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ALLIED PROPERTIES (H.K.) LIMITED
(聯合地產(香港)有限公司)
(Incorporated in Hong Kong with limited liability)
(Stock Code: 56)



新鴻基有限公司
SUN HUNG KAI & CO. LIMITED
(Incorporated in Hong Kong with limited liability)
(Stock Code: 86)

JOINT ANNOUNCEMENT

CONTINUING CONNECTED TRANSACTIONS

RENEWAL OF THE 2017 SHK AGREEMENT AND THE 2017 APL AGREEMENT

THE 2020 SHK AGREEMENT

As the 2017 SHK Agreement had expired on 31 December 2019, on 2 January 2020, SHK and AGL entered into the 2020 SHK Agreement to renew the 2017 SHK Agreement for a term of three years from 1 January 2020 to 31 December 2022.

THE 2020 APL AGREEMENT

As the 2017 APL Agreement had expired on 31 December 2019, on 2 January 2020, APL and AGL entered into the 2020 APL Agreement to renew the 2017 APL Agreement for a term of three years from 1 January 2020 to 31 December 2022.

LISTING RULES IMPLICATIONS

SHK

As at the date of this joint announcement, SHK is held as to approximately 62.26% by APL, which in turn is held as to approximately 74.99% by AGL. Given that AGL is an associate of APL (which is a Substantial Shareholder of SHK), AGL is regarded as a connected person of SHK under the Listing Rules. As a result, the entering into of the 2020 SHK Agreement by SHK constitutes a continuing connected transaction for SHK under the Listing Rules.

As more than one of the relevant applicable percentage ratios (other than the profits ratio) set out in Rule 14.07 of the Listing Rules calculated with reference to the SHK Annual Caps exceed 0.1% but is less than 5% of SHK, the entering into of the 2020 SHK Agreement by SHK is subject to the reporting, announcement and annual review requirements of SHK but exempt from independent shareholders' approval requirements of SHK under the Listing Rules.

APL

As at the date of this joint announcement, APL is held as to approximately 74.99% by AGL, and AGL is a connected person of APL under the Listing Rules. Furthermore, SHK is a non wholly-owned subsidiary of APL. As a result, the entering into of the 2020 Agreements regarding the sharing of Management Services constitute continuing connected transactions for APL under the Listing Rules.

Pursuant to Rules 14A.73(8) and 14A.98 of the Listing Rules, the transaction regarding the sharing of the Administrative Services between APL and AGL contemplated under the 2020 APL Agreement is fully exempt under Chapter 14A of the Listing Rules.

As more than one of the relevant applicable percentage ratios (other than the profits ratio) set out in Rule 14.07 of the Listing Rules calculated with reference to the SHK Annual Caps and the APL Annual Caps in aggregate exceed 0.1% but is less than 5% of APL, the entering into of the 2020 Agreements regarding the sharing of Management Services is subject to the reporting, announcement and annual review requirements of APL but exempt from independent shareholders' approval requirements of APL under the Listing Rules.

THE 2020 SHK AGREEMENT

As the 2017 SHK Agreement had expired on 31 December 2019, on 2 January 2020, SHK and AGL entered into the 2020 SHK Agreement to renew the 2017 SHK Agreement for a term of three years from 1 January 2020 to 31 December 2022.

The major terms of the 2020 SHK Agreement are as follows:

Date	:	2 January 2020
Parties	:	SHK and AGL
Term	:	Three years commencing from 1 January 2020 and expiring on 31 December 2022
Nature of transaction	:	SHK agreed to reimburse AGL the costs incurred in respect of the Management Services provided by AGL to the SHK Group.

- Payment terms in respect of the sharing of Management Services : The SHK Group agreed to reimburse a portion of the actual costs of the services incurred by AGL by reference to a specified percentage of the remuneration of members of the Management Staff providing the Management Services to the SHK Group, which will be payable by the SHK Group on a quarterly basis. Such percentage varies among each member of the Management Staff providing the Management Services and would be determined by reference to the percentage of the time estimated to be devoted by each member of the Management Staff to the affairs of the SHK Group against the amount of time he/she would otherwise devote to the affairs of AGL as a full time employee of AGL.
- Historical figures : The amount of fees paid and payable by the SHK Group to AGL for the Management Services for the financial years ended on 31 December 2017 and 2018 and the nine months ended 30 September 2019 were approximately HK\$15,570,000, HK\$17,730,000 and HK\$14,520,000, respectively.
- The historical service fees paid by the SHK Group reflected the actual level of the Management Services that were provided by the relevant Management Staff.
- SHK Annual Caps and the basis of determining the same : In determining the SHK Annual Caps, besides taking into account the historical figures of the service fees paid and payable by the SHK Group, the SHK Directors have also taken into consideration the existing scale of the SHK Group's operations, the anticipated growth of the SHK Group and the anticipated increase in the remuneration of those Management Staff who provide the Management Services to the SHK Group, and having done so, the SHK Annual Caps for the financial years ending 31 December 2020, 2021 and 2022 shall be HK\$28,000,000, HK\$30,800,000 and HK\$33,900,000, respectively.
- Reasons for and benefits of the transaction : The SHK Directors consider that the sharing of the Management Services arrangement will benefit the SHK Group in that both AGL and the SHK Group can enjoy economies of scale brought by the sharing of the Management Services which will maximise cost efficiency and management effectiveness. In addition, since the Management Staff will devote part of their time to the affairs of the SHK Group in the course of providing the Management Services to the SHK Group, the SHK Directors consider that it is reasonable for the SHK Group to be charged for the Management Services to reimburse the costs incurred by AGL.

THE 2020 APL AGREEMENT

As the 2017 APL Agreement had expired on 31 December 2019, on 2 January 2020, APL and AGL entered into the 2020 APL Agreement to renew the 2017 APL Agreement for a term of three years from 1 January 2020 to 31 December 2022.

The major terms of the 2020 APL Agreement are as follows:

- Date : 2 January 2020
- Parties : APL and AGL
- Term : Three years commencing from 1 January 2020 and expiring on 31 December 2022
- Nature of transaction : APL agreed to reimburse AGL the costs incurred in respect of the Administrative Services and the Management Services provided by AGL to the APL Group.
- Payment terms in respect of the sharing of Management Services : The APL Group agreed to reimburse a portion of the actual costs of the services incurred by AGL by reference to a specified percentage of the remuneration of members of the Management Staff providing the Management Services to the APL Group, which will be payable by the APL Group on a quarterly basis. Such percentage varies among each member of the Management Staff providing the Management Services and would be determined by reference to the percentage of the time estimated to be devoted by each member of the Management Staff to the affairs of the APL Group against the amount of time he/she would otherwise devote to the affairs of AGL as a full time employee of AGL.
- Historical figures : The amount of fees paid and payable by the APL Group to AGL for the Management Services for the financial years ended on 31 December 2017 and 2018 and the nine months ended 30 September 2019 were approximately HK\$28,054,000, HK\$28,893,000 and HK\$24,276,000, respectively.

The historical service fees paid by the APL Group reflected the actual level of the Management Services that were provided by the relevant Management Staff.

- APL Annual Caps and the basis of determining the same : In determining the APL Annual Caps, besides taking into account the historical figures of the service fees paid and payable by the APL Group, the APL Directors have also taken into consideration the existing scale of the APL Group's operations, the anticipated growth of the APL Group and the anticipated increase in the remuneration of those Management Staff who provide the Management Services to the APL Group, and having done so, the APL Annual Caps for the financial years ending 31 December 2020, 2021 and 2022 shall be HK\$40,500,000, HK\$44,600,000 and HK\$49,000,000, respectively.
- Reasons for and benefits of the transaction : The APL Directors consider that the sharing of Administrative Services and Management Services arrangement will benefit the APL Group in that both AGL and the APL Group can enjoy economies of scale brought by the sharing of the Administrative Services and Management Services which will maximise cost efficiency and management effectiveness. In addition, since the Management Staff will devote part of their time to the affairs of the APL Group in the course of providing the Management Services to the APL Group, the APL Directors consider that it is reasonable for the APL Group to be charged for the Management Services to reimburse the costs incurred by AGL.

LISTING RULES IMPLICATIONS

SHK

As at the date of this joint announcement, SHK is held as to approximately 62.26% by APL, which in turn is held as to approximately 74.99% by AGL. Given that AGL is an associate of APL (which is a Substantial Shareholder of SHK), AGL is regarded as a connected person of SHK under the Listing Rules. As a result, the entering into of the 2020 SHK Agreement by SHK constitutes a continuing connected transaction for SHK under the Listing Rules.

As more than one of the relevant applicable percentage ratios (other than the profits ratio) set out in Rule 14.07 of the Listing Rules calculated with reference to the SHK Annual Caps exceed 0.1% but is less than 5% of SHK, the entering into of the 2020 SHK Agreement by SHK is subject to the reporting, announcement and annual review requirements of SHK but exempt from independent shareholders' approval requirements of SHK under the Listing Rules.

The SHK Directors (including the independent non-executive directors) are of the view that although the transactions contemplated under the 2020 SHK Agreement are not considered to be conducted in the ordinary and usual course of business of the SHK Group, the 2020 SHK Agreement was entered into after arm's length negotiations on normal commercial terms and that the terms of the 2020 SHK Agreement (including the SHK Annual Caps) are fair and reasonable so far as SHK and the SHK Shareholders are concerned and are in the interests of SHK and the SHK Shareholders as a whole.

Mr. Lee Seng Huang (an executive director and the Group Executive Chairman of SHK) is one of the trustees of Lee and Lee Trust, being a discretionary trust which, together with Mr. Lee Seng Hui, controls approximately 74.95% of the total number of shares in issue of AGL which in turn owns approximately 74.99% of the total number of shares in issue of APL. Accordingly, Mr. Lee Seng Huang is deemed to be interested in the 2020 SHK Agreement and has abstained from voting on the relevant board resolutions of SHK.

Apart from the above, none of the SHK Directors has any material interest in the 2020 SHK Agreement and is required to abstain from voting on the board resolutions of SHK approving the 2020 SHK Agreement and the transactions contemplated thereunder.

APL

As at the date of this joint announcement, APL is held as to approximately 74.99% by AGL, and AGL is a connected person of APL under the Listing Rules. Furthermore, SHK is a non wholly-owned subsidiary of APL. As a result, the entering into of the 2020 Agreements regarding the sharing of Management Services constitute continuing connected transactions for APL under the Listing Rules.

Pursuant to Rules 14A.73(8) and 14A.98 of the Listing Rules, the transaction regarding the sharing of the Administrative Services between APL and AGL contemplated under the 2020 APL Agreement is fully exempt under Chapter 14A of the Listing Rules.

As more than one of the relevant applicable percentage ratios (other than the profits ratio) set out in Rule 14.07 of the Listing Rules calculated with reference to the SHK Annual Caps and the APL Annual Caps in aggregate exceed 0.1% but is less than 5% of APL, the entering into of the 2020 Agreements regarding the sharing of Management Services is subject to the reporting, announcement and annual review requirements of APL but exempt from independent shareholders' approval requirements of APL under the Listing Rules.

The APL Directors (including the independent non-executive directors) are of the view that although the transactions contemplated under the 2020 Agreements are not conducted in the ordinary and usual course of business of the APL Group, the terms of the 2020 Agreements were entered into after arm's length negotiations and on normal commercial terms and that the terms of the 2020 Agreements (including the SHK Annual Caps and the APL Annual Caps) are fair and reasonable so far as APL and the APL Shareholders are concerned and are in the interests of APL and the APL Shareholders as a whole.

As at the date of this joint announcement, (i) Mr. Lee Seng Hui (the chief executive and an executive director of APL) is the chief executive and an executive director of AGL, a member of the Management Staff providing the Management Services to the APL Group and the SHK Group and also one of the trustees of Lee and Lee Trust, being a discretionary trust which together with his personal interest, controls approximately 74.95% interest in the total number of shares in issue of AGL, which is directly and indirectly interested in an aggregate of approximately 74.99% of the total number of shares in issue of APL; (ii) Mr. Arthur George Dew (the chairman and a non-executive Director of APL) is the chairman and a non-executive director of AGL and also a member of the Management Staff providing the Management Services to the APL Group and the SHK Group; and (iii) Messrs. Mark Wong Tai Chun (an executive director of APL) and Li Chi Kong (a non-executive director of APL) are members of the Management Staff providing the Management Services to the APL Group, and as such, all of them are deemed to be interested in the 2020 APL Agreement and/or the 2020 SHK Agreement (as the case may be). Accordingly, Messrs. Lee Seng Hui, Arthur George Dew, Mark Wong Tai Chun and Li Chi Kong have abstained from voting on the relevant board resolutions of APL.

Apart from the above, none of the APL Directors has any material interest in the 2020 APL Agreement and is required to abstain from voting on the board resolutions of APL approving the 2020 APL Agreement and the transactions contemplated thereunder.

INFORMATION ON AGL, APL AND SHK

AGL

AGL is a company incorporated in Hong Kong with limited liability, a Substantial Shareholder of APL and the shares of which are listed on the main board of the Stock Exchange.

The principal business activity of AGL is investment holding. The principal business activities of its major subsidiaries are property investment and development, hospitality related activities, provision of elderly care services, property management, cleaning and security guarding services in Hong Kong, the provision of finance and investments in listed and unlisted securities.

As at the date of this joint announcement, AGL is beneficially owned as to approximately 74.95% by Lee and Lee Trust (inclusive of Mr. Lee Seng Hui's personal interests), being a discretionary trust.

APL

APL is a company incorporated in Hong Kong with limited liability, the shares of which are listed on the main board of the Stock Exchange.

The principal business activity of APL is investment holding. The principal business activities of its major subsidiaries are property investment and development, hospitality related activities, and the provision of finance and investments in listed and unlisted securities.

As at the date of this joint announcement, APL is beneficially owned as to approximately 74.99% by AGL.

SHK

SHK is a company incorporated in Hong Kong with limited liability, the securities of which are listed on the main board of the Stock Exchange.

The principal business activity of SHK is investment holding. The principal business activities of its major subsidiaries are consumer finance, principal investments, mortgage loans and financial services.

As at the date of this joint announcement, SHK is beneficially owned as to approximately 62.26% by APL.

DEFINITIONS

In this joint announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“2017 APL Agreement”	the agreement dated 7 February 2017 (as amended and supplemented by supplemental letters dated 18 May 2017, 11 July 2017, 13 October 2017, 16 January 2018, 4 July 2018, 8 August 2018, 4 February 2019, 2 May 2019, 26 June 2019 and 3 October 2019) entered into between APL and AGL in respect of the sharing of Administrative Services and Management Services;
“2017 SHK Agreement”	the agreement dated 7 February 2017 (as amended and supplemented by supplemental letters dated 18 May 2017, 11 July 2017, 13 October 2017, 16 January 2018, 4 July 2018, 8 August 2018, 4 February 2019, 2 May 2019, 26 June 2019, 3 October 2019 and 16 December 2019) entered into between SHK and AGL in respect of the sharing of Management Services;
“2020 Agreements”	the 2020 SHK Agreement and the 2020 APL Agreement;
“2020 APL Agreement”	the agreement dated 2 January 2020 entered into between APL and AGL in respect of the renewal of the 2017 APL Agreement;
“2020 SHK Agreement”	the agreement dated 2 January 2020 entered into between SHK and AGL in respect of the renewal of the 2017 SHK Agreement;

“Administrative Services”	the corporate secretarial services, provision of registered office address, utilities services including water, electricity, telephone (including international telephone services) and internet, photocopying, postal, courier, delivery and other services ancillary to the day-to-day administration and operation of the APL Group as stipulated in the 2017 APL Agreement and the 2020 APL Agreement;
“AGL”	Allied Group Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the main board of the Stock Exchange (Stock Code: 373), and an associate of a Substantial Shareholder of SHK through its interests in APL;
“APL”	Allied Properties (H.K.) Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the main board of the Stock Exchange (Stock Code: 56), being a Substantial Shareholder of SHK and a non wholly-owned subsidiary of AGL;
“APL Annual Cap(s)”	the maximum annual transaction amount payable by the APL Group to AGL in respect of the Management Services for the three financial years ending 31 December 2022;
“APL Board”	the board of directors of APL;
“APL Directors”	the director(s) of APL;
“APL Group”	APL and its subsidiaries (but excluding those in the SHK Group);
“APL Shareholder(s)”	the shareholder(s) of APL;
“associate(s)”	having the meaning ascribed thereto under the Listing Rules;
“connected person(s)”	having the meaning ascribed thereto under the Listing Rules;
“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;

“Management Services”	the management, consultancy, business development, business introduction, strategic, internal audit, management information system consultancy and all other general business advice services (as the case may be) provided by the Management Staff to the APL Group and/or the SHK Group as the context requires, as stipulated in the 2017 SHK Agreement, the 2017 APL Agreement and the 2020 Agreements;
“Management Staff”	the senior management and the selected staff of AGL;
“SHK”	Sun Hung Kai & Co. Limited, a company incorporated in Hong Kong with limited liability, the securities of which are listed on the main board of the Stock Exchange (Stock Code: 86) and a non wholly-owned subsidiary of APL;
“SHK Annual Cap(s)”	the maximum annual transaction amount payable by the SHK Group to AGL in respect of the Management Services for the three financial years ending 31 December 2022;
“SHK Board”	the board of directors of SHK;
“SHK Directors”	the director(s) of SHK;
“SHK Group”	SHK and its subsidiaries;
“SHK Shareholder(s)”	the shareholder(s) of SHK;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Substantial Shareholder(s)”	having the meaning ascribed thereto under the Listing Rules; and
“%”	per cent.

On behalf of the APL Board
Allied Properties (H.K.) Limited
Mark Wong Tai Chun
Executive Director

On behalf of the SHK Board
Sun Hung Kai & Co. Limited
Simon Chow Wing Charn
Executive Director

Hong Kong, 2 January 2020

As at the date of this joint announcement, the APL Board comprises Messrs. Lee Seng Hui (Chief Executive) and Mark Wong Tai Chun being the Executive Directors; Messrs. Arthur George Dew (Chairman) and Li Chi Kong being the Non-Executive Directors; and Messrs. Steven Samuel Zoellner, Alan Stephen Jones and David Craig Bartlett being the Independent Non-Executive Directors.

As at the date of this joint announcement, the SHK Board comprises Messrs. Lee Seng Huang (Group Executive Chairman) and Simon Chow Wing Charn being the Executive Directors; Messrs. Peter Anthony Curry and Jonathan Andrew Cimino being the Non-Executive Directors; and Mr. Evan Au Yang Chi Chun, Mr. David Craig Bartlett, Mr. Alan Stephen Jones and Ms. Jacqueline Alee Leung being the Independent Non-Executive Directors.