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South Shore Holdings Limited

南岸集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 577)

**DISCLOSEABLE TRANSACTION
IN RELATION TO
MODIFICATIONS TO THE EXISTING TENANCIES**

MODIFICATIONS TO THE EXISTING TENANCIES

On 30 April 2015, Paul Y. Management Limited (“**Paul Y. Management**”), an indirect 51.76%-owned subsidiary of the Company, accepted and signed as tenant an offer letter dated 28 April 2015 (as may be amended and supplemented from time to time) (the “**Existing Tenancy I**”) issued by Gunnell Properties Limited and Cycle Company Limited (collectively, the “**Landlord**”) in respect of lease of the premises situated at whole of 11/F, 12/F, 16/F and 17/F, part of 15/F and Unit 2105 on 21/F, Paul Y. Centre for a term of 5 years commencing from 20 January 2016 and expiring on 19 January 2021 (with option to renew for a further term of 3 years) for use as office of the Group’s construction business.

On 14 December 2018, Paul Y. Management accepted and signed as tenant an offer letter dated 14 December 2018 (as may be amended and supplemented from time to time) (the “**Existing Tenancy II**”, together with the Existing Tenancy I, the “**Existing Tenancies**”) issued by the Landlord in respect of lease of the premises situated at the remaining part of 15/F, Paul Y. Centre for a term of 23 months and 19 days commencing from 1 February 2019 and expiring on 19 January 2021 (with option to renew for a further term of 3 years) for use as office of the Group’s construction business.

On 6 August 2020, Paul Y. Management accepted and signed as tenant an offer letter dated 8 July 2020 (the “**Offer Letter**”) issued by the Landlord in relation to modifications to the Existing Tenancies, including but not limited to the following: (a) Paul Y. Management will surrender Unit 2105 on 21/F, Paul Y. Centre (the “**Surrendered Premises**”) to the Landlord; and (b) the term of the Existing Tenancies will be extended by 4 years commencing from 20 January 2021 and expiring on 19 January 2025 (with option to renew for a further term of 3 years) (the “**Modifications**”).

LISTING RULES IMPLICATION

Pursuant to HKFRS 16, the Modifications made to the Existing Tenancies will require the Group to recognize additional right-of-use asset in the consolidated financial statements of the Group. Therefore, the Modifications will be regarded as an acquisition of asset by the Group under the Listing Rules. As the Group has recognized the renewal option under the Existing Tenancies upon the adoption of HKFRS 16, the additional value of right-of-use asset to be recognised by the Group amounted to approximately HK\$8,542,000 which is calculated with reference to the change in the present value of the aggregate lease payments to be made according to the Modifications (without taking into account the renewal option under the modified terms). The net carrying value of the right-of-use asset of the Surrendered Premises as at 31 July 2020 is approximately HK\$715,000. Should the Group exercise the renewal option in the future, the Group will make necessary announcement pursuant to the requirements under the Listing Rules.

As certain applicable percentage ratios (as defined in the Listing Rules) in respect of the Modifications exceed 5% but all such ratios are below 25%, the acceptance of the Offer Letter in respect of the Modifications constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules, and is therefore subject to notification and announcement requirements under Chapter 14 of the Listing Rules.

BACKGROUND

On 30 April 2015, Paul Y. Management accepted and signed as tenant an offer letter dated 28 April 2015 (as may be amended and supplemented from time to time) issued by the Landlord in respect of lease of the Premises I for a term of 5 years commencing from 20 January 2016 and expiring on 19 January 2021 (with option to renew for a further term of 3 years) for use as office of the Group's construction business.

On 14 December 2018, Paul Y. Management accepted and signed as tenant an offer letter dated 14 December 2018 (as may be amended and supplemented from time to time) issued by the Landlord in respect of lease of the Premises II for a term of 23 months and 19 days commencing from 1 February 2019 and expiring on 19 January 2021 (with option to renew for a further term of 3 years) for use as office of the Group's construction business.

On 6 August 2020, Paul Y. Management accepted and signed as tenant the Offer Letter issued by the Landlord in relation to modifications to the Existing Tenancies.

OFFER LETTER

Principal terms of the Offer Letter are as follows:

Date of acceptance : 6 August 2020

Parties : (i) Tenant – Paul Y. Management
(ii) Landlord – Gunnell and Cycle

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

Surrender of premises : The Tenant will surrender Unit 2105 on 21/F, Paul Y. Centre to the Landlord with effective from 1 August 2020.

Accordingly, the premises under the Existing Tenancies will be modified to whole of 11/F, 12/F, 15/F, 16/F and 17/F, Paul Y. Centre (the “**Premises**”).

Extension of term : The term of the Existing Tenancies is extended by 4 years commencing from 20 January 2021 and expiring on 19 January 2025 (both dates inclusive).

The Tenant shall have an option to renew for a further term of 3 years from the expiration of the term at the prevailing market rent.

Aggregate value of consideration payable : The aggregate value of consideration payable (exclusive of rates and other outgoings) will be approximately HK\$72,294,000 as a result of the Modifications (without taking into account the renewal option).

Under the modified terms, the Tenant shall enjoy a 4.5 months’ rent free period during the extension term and a rent concession of approximately HK\$1,652,000 during the existing lease term expiring 19 January 2021.

The rent under the modified terms was determined after arm’s length negotiations between the parties, after taking into consideration the prevailing market rent for comparable premises in the vicinity of the Premises.

Security deposit : The security deposit (inclusive of rates and other outgoings) kept by the Landlord will be reduced to HK\$6,348,900 and an amount of HK\$66,595.20 will be refunded.

The monthly rent payment and the stamp duty in respect of the Modifications will be funded by internal resources of the Group.

REASONS FOR AND BENEFITS OF THE MODIFICATIONS

The construction business of the Group has been using Paul Y. Centre as its office since 1997. Under the current economic environment, the Directors consider it is beneficial to negotiate better terms with the Landlord for the Existing Tenancies.

The terms of the Modifications, including the rental charge, were determined after arm's length negotiation between the parties and with reference to the prevailing market rent for comparable premises in the vicinity of the Premises. The Modifications are necessary for continuing the construction business operation of the Group for use as office premises and is in the ordinary and usual course of the construction business of the Group. The Board considers that the terms of the Modifications are on normal commercial terms and fair and reasonable and is in the interests of the Group and the Shareholders as a whole.

INFORMATION OF THE PARTIES

The Company is an investment holding company. The Group is principally engaged in hotel operation, management contracting, property development management and property investment. Paul Y. Management is an indirect 51.76%-owned subsidiary of the Company.

Gunnell and Cycle are companies incorporated in the British Virgin Islands and Hong Kong respectively, with limited liability. They are principally engaged in property investment. Both of Gunnell and Cycle are ultimately beneficially owned by Mr Lee Man Kwai and Ms Wong Ching Mui, Gemma. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, Gunnell and Cycle and their ultimate beneficial owners are third parties independent of the Company and connected persons of the Company.

IMPLICATIONS UNDER THE LISTING RULES

Pursuant to HKFRS 16, the Modifications made to the Existing Tenancies will require the Group to recognize additional right-of-use asset in the consolidated financial statements of the Group. Therefore, the Modifications will be regarded as an acquisition of asset by the Group under the Listing Rules. As the Group has recognized the renewal option under the Existing Tenancies upon the adoption of HKFRS 16, the additional value of right-of-use asset to be recognised by the Group amounted to approximately HK\$8,542,000, which is calculated with reference to the change in the present value of the aggregate lease payments to be made according to the Modifications (without taking into account the renewal option under the modified terms). The net carrying value of the right-of-use asset of the Surrendered Premises as at 31 July 2020 is approximately HK\$715,000. Should the Group exercise the renewal option in the future, the Group will make necessary announcement pursuant to the requirements under the Listing Rules.

As certain applicable percentage ratios (as defined in the Listing Rules) in respect of the Modifications exceed 5% but all such ratios are below 25%, the acceptance of the Offer Letter in respect of the Modifications constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules, and is therefore subject to notification and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Board”	:	the board of Directors
“Company”	:	South Shore Holdings Limited (Stock Code: 577), a company incorporated in Bermuda with limited liability and the shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	:	has the meaning ascribed to it under the Listing Rules
“Directors”	:	the directors of the Company
“Existing Tenancies”	:	the Existing Tenancy I and the Existing Tenancy II
“Existing Tenancy I”	:	the offer letter dated 28 April 2015 (as may be amended and supplemented from time to time) issued by the Landlord, and accepted and signed by the Tenant on 30 April 2015 in respect of lease of the Premises I
“Existing Tenancy II”	:	the offer letter dated 14 December 2018 (as may be amended and supplemented from time to time) issued by the Landlord, and accepted and signed by the Tenant on 14 December 2018 in respect of lease of the Premises II
“Group”	:	the Company and its subsidiaries
“HKFRS”	:	Hong Kong Financial Reporting Standards issued by the Hong Kong Institutes of Certified Public Accountants
“Hong Kong”	:	the Hong Kong Special Administrative Region of The People’s Republic of China
“Landlord” or “Gunnell and Cycle”	:	Gunnell Properties Limited (a company incorporated in the British Virgin Islands with limited liability) and Cycle Company Limited (a company incorporated in Hong Kong with limited liability), and together as the landlord of the Premises I and Premises II
“Listing Rules”	:	the Rules Governing the Listing of Securities on the Stock Exchange

“Modifications”	:	the modifications to the Existing Tenancies under the Offer Letter, including but not limited to the following: (a) Paul Y. Management will surrender the Surrendered Premises to the Landlord; and (b) the term of the Existing Tenancies will be extended by 4 years commencing from 20 January 2021 and expiring on 19 January 2025 (with option to renew for a further term of 3 years)
“Offer Letter”	:	the offer letter dated 8 July 2020 issued by the Landlord, and accepted and signed by the Tenant on 6 August 2020 in relation to the Modifications
“Paul Y. Centre”	:	the commercial building located at 51 Hung To Road, Kwun Tong, Kowloon, Hong Kong
“Premises I”	:	the premises situated at whole of 11/F, 12/F, 16/F and 17/F, part of 15/F and Unit 2105 on 21/F, Paul Y. Centre
“Premises II”	:	the premises situated at the remaining part of 15/F, Paul Y. Centre
“Shareholders”	:	the holders of the ordinary shares of the Company
“Stock Exchange”	:	The Stock Exchange of Hong Kong Limited
“Surrendered Premises”	:	the premises situated at Unit 2105 on 21/F, Paul Y. Centre
“Tenant” or “Paul Y. Management”	:	Paul Y. Management Limited, a company incorporated in Hong Kong with limited liability and an indirect 51.76%-owned subsidiary of the Company

By Order of the Board of
South Shore Holdings Limited
Mui Ching Hung, Joanna
Company Secretary

Hong Kong, 6 August 2020

As at the date of this announcement, the directors of the Company are:

Mr Peter Lee Coker Jr.	:	Chairman (Executive Director)
Ir James Chiu, <i>OBE, JP</i>	:	Independent Non-Executive Director
Professor Lee Chack Fan, <i>GBS, SBS, JP</i>	:	Independent Non-Executive Director
Mr Iain Ferguson Bruce	:	Independent Non-Executive Director
Dr Lo Wing Yan, William, <i>JP</i>	:	Independent Non-Executive Director