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**The 13 Holdings Limited**

**十三集團有限公司**

*(Incorporated in Bermuda with limited liability)*

(Stock code: 577)

## **RENEWAL OF CONTINUING CONNECTED TRANSACTION**

Reference is made to the Company's announcement dated 24 April 2013 and the circular dated 8 May 2013 in respect of, inter alia, the Original Business Services Agreement entered into between PYE and ITC Properties Holdings in relation to the provision of the Services for the three years ended 31 March 2016. Reference is also made to the Company's announcements dated 23 September 2016 and 11 October 2016 in respect of, inter alia, the Second Business Services Agreement entered into between PYE and ITC Properties Holdings in relation to the provision of the Services for a term of one year from 1 April 2016 to 31 March 2017. Reference is also made to the Company's announcement dated 12 December 2017 and the circular dated 5 January 2018 in respect of, inter alia, the Third Business Services Agreement entered into between PYE and ITC Properties Holdings in relation to the provision of the Services for a term of one year from 1 April 2017 to 31 March 2018.

The Third Business Services Agreement will expire on 31 March 2018. As at the date of this announcement, the Services provided by the PYE Group to the ITC Properties Holdings Group in respect of the Projects contemplated under the Third Business Services Agreement have yet to be completed and/or the Final Accounts in connection with the Projects have yet to be agreed. In order to continue to regulate the provision of the Services, on 28 March 2018, PYE and ITC Properties Holdings entered into the conditional New Business Services Agreement for a term of one year from 1 April 2018 to 31 March 2019.

As at the date of this announcement, ITC Properties is a substantial shareholder of the Company. Accordingly, ITC Properties is a connected person of the Company and the entering into of the New Business Services Agreement constitutes a continuing connected transaction of the Company under the Listing Rules.

As the applicable percentage ratios (as defined in the Listing Rules) in respect of the annual cap regarding the Services contemplated under the New Business Services Agreement exceed 5%, the entering into of the New Business Services Agreement is subject to the reporting, annual review, announcement and independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

The Company will establish the Independent Board Committee to advise the Independent Shareholders in relation to the transactions contemplated under the New Business Services Agreement and the proposed annual cap for the year ending 31 March 2019. The Company will appoint an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard under the Listing Rules.

A circular containing, among other things, (i) further details of the transactions contemplated under the New Business Services Agreement and the proposed annual cap for the year ending 31 March 2019; (ii) the recommendations from the Independent Board Committee; (iii) the advice from the independent financial adviser; and (iv) the notice of special general meeting and other information as required under the Listing Rules is expected to be despatched to the Shareholders on or before 20 April 2018 in accordance with the Listing Rules.

## **RENEWAL OF CONTINUING CONNECTED TRANSACTION**

Reference is made to the Company's announcement dated 24 April 2013 and the circular dated 8 May 2013 in respect of, inter alia, the Original Business Services Agreement entered into between PYE and ITC Properties Holdings in relation to the provision of the Services for the three years ended 31 March 2016. Reference is also made to the Company's announcements dated 23 September 2016 and 11 October 2016 in respect of, inter alia, the Second Business Services Agreement entered into between PYE and ITC Properties Holdings in relation to the provision of the Services for a term of one year from 1 April 2016 to 31 March 2017. Reference is also made to the Company's announcement dated 12 December 2017 and the circular dated 5 January 2018 in respect of, inter alia, the Third Business Services Agreement entered into between PYE and ITC Properties Holdings in relation to the provision of the Services for a term of one year from 1 April 2017 to 31 March 2018.

The Third Business Services Agreement will expire on 31 March 2018. As at the date of this announcement, the Services provided by the PYE Group to the ITC Properties Holdings Group in respect of the Projects contemplated under the Third Business Services Agreement have not yet been completed and/or the Final Accounts in connection with the Projects have yet to be agreed. For the eleven months ended 28 February 2018, the value of the Services recognised was approximately HK\$19 million. In order to continue to regulate the provision of the Services, PYE and ITC Properties Holdings entered into the conditional New Business Services Agreement.

**New Business Services Agreement**

The principal terms of the New Business Services Agreement are as follows:

- Date: 28 March 2018
  
- Parties:
  - (1) PYE, a subsidiary of the Company owned as to approximately 51.76% by the Company
  
  - (2) ITC Properties Holdings, a subsidiary of ITC Properties
  
- Services: The PYE Group may from time to time during the term of the New Business Services Agreement provide the Services to the ITC Properties Holdings Group on normal commercial terms and subject to the annual cap amount set out below.  
  
Relevant members of the PYE Group and relevant members of the ITC Properties Holdings Group will enter into subsidiary agreements for providing the Services under the New Business Services Agreement. Each subsidiary agreement will set out the particulars and the terms upon which particular Services will be rendered by the PYE Group to the ITC Properties Holdings Group. The terms of each subsidiary agreement must (i) comply with the terms of the New Business Services Agreement; (ii) provide that the Services to be provided in aggregate shall be subject to the annual cap amount set out below; and (iii) be in compliance with the relevant requirements under the Listing Rules.
  
- Condition precedent: The New Business Services Agreement is conditional on the approval of the Independent Shareholders.

Term: The New Business Services Agreement will be effective as of 1 April 2018 if the condition precedent becomes fulfilled, and will continue thereafter for a term expiring on 31 March 2019. Upon expiry, the parties may renew the New Business Services Agreement subject to compliance with the Listing Rules and all applicable laws.

### **Pricing Policy**

The Services to be provided by the PYE Group to the ITC Properties Holdings Group under the New Business Services Agreement will be in the usual and ordinary course of business of the PYE Group and will be conducted on arm's length basis and on normal commercial terms.

For construction services and maintenance services, the prices of tenders submitted by the PYE Group to the ITC Properties Holdings Group are determined on the basis of the estimated costs for performing each contract plus a profit rate of 3% to 8% (which is not lower than the rate offered by the PYE Group to other customers). The estimated costs are determined with reference to the prevailing market prices in the supply chain which are subject to availability of materials, labour and machinery, requirements of management and supervision of resources, and opportunities and risks in the contract.

For property development management services, project management services, facilities management services and construction related advisory services and other related services, the fees are determined based on a percentage of 3% to 8% (which is not lower than the rate offered by the PYE Group to other customers) over the property development costs or the construction costs of the development or construction project with reference to the scope, complexity and risks of services provided, estimated resources to be utilised on providing the services and prevailing market rate.

Designated personnel of the PYE Group is responsible for determining and monitoring the said tender prices and services fees in accordance with the pricing policy, and comparing the rates offered to the ITC Properties Holdings Group with the rates of similar type of transactions of the PYE Group offered to other customers to ensure that the prices under the New Business Services Agreement are fair and reasonable, on normal commercial terms and at rates no less favourable to the PYE Group than those offered to other customers. The Audit Committee of the Company holds meeting with the external auditor to review and discuss, amongst other things, the Group's connected transactions. External auditor of the Company conducts an annual review on the Company's compliance with this pricing policy. With the implementation of this pricing policy, the Directors are of the view that such methods and procedures can ensure and safeguard the transactions contemplated under the New Business Services Agreement will be conducted on normal commercial terms and not prejudicial to the interests of the Company and its minority Shareholders as a whole.

## **PROPOSED ANNUAL CAP AMOUNT AND BASIS OF DETERMINATION**

The proposed annual cap amount of the value of Services to be rendered under the New Business Services Agreement by the PYE Group to the ITC Properties Holdings Group for the financial year ending 31 March 2019 is HK\$1,600 million.

Revenue from a construction contract is recognised on the percentage of completion method, measured by reference to the value of work certified. Revenue from maintenance, property development management, project management, construction related advisory services, building management and facilities management and other related services are recognised when the services are provided. Fees from construction contracts (including interior contractor works and electrical and mechanical works) and maintenance contracts are charged by reference to the value of works certified. The fees may change if the works specified in the contract are varied. Fees from property development management services, project management services, facilities management services and construction related advisory services are usually charged based on a percentage of the property development costs or the construction costs of the development or construction project. The fees may vary in line with changes in the project costs.

The estimate for the annual cap amount for the financial year ending 31 March 2019 has been made based on (i) progress of delivery of services in respect of the Projects and certain potential projects and information provided by the ITC Properties Holdings Group regarding the proposed construction schedules and/or completion or delivery of other projects identified, the gross/construction floor area covered by the relevant projects and indicative scope of services required; (ii) historical and market rates and method for calculation of fees for the relevant services (the component of services provided which are to be charged by reference to value of works certified); and (iii) additional allowances for delivery schedules in respect of the Projects and certain potential projects which are not within the control of the PYE Group, or changes to the final scope of Services that may be required.

The Directors (excluding the independent non-executive Directors who will form their view after considering the advice of the independent financial adviser of the Company) consider that the entering into of the New Business Services Agreement is in the ordinary and usual course of business of the Group, the terms of the New Business Services Agreement were arrived at on normal commercial terms, are fair and reasonable and in the interests of the Company and Shareholders as a whole.

## **GENERAL INFORMATION**

The Company is an investment holding company and its Group companies are principally engaged in hotel development, management contracting, property development management and property investment. ITC Properties is an investment holding company and the subsidiaries of ITC Properties are principally engaged in property development and investment in Macau, the PRC, Hong Kong, Canada and the United Kingdom, as well as the development of, investment in and operation of hotels and leisure business in the PRC, Hong Kong and Canada, securities investment and provision of loan financing services.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, ITC Properties was interested in 106,110,260 Shares, representing approximately 10.48% of the total issued share capital of the Company and is a substantial shareholder of the Company. Accordingly, ITC Properties is a connected person of the Company and the entering into of the New Business Services Agreement constitutes a continuing connected transaction of the Company under the Listing Rules.

As the applicable percentage ratios (as defined in the Listing Rules) in respect of the annual cap regarding the Services contemplated under the New Business Services Agreement exceed 5%, the entering into of the New Business Services Agreement is subject to the reporting, annual review, announcement and independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

The Company will establish the Independent Board Committee to advise the Independent Shareholders in relation to the transactions contemplated under the New Business Services Agreement and the proposed annual cap for the year ending 31 March 2019. The Company will appoint an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard under the Listing Rules.

A circular containing, among other things, (i) further details of the transactions contemplated under the New Business Services Agreement and the proposed annual cap for the year ending 31 March 2019; (ii) the recommendations from the Independent Board Committee; (iii) the advice from the independent financial adviser; and (iv) the notice of special general meeting and other information as required under the Listing Rules is expected to be despatched to the Shareholders on or before 20 April 2018 in accordance with the Listing Rules.

## DEFINITIONS

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

“associates”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of directors of the Company
“Company”	The 13 Holdings Limited, a company incorporated in Bermuda with limited liability whose Shares are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Directors”	the directors of the Company
“Final Accounts”	the agreed statement of the final value of works done by the contractor for the employer in respect of a construction contract that represents the full and final settlement of the construction contract including all claims and variation orders
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Board consisting of all the independent non-executive Directors
“Independent Shareholders”	Shareholders other than ITC Properties and its associates
“ITC Properties”	ITC Properties Group Limited, a company incorporated in Bermuda with limited liability whose shares are listed on the Stock Exchange
“ITC Properties Holdings”	ITC Properties Holdings Group Limited, a company incorporated in the British Virgin Islands with limited liability and a subsidiary of ITC Properties

“ITC Properties Holdings Group”	ITC Properties Holdings and its associates from time to time
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	Macau Special Administrative Region of the PRC
“New Business Services Agreement”	the agreement dated 28 March 2018 entered into between PYE and ITC Properties Holdings
“Original Business Services Agreement”	the agreement dated 24 April 2013 entered into between PYE and ITC Properties Holdings
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, Macau and Taiwan
“Projects”	(i) main contract works for the hotel development at No. 7 Moreton Terrace, Causeway Bay, Hong Kong; (ii) site formation, foundation and pile cap work for the residential development at No. 23 Po Shan Road, Hong Kong; (iii) main contract works for the redevelopment at Nos. 205-211A Hai Tan Street, Sham Shui Po, Hong Kong; and (iv) main contract works (Lot 8) for the Concordia Development at Coloane, Macau
“PYE”	Paul Y. Engineering Group Limited, a company incorporated in the British Virgin Islands with limited liability and owned by the Company as to approximately 51.76%
“PYE Group”	PYE and its subsidiaries from time to time
“Second Business Services Agreement”	the agreement dated 23 September 2016 entered into between PYE and ITC Properties Holdings

“Services”	services covering construction, maintenance, property development management, project management, building management, facilities management, construction related advisory services and other related services, including provision of services as main contractor, project manager, consultant and sub-contractor for a variety of works including superstructure, foundation, civil engineering, maintenance, construction and interior decoration
“Share(s)”	ordinary share(s) of HK\$0.20 each in the aggregate nominal amount of the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Third Business Services Agreement”	the agreement dated 12 December 2017 entered into between PYE and ITC Properties Holdings
“%”	per cent

By order of the Board  
**The 13 Holdings Limited**  
**Mui Ching Hung, Joanna**  
*Company Secretary*

Hong Kong, 28 March 2018

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

Mr Peter Lee Coker Jr.	: Chairman (Executive Director)
Mr Lau Ko Yuen, Tom	: Deputy Chairman (Executive Director)
Mr Walter Craig Power	: Chief Executive Officer (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
Mr Francis Goutenmacher	: Independent Non-Executive Director
Mr Chan Kok Chung, Johnny	: Independent Non-Executive Director