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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)

RENEWAL OF CONTINUING CONNECTED TRANSACTION

Reference is made to the Company's announcement dated 24 April 2013 and 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 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. Reference is also made to the Company's announcement dated 28 March 2018 and circular dated 20 April 2018 in respect of, inter alia, the Fourth 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 2018 to 31 March 2019. Reference is also made to the Company's announcements dated 29 March 2019 and 24 May 2019 and circular dated 27 May 2019 in respect of, inter alia, the Fifth Business Services Agreement entered into between PYE and ITC Properties Holdings in relation to the provision of the Services for a term of two years from 1 April 2019 to 31 March 2021.

The Fifth Business Services Agreement will expire on 31 March 2021. 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 Fifth 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 24 March 2021, PYE and ITC Properties Holdings entered into the conditional New Business Services Agreement for a term of one year from 1 April 2021 to 31 March 2022.

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.

An Independent Board Committee has been established 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 2022. Gram Capital has been appointed as 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 2022; (ii) the recommendations from the Independent Board Committee; (iii) the advice from Gram Capital; 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 19 April 2021 in accordance with the Listing Rules.

RENEWAL OF CONTINUING CONNECTED TRANSACTION

Reference is made to the Company's announcement dated 24 April 2013 and 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 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. Reference is also made to the Company's announcement dated 28 March 2018 and circular dated 20 April 2018 in respect of, inter alia, the Fourth 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 2018 to 31 March 2019. Reference is also made to the Company's announcements dated 29 March 2019 and 24 May 2019 and circular dated 27 May 2019 in respect of, inter alia, the Fifth Business Services Agreement entered into between PYE and ITC Properties Holdings in relation to the provision of the Services for a term of two years from 1 April 2019 to 31 March 2021.

The Fifth Business Services Agreement will expire on 31 March 2021. 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 Fifth 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, 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: 24 March 2021

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 for the year ending 31 March 2022 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 2021 if the condition precedent becomes fulfilled, and will continue thereafter for a term expiring on 31 March 2022. 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, opportunities and risks in the contract. The profit rate of 3% to 8% is determined with reference to the scope, duration and complexity of the works to be involved, current competitiveness and prevailing market conditions and developments. Generally, civil and foundation works have higher profit rate than building works due to their more complex nature of works that require higher level of expertise.

During the tender process, tender department of the PYE Group are responsible for estimating the costs according to the scope, duration and complexity based on quotations from subcontractors and suppliers, and the prevailing market rates. Once a project is awarded to the PYE Group, the estimated costs will form a tender budget used for monitoring purpose for project department, subletting department and purchasing department of the PYE Group to control the costs.

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 rates.

The Group has implemented the following measures to ensure that this pricing policy is complied with and the value of the Services provided by the PYE Group to the ITC Properties Holdings Group will not exceed the annual cap:

- (a) Tender department and project department of the PYE Group (under the leadership of the Chief Executive Officer of PYE) are 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;

- (b) Tender department of the PYE Group reviews the subsidiary agreements to be entered into between relevant members of the PYE Group and relevant members of the ITC Properties Holdings Group for providing the Services under the New Business Services Agreement, to ensure that the terms are complied with the terms of the New Business Services Agreement; and
- (c) Finance department of the Group reviews and monitors the aggregate value of Services provided to the ITC Properties Holdings Group to ensure the annual cap is not exceeded.

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 and the transactions under the New Business Services Agreement to confirm that the annual cap is not exceeded. Given the above, 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 annual cap amounts of the value of Services for the five financial years ended/ending 31 March 2021 are as follows:

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Annual transaction amount cap (<i>HK\$ million</i>)	120 =====	120 =====	1,600 =====	1,800 =====	1,600 =====

The actual value of Services recognised by the PYE Group for the four financial years ended 31 March 2020 and for the ten months ended 31 January 2021 were approximately as follows:

	FY 2017	FY 2018	FY 2019	FY 2020	Ten months ended 31 January 2021
Actual value of Services recognised (<i>HK\$ million</i>)	27 =====	63 =====	701 =====	1,685 =====	921 =====

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 2022 is set out below:

	FY 2022 <i>HK\$ million</i>
Estimated value of Services for existing Projects	593
Allowance for existing Projects	57
Amount for projects not currently identified	250
Annual transaction amount cap	<u>900</u>

Revenue from a construction contract is recognised based on the progress of works performed, measured by reference to contract costs incurred. Revenue from maintenance, property development management, project management, construction related advisory services, building management and facilities management and other related services are recognised over time when the services are provided. Fees from construction contracts (including interior contractor works and electrical and mechanical works) and maintenance contracts are recognised by reference to contract costs incurred. 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 proposed annual cap amount for the year ending 31 March 2022 has been made based on (i) progress of delivery of Services in respect of the Projects and (ii) additional allowances for changes to delivery schedules and the final scope of Services that may be required in respect of the Projects which are not within the control of the PYE Group, and any unidentified development projects that the ITC Properties Holdings Group may participate and invest during the period.

The Directors (excluding the independent non-executive Directors who will form their view after considering the advice of Gram Capital) 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 operation, 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, Hong Kong, the PRC, Canada and the United Kingdom, development of, investment in and operation and management 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.

An Independent Board Committee has been established 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 2022. Gram Capital has been appointed as 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 2022; (ii) the recommendations from the Independent Board Committee; (iii) the advice from Gram Capital; 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 19 April 2021 in accordance with the Listing Rules.

On 28 June 2017, the Company announced the proposed sale of its interest in the PYE Group. Particulars of the said proposed sale are set out in the circular of the Company dated 28 March 2018 and the relevant shareholders' meeting has been held on 8 May 2018. Completion of the said proposed sale is subject to and conditional upon satisfaction (or waiver, as the case may be) of a number of conditions. After completion, PYE will cease to be a subsidiary of the Company, and accordingly, the transaction between the PYE Group and the ITC Properties Holdings Group will no longer be continuing connected transaction of the Company under the Listing Rules.

DEFINITIONS

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

“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of directors of the Company
“Company”	South Shore Holdings Limited (Stock Code: 577), 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
“Fifth Business Services Agreement”	the agreement dated 29 March 2019 entered into between PYE and ITC Properties Holdings, as varied and supplemented by a supplemental agreement dated 24 May 2019 entered into between the same parties
“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
“Fourth Business Services Agreement”	the agreement dated 28 March 2018 entered into between PYE and ITC Properties Holdings
“FY”	the financial year ended/ending 31 March of the relevant year
“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 committee of the Board which comprises Ir James Chiu, Professor Lee Chack Fan, Mr Iain Ferguson Bruce and Dr Lo Wing Yan, William, established to give recommendation to 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 2022

“independent financial adviser” or “Gram Capital”	Gram Capital Limited, a corporation licensed 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), being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the transactions contemplated under the New Business Services Agreement and the proposed annual cap for the year ending 31 March 2022
“Independent Shareholders”	Shareholders other than ITC Properties and its associates
“ITC Properties”	ITC Properties Group Limited (Stock Code: 199), 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 24 March 2021 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 works for the residential redevelopment 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; (iv) main contract works (Lot 8) for the Concordia Development at Coloane, Macau; and (v) main contract works for the residential redevelopment at No. 23 Po Shan Road, Hong Kong

“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
South Shore Holdings Limited
Mui Ching Hung, Joanna
Company Secretary

Hong Kong, 24 March 2021

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, <i>William, JP</i>	:	Independent Non-Executive Director