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瑞安建業有限公司\*

**SOCAM Development Limited**

(Incorporated in Bermuda with limited liability)

(Stock Code: 983)

**CONNECTED TRANSACTIONS  
IN RELATION TO THE CALL OPTION FOR SHARES IN  
SHUI ON CONTRACTORS LIMITED**

Reference is made to the 2017 Announcement in relation to, among other things, (i) the Disposal; and (ii) the grant of the Call Options by the Purchasers to the Company for acquiring such SOCON Shares being sold to the Purchasers under the Disposal upon the occurrence of certain specified events, including, without limitation, cessation of the Purchasers' employment in the SOCON Group, pursuant to the Sale and Purchase Agreement.

On 1 April 2023, Mr. K.F. Lee, one of the Purchasers, ceased to be an employee of the SOCON Group due to his retirement, and thus the Call Option in respect of the 4 SOCON Shares purchased by Mr. K.F. Lee in the Disposal (i.e. the 2% Call Option) has become exercisable.

On 28 April 2023, the Company served the Call Option Notice on Mr. K.F. Lee to partially exercise the 2% Call Option to acquire from Mr. K.F. Lee 2 SOCON Shares, representing 1% of the issued share capital of SOCON, free from all encumbrances (i.e. the Acquisition) for a consideration of approximately HK\$16.39 million.

In addition, on 28 April 2023, the Company entered into the Deed with Mr. K.F. Lee whereby the Company has agreed not to exercise the 2% Call Option in relation to the remaining 2 SOCON Shares he holds (i.e. the Remaining Shares), conditional upon, among other things, Mr. K.F. Lee agreeing to 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. No fee or compensation is payable by the Company or Mr. K.F. Lee under the Deed.

The SOCON Group principally engages in construction and maintenance works in Hong Kong and Macau.

As all the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the Acquisition are below 5%, the Acquisition is exempt from the reporting, announcement and shareholders' approval 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, (i) the Acquisition; and (ii) the non-exercise of the 2% Call Option in relation to the Remaining Shares as agreed by the Company, which would be treated as if exercised under Rule 14A.79(4) of the Listing Rules, constitute connected transactions 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 said connected transactions on an aggregate basis exceed 5%, these transactions are subject to the reporting and announcement requirements but are exempt from the circular, independent financial advice and independent shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules.

## **BACKGROUND**

Reference is made to the 2017 Announcement in relation to, among other things, (i) the Disposal; and (ii) the grant of the Call Options (including the 2% Call Option) by the Purchasers to the Company under the Sale and Purchase Agreement.

Pursuant to the Sale and Purchase Agreement, each Call Option is exercisable at the discretion of the Company by serving a written notice (the "**Call Option Notice**") on a Purchaser within 12 months from the date of occurrence of certain specified events, including, without limitation, cessation of the Purchaser's employment in the SOCON Group, requiring him to sell and transfer to the Company all or part of his SOCON Shares at the exercise price 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 Call Option Notice.

On 1 April 2023, Mr. K.F. Lee, one of the Purchasers, ceased to be an employee of the SOCON Group due to his retirement, and thus the Call Option in respect of the 4 SOCON Shares purchased by K.F. Lee in the Disposal (i.e. the 2% Call Option) has become exercisable.

## **PARTIAL EXERCISE OF THE 2% CALL OPTION**

### **Subject matter**

On 28 April 2023, the Company served the Call Option Notice on Mr. K.F. Lee to partially exercise the 2% Call Option to acquire from Mr. K.F. Lee 2 SOCON Shares (the "**Sale Shares**"), representing 1% of the issued share capital of SOCON, free from all encumbrances (the "**Acquisition**").

## **Consideration**

The consideration payable by the Company to Mr. K.F. Lee for the Acquisition is approximately HK\$16.39 million, which is equal to the exercise price of the 2% Call Option in relation to the 2 SOCON 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 2023, being the end of the month immediately preceding the date of the Call Option 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 Sale 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 Call Options (including the 2% Call Option) as set out in the Sale and Purchase Agreement, completion of the Acquisition shall take place within 30 calendar days from the date of the Call Option Notice served on Mr. K.F. Lee.

At the date of this announcement, SOCON is a 88.75%-owned subsidiary of the Company. Following completion, SOCON will be 89.75% owned by the Company and will continue to be accounted for as a subsidiary in the consolidated financial statements of the Group.

## **NON-EXERCISE OF THE 2% CALL OPTION IN RELATION TO THE REMAINING SHARES**

The principal terms of the Deed are set out below:

### **Date**

28 April 2023

### **Parties**

- (1) The Company, being the grantee of the 2% Call Option; and
- (2) Mr. K.F. Lee, being the grantor of the 2% Call Option, who, under the Sale and Purchase Agreement, purchased and holds 4 SOCON Shares, representing 2% of the issued share capital of SOCON, at the date of this announcement.

## Subject matter

Pursuant to the Deed, the Company has conditionally agreed not to exercise the 2% Call Option in relation to the remaining 2 SOCON Shares held by Mr. K.F. Lee (the “**Remaining Shares**”), representing 1% of the issued share capital of SOCON.

Assuming that the Company exercised the 2% Call Option in relation to the Remaining Shares by serving on Mr. K.F. Lee the Call Option Notice on 28 April 2023, the consideration payable by the Company to Mr. K.F. Lee for acquiring the Remaining Shares would be approximately HK\$16.39 million (based on the adjusted pro-forma consolidated net asset value of the SOCON Group as at 31 March 2023, as mentioned under the section headed “PARTIAL EXERCISE OF THE 2% CALL OPTION – Consideration” above).

## Conditions

The agreement of the Company not to exercise the 2% Call Option in relation to the Remaining Shares is conditional upon, among other things, Mr. K.F. Lee agreeing to 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. The Company may designate employees of the SOCON Group as purchasers of the Remaining Shares and maintain the Group’s ownership of SOCON together with employees of the SOCON Group.

No fee or compensation is payable by the Company or Mr. K.F. Lee under the Deed.

## INFORMATION ON THE SOCON GROUP

The SOCON Group principally engages in the construction 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 2021 and 2022:

	<b>For the year ended 31 December</b>	
	<b>2021</b>	<b>2022</b>
	<i>HK\$ million</i>	<i>HK\$ million</i>
Net profit (before taxation)	521	571
Net profit (after taxation)	436	479

As at 31 December 2022, the unaudited pro-forma consolidated net asset value of the SOCON Group was approximately HK\$1,548 million.

## **REASONS FOR AND BENEFITS OF THE ACQUISITION AND THE NON-EXERCISE OF THE 2% CALL OPTION IN RELATION TO THE REMAINING SHARES**

As disclosed in the 2017 Announcement, the objective of disposing of a 15% minority interest in SOCON to the Purchasers was to provide the senior executives of the SOCON Group at the relevant time with the opportunity to have a personal stake in the construction business of the Group under an employee equity participation arrangement with a view to:

- (a) retaining and motivating the senior executives to take on greater accountability and initiatives, and align their interests with the Company's interests in a bid to strive for improving performance and efficiency for the benefits of the Group; and
- (b) providing a long-term incentive to the senior management to share in the future growth and success of the Group's construction business.

The Acquisition allows the Company to resume ownership of part of the SOCON Shares held by Mr. K.F. Lee following cessation of his employment. On the other hand, as Mr. K.F. Lee has agreed to sell and transfer the Remaining Shares to such purchaser(s) (including employee(s) of the SOCON Group) as designated by the Company, giving the Company the flexibility to look for suitable employees to take up the Remaining Shares as and when appropriate and allowing the Company to uphold the aforesaid objective, the Company has decided that it is not necessary to exercise the 2% Call Option in relation to the Remaining Shares for the time being.

Based on the above and having considered that (i) the terms of the Acquisition are in accordance with the terms of the Call Options as stipulated in the Sale and Purchase Agreement, which have been previously approved by the Board; and (ii) the terms of the Deed, in particular, the sale price of the Remaining Shares, are determined with reference to the terms of the Call Options and with an aim to uphold the aforesaid objective of the Disposal, the Directors (including all the independent non-executive Directors) consider that the terms of the Acquisition and the Deed are normal commercial terms, fair and reasonable and in the interest of the Company and its shareholders as a whole.

## **IMPLICATIONS OF THE LISTING RULES**

As all the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the Acquisition are below 5%, the Acquisition is exempt from the reporting, announcement and shareholders' approval 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, (i) the Acquisition; and (ii) the non-exercise of the 2% Call Option in relation to the Remaining Shares as agreed by the Company, which would be treated as if exercised under Rule 14A.79(4) of the Listing Rules, constitute connected transactions 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 said connected transactions on an aggregate basis exceed 5%, these transactions are subject to the reporting and announcement requirements but are exempt from the circular, independent financial advice and independent shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules.

As none of the Directors has any material interest in the Acquisition and the non-exercise of the 2% Call Option in relation to the Remaining Shares, no Director is required to abstain from voting on the relevant resolutions of the Board approving the same.

## 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.

## DEFINITIONS

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

“2% Call Option”	the call option granted by Mr. K.F. Lee to the Company under the Sale and Purchase Agreement to require Mr. K.F. Lee to sell and transfer all or part of his 4 SOCON Shares to the Company
“2017 Announcement”	the announcement issued by the Company on 4 August 2017 in relation to the Disposal and the grant of the Call Options (including the 2% Call Option)
“Acquisition”	has the meaning ascribed to it under the section headed “PARTIAL EXERCISE OF THE 2% CALL OPTION – Subject matter” of this announcement
“Board”	the board of directors of the Company
“Call Option(s)”	the call option(s) (including the 2% Call Option) exercisable by the Company at its absolute discretion to require the Purchaser(s) concerned to sell and transfer all or part of his/their SOCON Shares to the Company upon the occurrence of certain specified events pursuant to the Sale and Purchase Agreement
“Call Option Notice”	has the meaning ascribed to it under the section headed “BACKGROUND” of this announcement
“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 to non-exercise of the 2% Call Option in relation to the Remaining Shares
“Designation Notice”	the notice 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) in accordance with 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) 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, one of the Purchasers in the Disposal, 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)
“Purchaser(s)”	the 7 purchasers in the Disposal, all of whom were then employees of the SOCON Group, and each, a “Purchaser”
“Remaining Shares”	has the meaning ascribed to it under the section headed “NON-EXERCISE OF THE 2% CALL OPTION IN RELATION TO THE REMAINING SHARES – Subject matter” 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) entered into between the Company and the Purchasers in relation to the Disposal and the grant of the Call Options (including the 2% Call Option)
“Sale Shares”	has the meaning ascribed to it under the section headed “PARTIAL EXERCISE OF THE 2% CALL OPTION – Subject matter” of this announcement
“SOCON”	Shui On Contractors Limited, a company incorporated in the British Virgin Islands with limited liability, which is a 88.75%-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, 28 April 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*

*Website: [www.socam.com](http://www.socam.com)*