contractor as described in the paragraph headed “Scope of Works” under the section headed “Principal Terms of the Main Construction Contract” of this announcement
“Shareholder(s)”	the holder(s) of the share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

By order of the Board  
**Southeast Asia Properties & Finance Limited**  
**Chua Nai Tuen**  
*Chairman and Managing Director*

Hong Kong, 2 September 2022

*As at the date of this announcement, the Board comprises: (1) Mr. Chua Nai Tuen, Mr. Nelson Junior Chua and Mr. Richard Sy Tan as executive directors; (2) Mr. Chan Man Hon, Eric, Mr. Jimmy Siy Tiong, Mr. Tsai Han Yung and Ms. Vivian Chua as non-executive directors; and (3) Mr. Chan Siu Ting, Mr. James L. Kwok, Mr. Tsui Ka Wah and Mr. Luk Siu Chuen as independent non-executive directors.*