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**瑞安建業有限公司\***

**SOCAM Development Limited**

(Incorporated in Bermuda with limited liability)

(Stock Code: 983)

## **CONTINUING CONNECTED TRANSACTIONS**

### **THE FRAMEWORK AGREEMENT**

### **FOR SMART FACILITY ENHANCEMENT WORKS**

**Independent Financial Adviser**



#### **THE CONTINUING CONNECTED TRANSACTIONS**

The Board is pleased to announce that on 31 March 2023, the Company and SOL entered into the Framework Agreement whereby the Company has agreed to procure member(s) of the Group, and SOL has agreed to procure member(s) of the SOL Group, to comply with the terms of the Framework Agreement for provision of the Smart Facility Enhancement Works by member(s) of the Group to member(s) of the SOL Group in respect of its/their property development(s) in the PRC.

#### **LISTING RULES IMPLICATIONS**

SOCL is the controlling shareholder of both the Company and SOL. SOCL is held under the Bosrich Unit Trust, the units of which are the property of a discretionary trust, of which Mr. Lo (being an executive Director and the Chairman of the Company) is the founder and both Mr. Lo and Ms. Lo (being a non-executive Director and the daughter of Mr. Lo) are discretionary beneficiaries. Therefore, SOL, being an associate of Mr. Lo and Ms. Lo, is a connected person of the Company. Accordingly, the entering into of the Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As all the Annual Caps exceed HK\$3 million and all the applicable percentage ratios calculated in respect of the highest Annual Cap are less than 5%, the Framework Agreement and the transactions contemplated thereunder are subject to reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

As the term of the Framework Agreement and the transactions contemplated thereunder exceeds/may exceed three years, pursuant to Rule 14A.52 of the Listing Rules, the Company has appointed Merdeka as the independent financial adviser to explain why a term longer than three years is required and to confirm that it is normal business practice for agreements of such type to be of such duration.

## **INTRODUCTION**

The Board is pleased to announce that the Company and SOL entered into the Framework Agreement.

## **PRINCIPAL TERMS OF THE FRAMEWORK AGREEMENT**

### **Date**

31 March 2023

### **Parties**

- (i) the Company
- (ii) SOL

### **The Smart Facility Enhancement Works to be provided**

The Company has agreed to procure member(s) of the Group, and SOL has agreed to procure member(s) of the SOL Group, to comply with the terms of the Framework Agreement for provision of the following works and/or services (collectively, the “**Smart Facility Enhancement Works**”) by member(s) of the Group to member(s) of the SOL Group in respect of its/their property development(s) in the PRC:

- (a) construction works involving installation of smart facilities and equipment, implementation of building management, and installation, update and repairs of related hardware and software systems to improve the efficiency of energy consumption and facility management;

- (b) energy saving services to ensure the outcome of the works mentioned in paragraph (a) aligns with the designated milestone target; and
- (c) after sales services/maintenance services for such smart facilities and equipment installed for no more than five (5) years.

### **Term**

Commencing on 31 March 2023 and expiring on 31 December 2028 (both days inclusive).

### **Consideration and pricing policies**

The fees payable by member(s) of the SOL Group to member(s) of the Group for its/their provision of the Smart Facility Enhancement Works under the Specific Contract(s) shall be determined by the relevant members of the Group and the SOL Group based on arm's length negotiation in a fair and reasonable manner on the following basis:

- (a) in relation to construction works without involving any energy saving services:

The fees shall be determined on a cost-plus basis with a margin of 8% to 15% depending on factors including but not limited to complexity of the project, labour required, costs of the smart facilities and equipment to be installed and materials required, prevailing market prices of comparable construction works provided by the relevant member(s) of the Group to independent third parties and projected inflation rate.

- (b) in relation to construction works with energy saving services:

The relevant members of the Group and the SOL Group shall set a target annual energy saving amount (the "**Target Annual Energy Saving Amount**") to be achieved resulting from the energy saving services provided by member(s) of the Group to member(s) of the SOL Group, which shall be calculated and determined based on the performance and condition of existing facilities and equipment, original operation mode and habit, past record of energy consumption, operation duration and frequency, potential energy saving amount calculated by computer simulation, external factors such as weather and climate, unit price of energy consumption, etc..

The actual annual energy saving amount (the “**Actual Annual Energy Saving Amount**”) shall be the difference between the energy consumption baseline figure agreed between the relevant members of the Group and the SOL Group and the actual energy consumption, multiplied by the same unit price of energy consumption applied in deriving the Target Annual Energy Saving Amount.

The relevant members of the Group and the SOL Group shall share the Actual Annual Energy Saving Amount according to the energy saving sharing ratio as stipulated in the relevant Specific Contract (i.e. SOCAM’s Sharing Ratio + SOL’s Sharing Ratio = 100%) during the energy saving sharing period (the “**Energy Saving Sharing Period**”).

The energy saving sharing ratio (i.e. SOCAM’s Sharing Ratio/SOL’s Sharing Ratio) shall vary in different years and range from 30%/70% to 80%/20% per annum during the Energy Saving Sharing Period, to be determined based on the past energy consumption records, duration of the Energy Saving Sharing Period, construction costs involved, target energy saving rate, etc..

If the Actual Annual Energy Saving Amount is not lower than the Target Annual Energy Saving Amount, the fee payable by member(s) of the SOL Group to member(s) of the Group shall be calculated as follows:

$$\begin{aligned} \text{Annual Energy Saving Amount Shared by SOCAM} = \\ \text{Actual Annual Energy Saving Amount} \times \text{SOCAM's Sharing Ratio} \end{aligned}$$

If the Actual Annual Energy Saving Amount is lower than the Target Annual Energy Saving Amount, the fee payable by member(s) of the SOL Group to member(s) of the Group shall be calculated as follows:

$$\begin{aligned} \text{Annual Energy Saving Amount Shared by SOCAM} = \\ \text{Actual Annual Energy Saving Amount} - \text{SOL's Minimum Sharing Amount} \end{aligned}$$

provided that, if the Actual Annual Energy Saving Amount is lower than SOL’s Minimum Sharing Amount (the “**Shortfall**”), the Annual Energy Saving Amount Shared by SOCAM shall be nil. For the avoidance of doubt, member(s) of the Group shall not compensate member(s) of the SOL Group for the Shortfall.

(c) in relation to after sales services/maintenance services:

The service fees shall be determined on a cost-plus basis with a margin of 4% to 6% with reference to the prevailing market prices for comparable services provided by the relevant member(s) of the Group to independent third parties and projected inflation rate.

## **Payment terms and payment method**

The payment terms and period of each Specific Contract shall not exceed five (5) years taking into account the following factors:

- (a) scope and scale of the Smart Facility Enhancement Works;
- (b) target goals to be achieved during certain period and/or at different stages;
- (c) the Target Annual Energy Saving Amount and the energy saving sharing ratio;
- (d) duration of after sales services and maintenance period; and
- (e) other considerations as agreed between the relevant members of the Group and the SOL Group from time to time.

The fees in relation to the provision of the Smart Facility Enhancement Works under the Specific Contracts shall be settled in accordance with the manner(s) and payment term(s) as stipulated therein.

## **Termination**

The Framework Agreement may be terminated, *inter alia*, at any time by the Company or SOL giving a thirty (30) days' written notice to the other if (a) the other party commits any continuing or material breach of any of the provisions of the Framework Agreement; (b) an encumbrancer takes possession or a receiver is appointed over any of the property or assets of that other party; (c) that other party makes any voluntary arrangement with its creditors or becomes subject to an administration order; (d) that other party goes into liquidation; or (e) that other party ceases, or threatens to cease, to carry on business.

## **PROPOSED ANNUAL CAPS AND BASIS OF DETERMINATION**

The annual total fees paid/payable by the SOL Group to the Group under certain contracts entered into between members of the Group and the SOL Group in 2022 for the provision of certain Smart Facility Enhancement Works amounted to approximately RMB0.2 million (equivalent to approximately HK\$0.2 million) for the year ended 31 December 2022 and are estimated to be approximately RMB0.4 million (equivalent to approximately HK\$0.5 million), RMB0.4 million (equivalent to approximately HK\$0.5 million), RMB0.3 million (equivalent to approximately HK\$0.3 million), RMB0.3 million (equivalent to approximately HK\$0.3 million) and RMB0.2 million (equivalent to approximately HK\$0.2 million) for the five years ending 31 December 2023 to 2027.

The annual caps of the total fees payable by the SOL Group to the Group, under the Specific Contracts and the previous contracts mentioned above, in relation to the provision of the Smart Facility Enhancement Works (with VAT inclusive) (the “**Annual Caps**”) are set out below:

<b>Year</b>	<b>Annual Cap</b>	
	<i>RMB million</i>	<i>Equivalent to approximately HK\$ million</i>
For the year ending 31 December 2023	15	17.0
For the year ending 31 December 2024	15	17.0
For the year ending 31 December 2025	16	18.1
For the year ending 31 December 2026	12	13.6
For the year ending 31 December 2027	10	11.3
For the year ending 31 December 2028	4	4.5

The Annual Caps were determined after arm’s length negotiations between the Company and SOL, taking into consideration (i) the Smart Facility Enhancement Works to be conducted during the relevant financial year; (ii) the estimated fees payable by the SOL Group to the Group with reference to the anticipated scope, complexity and scale of the Smart Facility Enhancement Works, the prevailing market prices of comparable smart facility enhancement works and services and projected inflation rate; and (iii) the expected pricing structure and payment terms for the Smart Facility Enhancement Works.

In the event that any of the Annual Caps is exceeded, the Company will make a further announcement and will comply with the applicable Listing Rules requirements as and when necessary.

## **OPINION FROM THE INDEPENDENT FINANCIAL ADVISER**

Pursuant to Rule 14A.52 of the Listing Rules, the period of an agreement for a continuing connected transaction of a listed issuer must not exceed three years except in special circumstances where the nature of the transaction requires a longer period. As the term of the Framework Agreement and the transactions contemplated thereunder exceeds/may exceed three years, the Company has appointed Merdeka as the independent financial adviser to explain why a term longer than three years is required and to confirm that it is normal business practice for agreements of such type to be of such duration.

In assessing the reasons for the term of the Framework Agreement and the transactions contemplated thereunder being longer than three years, Merdeka has considered the following factors when formulating its opinion pursuant to Rule 14A.52 of the Listing Rules:

- (i) the longer-term of the Framework Agreement and the transactions contemplated thereunder aligns with and supports the long-term development and business cooperation strategy of the Company and provides the Group with a long-term client;

- (ii) the Framework Agreement and the transactions contemplated thereunder will help expand the Group's business portfolio and reputation, in particular in the PRC where the SOL Group is a reputable property developer with several major property developments;
- (iii) the Smart Facility Enhancement Works to be provided by members of the Group to members of the SOL Group contemplated under the Framework Agreement can provide stable and long-term recurring revenue to the Group; and
- (iv) in considering whether it is a normal business practice for the Framework Agreement and the transactions contemplated thereunder to have a duration longer than three years, Merdeka has conducted research, on a best effort basis, on comparable transactions, i.e. service agreements for the upkeep of long-term fixed assets entered into by companies listed on the Stock Exchange. In the course of Merdeka's review, it is noted that it is normal business practice for the agreements of this type to be up to or longer than five years.

Having considered the factors set out above, Merdeka is of the view that the Framework Agreement and the transactions contemplated thereunder require a term longer than three years and confirms that it is normal business practice for agreements of this type to be of such duration.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE FRAMEWORK AGREEMENT**

The Group principally engages in, among others, construction and building maintenance in Hong Kong and Macau, and provision of smart building solutions in Hong Kong and the PRC. The Board believes that smart building solutions and in particular, smart energy efficiency solutions, will be an increasingly important element of built environment going forward. As a leading contractor in the construction industry, the Group is determined to position itself to capture the upcoming opportunities in this new growth area. In light of this, the Group has dedicated resources to specialise in the provision of smart building solutions and focus on the relevant business opportunities. It is anticipated that the transactions contemplated under the Framework Agreement will not only generate a stable income to the Group, but will also help the Group build its track record to capture the future business opportunities from independent third parties.

The Directors (including the independent non-executive Directors but excluding Mr. Lo and Ms. Lo) are of the view that the Framework Agreement was entered into in the ordinary and usual course of business of the Group, and the terms (including the Annual Caps) of the Framework Agreement and the transactions contemplated thereunder are fair and reasonable, normal commercial terms, and in the interests of the Company and its shareholders as a whole.



## **GENERAL INFORMATION**

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

SOL, through its subsidiaries and associates, is one of the leading property developers in the PRC. The SOL Group engages principally in the development and redevelopment, sale, leasing, management and ownership of high-quality residential and mixed-use properties in the PRC.

## **LISTING RULES IMPLICATIONS**

SOCL is the controlling shareholder of both the Company and SOL. SOCL is held under the Bosrich Unit Trust, the units of which are the property of a discretionary trust, of which Mr. Lo (being an executive Director and the Chairman of the Company) is the founder and both Mr. Lo and Ms. Lo (being a non-executive Director and the daughter of Mr. Lo) are discretionary beneficiaries. Therefore, SOL, being an associate of Mr. Lo and Ms. Lo, is a connected person of the Company. Accordingly, the entering into of the Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As all the Annual Caps exceed HK\$3 million and all the applicable percentage ratios calculated in respect of the highest Annual Cap are less than 5%, the Framework Agreement and the transactions contemplated thereunder are subject to reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Given the interests of Mr. Lo and Ms. Lo as set out above, both of them are considered to have material interests in the Framework Agreement and the transactions contemplated thereunder and had abstained from voting on the relevant board resolutions of the Company approving the same.

Furthermore, as the term of the Framework Agreement and the transactions contemplated thereunder exceeds/may exceed three years, pursuant to Rule 14A.52 of the Listing Rules, the Company has appointed Merdeka as the independent financial adviser to explain why a term longer than three years is required and to confirm that it is normal business practice for agreements of such type to be of such duration.



## DEFINITIONS

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

“Actual Annual Energy Saving Amount”	has the meaning as ascribed to it in the section headed “PRINCIPAL TERMS OF THE FRAMEWORK AGREEMENT – Consideration and pricing policies” of this announcement;
“Annual Caps”	has the meaning as ascribed to it in the section headed “PROPOSED ANNUAL CAPS AND BASIS OF DETERMINATION” of this announcement;
“Annual Energy Saving Amount Shared by SOCAM”	the Actual Annual Energy Saving Amount to be shared by member(s) of the Group under the relevant Specific Contract, which shall be the fee payable by member(s) of the SOL Group to member(s) of the Group;
“associate(s)”, “connected person”, “controlling shareholder”, “percentage ratios”, and “subsidiaries”	each has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;
“Company” or “SOCAM”	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);
“Director(s)”	the director(s) of the Company;
“Energy Saving Sharing Period”	has the meaning as ascribed to it in the section headed “PRINCIPAL TERMS OF THE FRAMEWORK AGREEMENT – Consideration and pricing policies” of this announcement;

“Framework Agreement”	the framework agreement dated 31 March 2023 entered into between the Company and SOL in relation to the provision of the Smart Facility Enhancement Works by member(s) of the Group to member(s) of the SOL Group;
“Group”	the Company and its subsidiaries from time to time;
“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;
“Macau”	the Macau Special Administrative Region of the People’s Republic of China;
“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), which has been appointed as the independent financial adviser of the Company for the purpose of Rule 14A.52 of the Listing Rules;
“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);
“RMB”	Renminbi, the lawful currency of the PRC;
“Shortfall”	has the meaning as ascribed to it in the section headed “PRINCIPAL TERMS OF THE FRAMEWORK AGREEMENT – Consideration and pricing policies” of this announcement;

“Smart Facility Enhancement Works”	has the meaning as ascribed to it in the section headed “PRINCIPAL TERMS OF THE FRAMEWORK AGREEMENT – The Smart Facility Enhancement Works to be provided” of this announcement;
“SOCAM’s Sharing Ratio”	the ratio of the Actual Annual Energy Saving Amount to be shared by member(s) of the Group under the relevant Specific Contract;
“SOCL”	Shui On Company Limited, a company incorporated in the British Virgin Islands with limited liability and the controlling shareholder of the Company and SOL;
“SOL”	Shui On Land Limited, a company incorporated in Cayman Islands with limited liability, whose shares are listed on the main board of the Stock Exchange (stock code: 272);
“SOL Group”	SOL and its subsidiaries from time to time;
“SOL’s Minimum Sharing Amount”	the minimum amount of the Target Annual Energy Saving Amount which the relevant member(s) of the SOL Group is/are entitled to share according to SOL’s Sharing Ratio;
“SOL’s Sharing Ratio”	the ratio of the Actual Annual Energy Saving Amount or the Target Annual Energy Saving Amount (as the case may be) to be shared by member(s) of the SOL Group under the relevant Specific Contract;
“Specific Contract(s)”	the specific contract(s) to be entered into between member(s) of the Group and member(s) of the SOL Group substantially in accordance with the terms and conditions of the Framework Agreement;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Target Annual Energy Saving Amount”	has the meaning as ascribed to it in the section headed “PRINCIPAL TERMS OF THE FRAMEWORK AGREEMENT – Consideration and pricing policies” of this announcement;

“VAT” the applicable value-added tax in relation to the fees payable for the Smart Facility Enhancement Works; and

“%” per cent.

*For the purpose of this announcement, conversion of RMB into HK\$ is based on the exchange rate of RMB1 to HK\$1.13 for the purposes of illustration only. No representation is made that any amount of HK\$ or RMB has been, could have been or could be converted at the above rate or at any other rates.*

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

Hong Kong, 31 March 2023

*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*