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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 TRANSACTION

ACQUISITION OF SHARE INTEREST IN SHUI ON CONTRACTORS LIMITED

Reference is made to the 2023 Announcement in respect of (i) the Company's partial exercise of the 2% Call Option granted by Mr. K.F. Lee under the Sale and Purchase Agreement to acquire 2 of his 4 SOCON Shares (i.e. the Previous Acquisition), representing 1% of the issued share capital of SOCON; and (ii) the agreement of the Company not to exercise the 2% Call Option in relation to the remaining 2 SOCON Shares held by Mr. K.F. Lee (i.e. the Remaining Shares), representing 1% of the issued share capital of SOCON, subject to the condition, among other things, that he shall sell and transfer the Remaining Shares underlying the 2% Call Option only to such purchaser(s) as designated by the Company on or before 30 April 2024 in accordance with the Deed.

On 29 April 2024, pursuant to the terms of the Deed, the Company served the Designation Notice on Mr. K.F. Lee requesting him to sell and transfer the Remaining Shares to the Company free from all encumbrances (i.e. the Acquisition) for a consideration of approximately HK\$16.05 million.

The SOCON Group principally engages in construction, fitting-out and maintenance works in Hong Kong and Macau.

As one of the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the Acquisition, on a stand-alone basis or in aggregation with the Previous Acquisition, exceeds 5% but all such ratios are less than 25%, the Acquisition constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Since Mr. K.F. Lee is a substantial shareholder and director of a subsidiary of SOCON, he is a connected person of the Company at the subsidiary level. As such, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Despite that one of the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the Acquisition, on a stand-alone basis or in aggregation with the Previous Acquisition, exceeds 5%, the Acquisition is subject to the reporting and announcement requirements but is exempt from the circular, independent financial advice and independent shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules.

BACKGROUND

Pursuant to the terms of the 2% Call Option as set out in the Sale and Purchase Agreement, on 28 April 2023, the Company served a written notice on Mr. K.F. Lee, who retired and ceased to be an employee on 1 April 2023 upon which the 2% Call Option became exercisable, to partially exercise the 2% Call Option to acquire 2 of his 4 SOCON Shares, representing 1% of the issued share capital of SOCON, free from all encumbrances (the “**Previous Acquisition**”) for a consideration of approximately HK\$16.39 million. Details about the Previous Acquisition, which was completed on 19 May 2023, have been set out in the 2023 Announcement.

As further disclosed in the 2023 Announcement, on 28 April 2023, the Company entered into the Deed with Mr. K.F. Lee whereby the Company agreed not to exercise the 2% Call Option in relation to the remaining 2 SOCON Shares held by him (the “**Remaining Shares**”), representing 1% of the issued share capital of SOCON, subject to the condition, among other things, that he shall sell and transfer the Remaining Shares underlying the 2% Call Option only to such purchaser(s) as designated by the Company on or before 30 April 2024, at the sale price per SOCON Share to be determined on the same basis as the exercise price of the 2% Call Option as stipulated in the Sale and Purchase Agreement, which on this basis will be equal to the adjusted pro-forma consolidated net asset value of the SOCON Group attributable to each SOCON Share as at the end of the month immediately preceding the date of the Designation Notice.

ACQUISITION OF THE REMAINING SHARES

Subject matter

On 29 April 2024, pursuant to the terms of the Deed, the Company served the Designation Notice on Mr. K.F. Lee requesting him to sell and transfer the Remaining Shares, i.e. 2 SOCON Shares, representing 1% of the issued share capital of SOCON, to the Company free from all encumbrances (the “**Acquisition**”).

Consideration

The consideration payable by the Company to Mr. K.F. Lee for the Acquisition is approximately HK\$16.05 million, which is equal to the exercise price of the 2% Call Option in relation to the Remaining Shares to be acquired by the Company and is determined based on the adjusted pro-forma consolidated net asset value of the SOCON Group as at 31 March 2024, being the end of the month immediately preceding the date of the Designation Notice served on Mr. K.F. Lee. The consideration shall be settled in cash upon completion of the Acquisition and will be funded by internal resources of the Group.

Mr. K.F. Lee originally purchased the Remaining Shares from the Company pursuant to the Sale and Purchase Agreement for a consideration of HK\$5 million, which was determined with reference to the unaudited pro-forma consolidated net asset value of the SOCON Group as at 30 June 2017.

Completion

Pursuant to the terms of the Deed, completion of the Acquisition shall take place within 30 calendar days from the date of the Designation Notice served on Mr. K.F. Lee.

At the date of this announcement, SOCON is a 92.75%-owned subsidiary of the Company. Following completion of the Acquisition, SOCON will be 93.75% owned by the Company and will continue to be accounted for as a subsidiary in the consolidated financial statements of the Group.

INFORMATION ON THE SOCON GROUP

The SOCON Group principally engages in construction, fitting-out and maintenance works in Hong Kong and Macau.

Set out below is a summary of certain financial information of the SOCON Group based on its unaudited pro-forma consolidated financial statements for the two years ended 31 December 2022 and 2023:

	For the year ended 31 December	
	2022	2023
	<i>HK\$ million</i>	<i>HK\$ million</i>
Net profit (before taxation)	571	412
Net profit (after taxation)	479	339

As at 31 December 2023, the unaudited pro-forma consolidated net asset value of the SOCON Group was approximately HK\$1,685 million.

REASON FOR AND BENEFIT OF THE ACQUISITION

As mentioned in the 2023 Announcement, the reason for the Company's non-exercise of the 2% Call Option in relation to the Remaining shares, subject to the terms and conditions of the Deed, was to give the Company the flexibility to look for suitable employees to take up the Remaining Shares as and when appropriate for upholding the objective of the Disposal.

As no suitable employees were identified by the Company for designation as purchasers of the Remaining Shares in accordance with the Deed, the Company proceeds with the Acquisition to consolidate its ownership of the SOCON Shares.

Having considered that the Acquisition is being carried out in accordance with the terms of the Deed, in particular, the sale price of the Remaining Shares, which were determined with reference to the terms of the Call Options and have been previously approved by the Board, the Directors (including all the independent non-executive Directors) are of the view that the terms of the Acquisition are fair and reasonable, the Acquisition is on normal commercial terms and in the interests 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 in respect of the Acquisition, on a stand-alone basis or in aggregation with the Previous Acquisition, exceeds 5% but all such ratios are less than 25%, the Acquisition constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Since Mr. K.F. Lee is a substantial shareholder and director of a subsidiary of SOCON, he is a connected person of the Company at the subsidiary level. As such, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Despite that one of the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the Acquisition, on a stand-alone basis or in aggregation with the Previous Acquisition, exceeds 5%, the Acquisition is subject to the reporting and announcement requirements but is exempt from the circular, independent financial advice and independent shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules.

GENERAL INFORMATION

The Group principally engages in construction, fitting-out 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.

DEFINITIONS

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

“2023 Announcement”	the announcement issued by the Company on 28 April 2023 in respect of the Company’s partial exercise of the 2% Call Option in relation to 2 SOCON Shares and conditional agreement to the non-exercise of the 2% Call Option in relation to the Remaining Shares held by Mr. K.F. Lee
“2% Call Option”	the call option granted by Mr. K.F. Lee to the Company under the Sale and Purchase Agreement to require him to sell and transfer all or part of his 4 SOCON Shares to the Company
“Acquisition”	has the meaning ascribed to it under the section headed “ACQUISITION OF THE REMAINING SHARES – Subject matter” of this announcement

“Board”	the board of directors of the Company
“Call Options”	the call options (including the 2% Call Option) exercisable by the Company at its absolute discretion to require the grantors concerned (including Mr. K.F. Lee), being the purchasers of 30 SOCON Shares in the Disposal, to sell and transfer all or part of their SOCON Shares to the Company upon the occurrence of certain specified events pursuant to the Sale and Purchase Agreement
“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”, “subsidiary(ies)” and “substantial shareholder”	each has the meaning ascribed to it under the Listing Rules
“Deed”	the deed of agreement dated 28 April 2023 entered into between the Company and Mr. K.F. Lee in respect of the Company’s conditional agreement not to exercise the 2% Call Option in relation to the Remaining Shares
“Designation Notice”	the notice required to be served by the Company on Mr. K.F. Lee requesting for the sale and transfer of his Remaining Shares to the designated purchaser(s) pursuant to the terms of the Deed
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of 30 SOCON Shares, representing 15% of the issued share capital of SOCON, by the Company to the purchasers (all being employees of the SOCON Group at the relevant time, including Mr. K.F. Lee) pursuant to the Sale and Purchase Agreement
“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
“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. K.F. Lee”	Mr. Lee Kwok Fai, who is a substantial shareholder and director of a subsidiary of SOCON
“PRC”	the People’s Republic of China (excluding, for the purpose of this announcement, Hong Kong, Macau and Taiwan)
“Previous Acquisition”	has the meaning ascribed to it under the section headed “BACKGROUND” of this announcement
“Remaining Shares”	has the meaning ascribed to it under the section headed “BACKGROUND” of this announcement
“Sale and Purchase Agreement”	the sale and purchase agreement dated 4 August 2017 (as amended and supplemented by the supplemental agreement dated 26 May 2020) in relation to the Disposal and the grant of the Call Options (including the 2% Call Option) as disclosed in the announcement of the Company dated 4 August 2017
“SOCON”	Shui On Contractors Limited, a company incorporated in the British Virgin Islands with limited liability, which is a 92.75%-owned subsidiary of the Company at the date of this announcement
“SOCON Group”	collectively, SOCON and its subsidiaries
“SOCON Shares”	issued ordinary shares of US\$1.00 each of SOCON
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

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

Hong Kong, 29 April 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

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