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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 TRANSACTION

RENEWAL OF LEASES

THE RENEWAL LETTERS

The Tenants, namely the Company and PDL (an indirect non-wholly owned subsidiary of the Company), have been leasing the Premises from the Landlord as office of the Group for its business operations under the Existing Leases, which will expire on 30 April 2024.

On 22 March 2024, the Tenants accepted the Renewal Letters issued by the Landlord for renewal of the Existing Leases. The Renewal Letters constitute binding agreements between the Tenants and the Landlord until the formal tenancy agreements are executed.

LISTING RULES IMPLICATIONS

In accordance with HKFRS 16 “Leases”, the Group is required to recognise the value of the right-of-use assets on its consolidated statement of financial position in connection with the renewal of the Existing Leases under the Renewal Letters, which will be regarded as an acquisition of assets by the Group pursuant to the Listing Rules. The estimated value of the right-of-use assets to be recognised by the Group under the Renewal Letters is approximately HK\$20.3 million (unaudited).

As one of the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the estimated value of the right-of-use assets to be recognised by the Group under the Renewal Letters exceeds 5% but is less than 25%, the acceptance of the Renewal Letters constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

THE RENEWAL LETTERS

The Tenants, namely the Company and PDL (an indirect non-wholly owned subsidiary of the Company), have been leasing the following premises (the “Premises”) from the Landlord as office of the Group for its business operations under the Existing Leases, which will expire on 30 April 2024:

- (1) Units Nos. 1001 and 1002 on 10/F of New Kowloon Plaza (“Units 1001-1002”)
- (2) Unit No. 1006 on 10/F of New Kowloon Plaza (“Unit 1006”)
- (3) Units Nos. 1101 and 1102 on 11/F of New Kowloon Plaza (“Units 1101-1102”)
- (4) Unit No. 1210 on 12/F of New Kowloon Plaza (“Unit 1210”)
- (5) The whole of 13/F of New Kowloon Plaza (“Whole of 13/F”)
- (6) Units Nos. 1211 and 1212 on 12/F of New Kowloon Plaza (“Units 1211-1212”)
- (7) Units Nos. 1205 and 1206 on 12/F of New Kowloon Plaza (“Units 1205-1206”)
- (8) Unit 1207 on 12/F of New Kowloon Plaza (“Unit 1207”)

On 22 March 2024, the Company or PDL, as tenant, accepted the relevant Renewal Letters issued by the Landlord for renewal of the Existing Leases. The Renewal Letters constitute binding agreements between the Tenants and the Landlord until the formal tenancy agreements are executed.

The principal terms of each of the Renewal Letters are summarised below:

Premises	Tenant	Lease Term	Monthly Rent ^(c) HK\$
(1) Units 1001-1002	The Company	One year from 1 May 2024 to 30 April 2025 (both days inclusive)	83,847.00
(2) Unit 1006	The Company	One year from 1 May 2024 to 30 April 2025 (both days inclusive)	47,595.00
(3) Units 1101-1102 ^(a)	The Company	One year from 1 May 2024 to 30 April 2025 (both days inclusive)	86,602.00
(4) Unit 1210	The Company	Two years from 1 May 2024 to 30 April 2026 (both days inclusive)	68,630.80
(5) Whole of 13/F ^(b)	The Company	Two years from 1 May 2024 to 30 April 2026 (both days inclusive)	528,241.00
(6) Units 1211-1212	The Company	Two years from 1 May 2024 to 30 April 2026 (both days inclusive)	121,377.70
(7) Units 1205-1206	PDL	Two years from 1 May 2024 to 30 April 2026 (both days inclusive)	142,839.30
(8) Unit 1207	PDL	Two years from 1 May 2024 to 30 April 2026 (both days inclusive)	48,655.30

Notes:

- (a) A licence for maintaining the existing wet pantry in Units 1101-1102 was granted by the Landlord at a licence fee of HK\$3,600 (paid upon acceptance of the relevant Renewal Letter) for a period equivalent to the lease term.

- (b) *A licence for maintaining the existing drinking machine outlet pipe connecting to the washing basin drainage pipe on the Whole of 13/F was granted by the Landlord at a licence fee of HK\$7,200 (paid upon acceptance of the relevant Renewal Letter) for a period equivalent to the lease term.*
- (c) *The monthly rent is exclusive of management charge and government rates.*

Furthermore, pursuant to the Renewal Letters:

- there is no rent free period for the leases in respect of Units 1001-1002, Unit 1006 and Units 1101-1102;
- a rent free period of 92 days was granted for the leases in respect of Unit 1210, the Whole of 13/F, Units 1211-1212, Units 1205-1206 and Unit 1207; and
- each of the Tenants has the right to renew the relevant leases for a further term of two years at an open market rent to be agreed with the Landlord upon giving six months' advanced written notice before the expiration of the lease term.

BASIS OF DETERMINATION OF THE RENTS

The rents payable under the Renewal Letters were determined after arm's length negotiation with the Landlord, taking into consideration:

- (i) the historical amounts of rents paid or payable by the Group for the Premises under the Existing Leases, being approximately HK\$13.0 million and HK\$13.2 million for the 12-month periods ended 30 April 2023 and 30 April 2024 respectively;
- (ii) the prevailing market rents for premises of comparable size, usage and location;
- (iii) the rental quotation for similar premises in the vicinity from another landlord; and
- (iv) the rent free period offered for the renewal of certain leases as mentioned above.

The rents under the Renewal Letters shall be payable by the Tenants monthly in advance on the first day of each calendar month and will be satisfied by the internal resources of the Group.

REASONS FOR AND BENEFITS OF RENEWAL OF THE EXISTING LEASES

The Premises have been occupied by the Group as office for its day-to-day management and operations for over 30 years. The Board is of the view that the renewal of the Existing Leases, which will expire on 30 April 2024, will enable the Group to (i) secure sufficient office space; (ii) avoid any unnecessary interruption to its operations; and (iii) avoid any additional administrative expenses as a result of relocation.

The Directors consider that the terms and conditions of the Renewal Letters are fair and reasonable and in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

In accordance with HKFRS 16 “Leases”, the Group is required to recognise the value of the right-of-use assets on its consolidated statement of financial position in connection with the renewal of the Existing Leases under the Renewal Letters, which will be regarded as an acquisition of assets by the Group pursuant to the Listing Rules. The estimated value of the right-of-use assets to be recognised by the Group under the Renewal Letters is approximately HK\$20.3 million (unaudited).

As one of the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the estimated value of the right-of-use assets to be recognised by the Group under the Renewal Letters exceeds 5% but is less than 25%, the acceptance of the Renewal Letters constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

GENERAL INFORMATION

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

The principal business activity of the Company is investment holding.

PDL is an indirect non-wholly owned subsidiary of the Company, which principally engages in interior decoration, fit-out and refurbishment business in Hong Kong.

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, the Landlord is a company incorporated in Hong Kong with limited liability, which principally engages in property investment in Hong Kong. The Landlord is indirectly owned by Ryoden Development Limited, which principally engages in property development and investment in Hong Kong and is ultimately wholly-owned by Professor Hu Shao Ming, Herman and Mr. Hu Liang Ming, Raymond.

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, the Landlord and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

DEFINITIONS

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

“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)

“connected persons” and “subsidiary(ies)”	each has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Existing Leases ”	the existing leases entered into between the Company or PDL as tenant and the Landlord in respect of (i) the Premises (excluding Unit 1101) for a term commencing on 1 May 2022 and ending on 30 April 2024; and (ii) Unit 1101 for a term commencing on 17 October 2022 and ending on 30 April 2024
“Group”	collectively, the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS 16”	Hong Kong Financial Reporting Standard 16 “Leases” issued by the Hong Kong Institute of Certified Public Accountants
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Landlord”	Capital Deal Limited, a company incorporated in Hong Kong with limited liability
“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
“New Kowloon Plaza”	the commercial building situated at 38 Tai Kok Tsui Road, Kowloon, Hong Kong
“PDL”	Pat Davie Limited, a company incorporated in Hong Kong with limited liability, which is an indirect non-wholly owned subsidiary of the Company
“PRC”	the People’s Republic of China (excluding, for the purpose of this announcement, Hong Kong, Macau and Taiwan)
“Premises”	has the meaning ascribed to it in the section headed “The Renewal Letters” in this announcement
“Renewal Letter(s)”	the renewal letters (or any thereof) issued by the Landlord on 1 March 2024 for renewal of the Existing Leases, with details as follows: <ul style="list-style-type: none"> (i) the renewal letter issued to the Company as tenant in respect of the leases for Units 1001-1002, Unit 1006 and Units 1101-1102 of New Kowloon Plaza;

- (ii) the renewal letter issued to the Company as tenant in respect of the leases for Unit 1210 and the Whole of 13/F of New Kowloon Plaza;
- (iii) the renewal letter issued to the Company as tenant in respect of the leases for Units 1211-1212 of New Kowloon Plaza; and
- (iv) the renewal letter issued to PDL as tenant in respect of the leases for Units 1205-1206 and Unit 1207 of New Kowloon Plaza

“Stock Exchange” The Stock Exchange of Hong Kong Limited

“Tenants” collectively, the Company and PDL

“%” per cent

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

Hong Kong, 22 March 2024

At the date of this announcement, the executive Directors are Mr. Lo Hong Sui, Vincent and Mr. Lee Chun Kong, Freddy; the non-executive Directors are Ms. Lo Bo Yue, Stephanie and Mr. Chan Wai Kan, George; and the independent non-executive Directors are Mr. Chan Kay Cheung, Mr. Lau Ping Cheung, Kaizer and Mr. Wong Hak Wood, Louis.

** For identification purpose only*

Website: www.socam.com