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瑞安房地產
SHUI ON LAND

Shui On Land Limited
瑞安房地產有限公司*

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 272)

**CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO THE FRAMEWORK AGREEMENT
FOR SMART FACILITY ENHANCEMENT WORK**

Independent Financial Adviser



THE CONTINUING CONNECTED TRANSACTIONS

The Board is pleased to announce that on 31 March 2023, SOCAM and SOL entered into the Framework Agreement in relation to the provision of the Smart Facility Enhancement Work by member of the SOCAM Group to member of the SOL Group.

LISTING RULES IMPLICATION

SOCL is the controlling shareholder of both SOCAM 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 both SOCAM and SOL) is the founder and both Mr. Lo and Ms. Lo (being a non-executive director of SOCAM, an executive director of SOL, and the daughter of Mr. Lo) are discretionary beneficiaries.

Based on the above, SOCAM (being an associate of both Mr. Lo and Ms. Lo) is a connected person of SOL. Accordingly, the entering into of the Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of SOL under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios calculated in respect of the highest Annual Cap exceed 0.1% but are all less than 5%, the continuing connected transactions are subject to reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

INTRODUCTION

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

PRINCIPAL TERMS OF THE FRAMEWORK AGREEMENT

Date

31 March 2023

Parties

- (i) SOCAM; and
- (ii) SOL.

Smart Facility Enhancement Work

Pursuant to the Framework Agreement, member of the SOCAM Group shall provide the following work and/or services (collectively, the “**Smart Facility Enhancement Work**”) to member of the SOL Group in respect of its property development in the PRC:

- (a) construction work involving installation of smart facilities and equipment, implementation of building management, and installation, update and repair 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 work 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 of the SOL Group to member of the SOCAM Group for its provision of the Smart Facility Enhancement Work under the Specific Contracts shall be determined by the relevant member of the SOCAM 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 smart facilities construction work:

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 members of the SOCAM Group to independent third parties and projected inflation rate.

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

The relevant members of the SOCAM 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 of the SOCAM Group to member of the SOL Group, which shall be calculated and determined based on, among other things, 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.

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 SOCAM 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 SOCAM 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 during the energy saving sharing period (the "**Energy Saving Sharing Period**").

The SOCAM's Sharing Ratio and the SOL's Sharing Ratio shall vary in different years with reference to, among other things, the past energy consumption records, construction costs involved, and target energy saving rate.

The fee payable by member of the SOL Group to member of the SOCAM Group shall be calculated based on the Actual Annual Energy Saving Amount multiplied by the SOCAM's Sharing Ratio. In the circumstance that the Actual Annual Energy Saving Amount cannot reach the Target Annual Energy Saving Amount, the fee payable by member of the SOL Group to member of the SOCAM Group shall be calculated based on the Actual Annual Energy Saving Amount minus the SOL's Minimum Sharing Amount, provided that, the Actual Annual Energy Saving Amount must be higher than the SOL's Minimum Sharing Amount.

(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 members of the SOCAM Group to independent third parties and projected inflation rate.

Payment terms

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 Work;
- (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;
and
- (d) duration of after sales services and maintenance period.

The fees in relation to the provision of the Smart Facility Enhancement Work shall be settled in accordance with the terms under the Specific Contracts.

Termination

The Framework Agreement may be terminated, *inter alia*, at any time by SOL or SOCAM giving a thirty (30) days' written notice to the other if (a) that 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 caps of the total fees payable by the SOL Group to the SOCAM Group in relation to the provision of the Smart Facility Enhancement Work (with VAT inclusive) (the “**Annual Caps**”) are set out below:

For the year ending	Annual Cap (RMB)
31 December 2023	15,000,000
31 December 2024	15,000,000
31 December 2025	16,000,000
31 December 2026	12,000,000
31 December 2027	10,000,000
31 December 2028	4,000,000

The Annual Caps were determined after arm’s length negotiations between SOCAM and SOL, taking into consideration (i) the historical transactions relating to the Smart Facility Enhancement Work that the relevant amounts of approximately RMB200,000 paid by SOL for the year ended 31 December 2022; (ii) the expected number of Specific Contracts; (iii) the estimated fees under such Specific Contracts with reference to the anticipated scope, complexity and scale of the Smart Facility Enhancement Work, the prevailing market prices of comparable smart facility enhancement work and services and projected inflation rate; and (iv) the expected pricing structure and payment terms for the Smart Facility Enhancement Work.

In the event that any of the Annual Caps is exceeded, SOL will make a further announcement and will comply with the Listing Rules 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 (3) years except in special circumstances where the nature of the transaction requires a longer period. As the term of the Framework Agreement exceeds three years, SOL has appointed Opus Capital to explain why a term longer than three (3) years is required and to confirm that it is normal business practice for agreements of such type to be of such duration.

Opus Capital has taken into account the following factors when formulating its opinion pursuant to Rule 14A.52 of the Listing Rules:

- (i) the term of the Framework Agreement is justifiable as it aligns with the long-term development strategy of both SOL and SOCAM;

- (ii) it is not an uncommon and unusual arrangement for property development companies listed on the Stock Exchange to sign long term construction work related agreements with connected persons for business development and strategic consideration purposes;
- (iii) in considering whether it is a normal business practice for the Framework Agreement to have a duration longer than three years, Opus Capital has conducted research, on a best effort basis, on comparable transactions undertaken by property development companies listed on the Stock Exchange. In the course of its review, it is noted that the terms of the agreements of the comparable transactions on average have a duration of longer than three years; and
- (iv) the term of the Framework Agreement is a normal commercial term of a transaction of this nature and it is normal business practice for an agreement of this type to be of such duration.

Having considered the factors set out above, Opus Capital is of the view that the term of the Framework Agreement, which is longer than three (3) years, is required and 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 SOCAM 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 SOCAM Group has dedicated resources to specialise in the provision of smart building solutions and focus on the relevant business opportunities.

The Board is of the view that sustainable development is an important cornerstone of the SOL Group's real estate business and is reflected in its corporate vision to become a pioneer of sustainable premium urban communities. Faced with increasing global and stakeholder's concerns and scrutiny about critical issues including climate change, and as the PRC has pledged to become carbon neutral by 2060, the SOL Group recognises its role as a property developer to help support these commitments. In line with SOL's corporate vision and sustainable development strategy, the engagement of the SOCAM Group to provide the Smart Facility Enhancement Work endeavours to reduce carbon emissions and enhance the energy efficiency of and generate value from its assets. In particular, the SOCAM Group agreed to provide tailored made services to the SOL Group, and it is expected that the potential cost saving effect may broaden the return to the shareholders of SOL.

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

INFORMATION OF THE SOCAM GROUP

The SOCAM 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.

INFORMATION OF THE SOL GROUP

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 IMPLICATION

SOCL is the controlling shareholder of both SOCAM 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 both SOCAM and SOL) is the founder and both Mr. Lo and Ms. Lo (being a non-executive director of SOCAM, an executive director of SOL, and the daughter of Mr. Lo) are discretionary beneficiaries.

Based on the above, SOCAM (being an associate of both Mr. Lo and Ms. Lo) is a connected person of SOL. Accordingly, the entering into of the Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of SOL under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios calculated in respect of the highest Annual Cap exceed 0.1% but are all less than 5%, the continuing connected transactions 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 at the relevant board resolutions of SOL.

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 defined in the section headed “PRINCIPAL TERMS OF THE FRAMEWORK AGREEMENT — Consideration and pricing policies” of this announcement;
“Annual Caps”	has the meaning as defined in the section headed “PROPOSED ANNUAL CAPS AND BASIS OF DETERMINATION” of this announcement;
“associate(s)”, “connected person(s)”, “controlling shareholder”, “percentage ratios”, and “subsidiaries”	each has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;
“Director(s)”	the director(s) of SOL;
“Energy Saving Sharing Period”	has the meaning as defined 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 SOCAM and SOL in relation to the provision of the Smart Facility Enhancement Work by member of the SOCAM Group to member of the SOL Group;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Macau”	the Macao Special Administrative Region of the PRC;
“Mr. Lo”	Mr. Lo Hong Sui, Vincent, an executive director and the Chairman of both SOCAM and SOL;

“Ms. Lo”	Ms. Lo Bo Yue, Stephanie, a non-executive director of SOCAM, an executive director of SOL, and the daughter of Mr. Lo;
“Opus Capital”	Opus Capital Limited, a licensed corporation permitted 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 SOL for the purpose of Rule 14A.52 of the Listing Rules;
“PRC”	the People’s Republic of China (for this announcement, excluding Hong Kong, Macau, and Taiwan);
“RMB”	Renminbi, the lawful currency of the PRC;
“Smart Facility Enhancement Work”	has the meaning as defined in the section headed “PRINCIPAL TERMS OF THE FRAMEWORK AGREEMENT — Smart Facility Enhancement Work” of this announcement;
“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);
“SOCAM Group”	SOCAM and its subsidiaries from time to time;
“SOCAM’s Sharing Ratio”	the ratio of the Actual Annual Energy Saving Amount to be shared by member of the SOCAM 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 both SOCAM and SOL;
“SOL”	Shui On Land Limited, a company incorporated in the 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 members of the SOL Group is/are entitled to share according to the 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 of the SOL Group under the relevant Specific Contract;
“Specific Contract(s)”	the specific contract(s) to be entered into between member of the SOCAM Group and member 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 defined 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 Work; and
“%”	per cent.

By order of the board of
Shui On Land Limited
Vincent H. S. LO
Chairman

Hong Kong, 31 March 2023

As at the date of this announcement, the executive directors of SOL are Mr. Vincent H. S. LO (Chairman), Ms. Stephanie B. Y. LO, Ms. Ying WANG (Chief Executive Officer), and Mr. Douglas H. H. SUNG (Chief Financial Officer and Chief Investment Officer); and the independent non-executive directors of SOL are Professor Gary C. BIDDLE, Dr. Roger L. McCARTHY, Mr. David J. SHAW, Mr. Anthony J. L. NIGHTINGALE, Mr. Shane S. TEDJARATI, Ms. Ya Ting WU, and Mr. Albert Kong Ping NG.

* *For identification purpose only*