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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**

### **ACQUISITION OF 65% SHARE INTEREST IN WELPRO TECHNOLOGY LIMITED**

The Board is pleased to announce that on 20 December 2021, the Purchaser (an indirect non-wholly owned subsidiary of the Company) entered into the Sale and Purchase Agreement with the Vendor, pursuant to the terms and conditions of which the Purchaser has agreed to purchase and the Vendor has agreed to sell the Sale Shares, representing 65% of the issued share capital of the Target Company, for the Consideration of HK\$37 million (subject to downward adjustment).

The Target Company principally engages in the provision of multi-media display system, security system, professional thermal system, professional audio and visual system, access control system, queueing system and related services and maintenance services in Hong Kong.

As one of the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the Acquisition exceeds 5% but is 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.

## **INTRODUCTION**

The Board is pleased to announce that on 20 December 2021, the Purchaser (an indirect non-wholly owned subsidiary of the Company) and the Vendor entered into the Sale and Purchase Agreement in respect of the Acquisition.

## **THE SALE AND PURCHASE AGREEMENT**

### ***Date***

20 December 2021

### ***Parties***

- (i) Purchaser: PEL (E&M) Limited, an indirect non-wholly owned subsidiary of the Company
- (ii) Vendor: Mr. Chung Kin Wah

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, the Vendor is a third party independent of the Company and its connected persons.

### ***Subject matter***

Pursuant to the terms and conditions of the Sale and Purchase Agreement, the Purchaser has agreed to purchase and the Vendor has agreed to sell the Sale Shares, representing 65% of the issued share capital of the Target Company.

### ***Consideration and payment terms***

The Consideration is HK\$37 million and shall be adjusted downward by an amount equivalent to 65% of the difference between the net asset value of the Target Company as shown in the Completion Accounts and HK\$12.7 million if the net asset value of the Target Company as shown in the Completion Accounts is below HK\$12.7 million. Such adjustment shall be determined following provision of the Completion Accounts by the Target Company within 3 calendar months (if no audit of the Completion Accounts is required as agreed by the Purchaser and the Vendor) or within 5 calendar months (if audit of the Completion Accounts is required) after the date of Completion. The Vendor shall refund the adjustment sum, if any, within 14 days after the Completion Accounts have been delivered to the Purchaser. For the avoidance of doubt, there shall be no upward adjustment to the Consideration pursuant to the Sale and Purchase Agreement.

The Consideration was determined after arm's length negotiation between the Purchaser and the Vendor, taking into account factors including (i) the net asset value of the Target Company; (ii) the prospective synergy effect that would be achieved with the Group's existing maintenance and other businesses after the Acquisition; (iii) the know-how, licences and qualifications already possessed by the Target Company; and (iv) the outstanding contracts for jobs on hand of the Target Company.

The Consideration (prior to adjustment) shall be paid by the Purchaser to the Vendor in cash on the date of Completion. The Group intends to finance the Acquisition by its internal resources.

### ***Conditions***

Completion is conditional upon, among other things, the satisfaction or, where applicable, waiver by the Purchaser, of the following conditions:

- (i) completion of the due diligence review (including but not limited to technical, finance and legal aspects) by the Purchaser and/or its professional advisers on the Target Company to the satisfaction of the Purchaser;
- (ii) the Target Company having repaid all outstanding loans as evidenced by the relevant payment slips or remittance advice;
- (iii) the Target Company having maintained at least HK\$5 million in cash;
- (iv) the Vendor (and its affiliated parties) having settled all outstanding amounts due to/from the Target Company;
- (v) the security company licence held by the Target Company being valid and subsisting and there being no circumstances rendering the said licence being revoked, suspended, invalidated or new conditions being attached thereto; and
- (vi) the Target Company being qualified on the List of Approved Suppliers of Materials and Specialist Contractors for Public Works established by the Development Bureau of Hong Kong under the categories of "Electronic Timing and Display Installation", "Burglar Alarm and Security Installation" and "Video Electronics Installation" and there being no circumstances rendering the said qualified status being revoked, suspended or invalidated.

### ***Completion***

Completion shall take place on the date as agreed between the Purchaser and the Vendor but in any event no later than 31 January 2022.

Following Completion, the Target Company will become an indirect non-wholly owned subsidiary of the Company (where the effective interest of the Company in the Target Company will be approximately 42.8%) and the financial results of the Target Company will be consolidated into the financial statements of the Group.

### ***Profit guarantee***

Pursuant to the Sale and Purchase Agreement, the Vendor warrants and undertakes to the Purchaser that the profit of the Target Company before interest, tax, depreciation and amortisation (the “**Actual Net Profit**”) for each of the financial years ending 31 March 2022 and 2023, as derived in its management accounts or audited financial statements as prepared in accordance with the terms of the Sale and Purchase Agreement for the corresponding financial year, shall not be less than HK\$7.14 million and HK\$12.05 million (the “**Guaranteed Profit**”), respectively.

If the Actual Net Profit is less than the Guaranteed Profit for each of the said financial years, the Vendor shall be obliged to pay to the Purchaser in cash an amount equivalent to 65% of the shortfall within 14 days after the issuance of the Target Company’s management accounts or audited financial statements (whichever is applicable) for the corresponding financial year.

## **THE SHAREHOLDERS’ AGREEMENT**

Upon Completion, the Purchaser, the Vendor and the Target Company will enter into the Shareholders’ Agreement to govern the management and operation of the Target Company. The principal terms of the Shareholders’ Agreement are set out below:

### ***Board composition***

The board of directors of the Target Company shall comprise six directors, of whom four shall be nominated by the Purchaser and two shall be nominated by the Vendor (one of whom shall consist initially of the Vendor), provided that the share interests of the Purchaser and the Vendor in the Target Company remain 65% and 35% respectively. The chairman of the board of directors of the Target Company shall be a director nominated by the Purchaser, who shall be entitled to a casting vote in case of equality of votes on the matters to be decided by the board.

### ***Funding***

Further working capital required by the Target Company shall be funded by (i) firstly, borrowings from banks and financial institutions, with guarantees from the shareholders of the Target Company in proportion to their then respective shareholdings, if necessary; and (ii) secondly, proportionate loans from the shareholders of the Target Company and/or further capital injection.

### ***Call option***

The Purchaser was granted a call option having the right to acquire from the Vendor all his shares in the Target Company and shareholder loans owing to him by the Target Company, subject to compliance with any applicable requirement of the Listing Rules, in the event that the Vendor resigns as a director, officer or employee of the Target Company (the “**Triggering Event**”). If the Triggering Event occurs at any time during a period of 5 years from the date of the Shareholders’ Agreement (the “**Lock-in Period**”), the purchase price of the shares to be acquired upon exercise of the call option shall be equal to the net asset value of the Target Company attributable to such shares as at the end of the month immediately preceding the date of the Triggering Event. If the Triggering Event occurs after the Lock-in Period, the purchase price of the shares to be acquired upon exercise of the call option shall be negotiated between the Purchaser and the Vendor.

### ***Reserved matters and restriction on transfer of shares***

Certain matters concerning the Target Company are subject to unanimous approval of all the shareholders of the Target Company.

Except with the written consent of the other shareholder(s), the Vendor shall not sell and transfer his share interest in the Target Company during the Lock-in Period. In addition, any disposal of shares of the Target Company by any shareholder shall be subject to the right of first offer and the drag along right as provided in the Shareholders’ Agreement.

### ***Dividend policy***

If the Target Company has net profit available for distribution in respect of any accounting period, it shall pay a cash dividend in such amount (at least 35% of the net profit for the relevant accounting period) as may be decided by the board of directors of the Target Company.

### ***Transfer of shares on default***

Upon the occurrence of an event of default as set out in the Shareholders’ Agreement in relation to any shareholder of the Target Company (other than the Purchaser), the Purchaser shall have the right to acquire all the shares held by the defaulting shareholder in the Target Company and any shareholder loan owing to such defaulting shareholder by the Target Company in accordance with the provisions of the Shareholders’ Agreement, subject to compliance with any applicable requirement of the Listing Rules, at the price equal to 80% or 100% (depending on the nature of the event of default pursuant to the Shareholders’ Agreement) of both the net asset value of the Target Company attributable to such shares as at the end of the month immediately preceding the date of the event of default and the principal amount of the shareholder loan.

Upon the occurrence of an event of default as set out in the Shareholders' Agreement in relation to the Purchaser, the other shareholder(s) of the Target Company shall have the right to acquire all the shares held by the Purchaser in the Target Company and any shareholder loan owing to the Purchaser by the Target Company in accordance with the provisions of the Shareholders' Agreement, subject to compliance with any applicable requirement of the Listing Rules, at the price equal to 80% of both the net asset value of the Target Company attributable to such shares as at the end of the month immediately preceding the date of the event of default and the principal amount of the shareholder loan.

## **INFORMATION OF THE TARGET COMPANY**

The Target Company is a company incorporated in Hong Kong with limited liability and principally engages in the provision of multi-media display system, security system, professional thermal system, professional audio and visual system, access control system, queueing system and related services and maintenance services in Hong Kong.

Set out below is the audited financial information of the Target Company for the two financial years ended 31 March 2020 and 31 March 2021:

	<b>For the financial year ended 31 March</b>	
	<b>2021</b>	<b>2020</b>
	HK\$ million	HK\$ million
Net profit (before taxation and extraordinary items)	5.89	2.04
Net profit (after taxation and extraordinary items)	5.21	1.89

As at 30 November 2021, the unaudited net asset value of the Target Company was approximately HK\$15.74 million.

## **REASONS FOR AND BENEFITS OF THE ACQUISITION**

The Group has been actively exploring investment opportunities that are beneficial to its long-term development. The Acquisition will provide a good opportunity for the Group to diversify its sources of income. Given the nature of the Target Company's business, it is expected that there will be synergy between the Group's construction operations and the Target Company generating increased revenue to the Group following the Acquisition.

The Directors consider that the terms and conditions of the Sale and Purchase Agreement are fair and reasonable and that the Acquisition is on normal commercial terms and is in the interests of the Company and its shareholders as a whole.

## **IMPLICATIONS UNDER THE LISTING RULES**

As one of the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the Acquisition exceeds 5% but is 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.

## **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.

The Purchaser is an indirect non-wholly owned subsidiary of the Company and principally engages in the provision of electrical and mechanical services in Hong Kong.

## **DEFINITIONS**

Unless the context otherwise requires, the following expressions have the following meanings in this announcement:

“Acquisition”	the acquisition of the Sale Shares by the Purchaser from the Vendor pursuant to the Sale and Purchase Agreement
“Actual Net Profit”	has the meaning ascribed to it under the section headed “THE SALE AND PURCHASE AGREEMENT – Profit guarantee” of this announcement
“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)
“Completion”	completion of the Acquisition pursuant to the terms and conditions of the Sale and Purchase Agreement
“Completion Accounts”	the unaudited/audited management accounts of the Target Company for the period from 1 April 2021 up to the date of Completion to be prepared in accordance with the terms of the Sale and Purchase Agreement

“connected persons and subsidiary(ies)”	each has the meaning ascribed to it in the Listing Rules
“Consideration”	the consideration payable to the Vendor by the Purchaser for the Acquisition
“Director(s)”	the director(s) of the Company
“Group”	collectively, the Company and its subsidiaries
“Guaranteed Profit”	has the meaning ascribed to it under the section headed “THE SALE AND PURCHASE AGREEMENT – <i>Profit guarantee</i> ” of this announcement
“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
“Lock-in Period”	has the meaning ascribed to it under the section headed “THE SHAREHOLDERS’ AGREEMENT – <i>Call option</i> ” of this announcement
“Macau”	the Macau Special Administrative Region of the People’s Republic of China
“PRC”	the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, Macau and Taiwan)
“Purchaser”	PEL (E&M) Limited, a company incorporated in Hong Kong with limited liability, which is an indirect non-wholly owned subsidiary of the Company
“Sale and Purchase Agreement”	the sale and purchase agreement dated 20 December 2021 entered into between the Purchaser and the Vendor in relation to the Acquisition
“Sale Shares”	1,755,000 ordinary shares of the Target Company, representing 65% of the issued share capital of the Target Company



“Shareholders’ Agreement”	the shareholders’ agreement to be entered into between the Purchaser, the Vendor and the Target Company upon Completion in relation to the management and operation of the Target Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Welpro Technology Limited, a company incorporated in Hong Kong with limited liability, which is wholly-owned by the Vendor at the date of this announcement
“Triggering Event”	has the meaning ascribed to it under the section headed “THE SHAREHOLDERS’ AGREEMENT – <i>Call option</i> ” of this announcement
“Vendor”	Mr. Chung Kin Wah
“%”	per cent

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

Hong Kong, 20 December 2021

*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*

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