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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)**

### **CONTINUING CONNECTED TRANSACTIONS MASTER LEASING AGREEMENT**

#### **MASTER LEASING AGREEMENT**

On 14th February, 2020, the Company and AGL entered into the Master Leasing Agreement to regulate the Leasing Transactions between the Group and the AGL Group under a common framework agreement. Pursuant to the Master Leasing Agreement, the Group shall from time to time lease or sub-lease the Properties to any member of the AGL Group.

#### **LISTING RULES IMPLICATIONS**

AGL, the controlling shareholder of the Company, is beneficially interested in approximately 74.99% of the total number of shares in issue of the Company as at the date of this announcement. As such, the AGL Group is a connected person of the Company. Accordingly, the Leasing Transactions constitute continuing connected transactions for the Company.

As more than one of the relevant percentage ratios (other than the profits ratio) of the Company in respect of the Annual Caps for the Leasing Transactions exceed 0.1% but are less than 5%, the Leasing Transactions are only subject to the reporting, announcement and annual review requirements but exempt from independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **MASTER LEASING AGREEMENT**

Reference is made to the circular dated 20th November, 2019 in respect of the Disposal and the announcement of the Company dated 17th December, 2019 on the Completion. Members of the Group and of the AGL Group (including the Target Group which has become subsidiaries of AGL following the Completion) have in the past entered into certain leasing agreements which have not expired as at the date of this announcement. To streamline the Leasing Transactions, being continuing connected transactions, between the Group and the AGL Group under a common framework agreement, on 14th February, 2020, the Company and AGL entered into the Master Leasing Agreement to regulate the Leasing Transactions between the Group and the AGL Group.

The principal terms of the Master Leasing Agreement are as follows:

### **Date**

14th February, 2020

### **Parties**

- (1) AGL
- (2) the Company

### **General terms of the Leasing Transactions**

Pursuant to the Master Leasing Agreement, the Group shall from time to time lease or sub-lease the Properties to any member of the AGL Group, for use as offices, storage or accommodation of the chief executive officer of AGL.

The relevant members of the Group and of the AGL Group may from time to time enter into Individual Agreement(s) in relation to any Leasing Transactions upon, and subject to, the terms and conditions in compliance with the Master Leasing Agreement as may be agreed between the relevant members of the Group and of the AGL Group. All existing agreements between the relevant members of the Group and of the AGL Group in respect of the Leasing Transactions will be treated as Individual Agreements made pursuant to the Master Leasing Agreement.

For all Individual Agreements:

- (i) the term of each Individual Agreement shall be fixed and in any event shall not exceed three years, and if the term of such Individual Agreement extends beyond 13th February, 2023 (that is, the date of expiry of the Master Leasing Agreement), the Company and AGL will re-comply with the applicable requirements under the Listing Rules at the relevant time;
- (ii) the Rental payable under the Leasing Transactions shall be arrived at arm's length negotiation between the parties under normal commercial terms in the ordinary and usual course of business and determined by a pricing mechanism with reference to the prevailing market prices of comparable properties in the vicinity and shall not be lower than the prevailing market prices of comparable properties in the vicinity charged by the Group to independent third parties; and
- (iii) the total Rental receivable by the Group for each of the four years ending 31st December, 2023 shall not exceed the relevant Annual Cap.

### **Rental**

The Rental receivable by the Group from the AGL Group shall comprise rental, government rates, management fees and/or air-conditioning charges (as the case may be). Such Rental shall be payable in accordance with the Master Leasing Agreement and the relevant Individual Agreement(s).

It is further agreed by the Company and AGL that, with effect from the date of the Master Leasing Agreement, the Leasing Transactions shall be conducted in the ordinary and usual course of business on normal commercial terms, negotiated on arm's length basis, be fair and reasonable to both the Company and AGL, and at price and terms no less favourable than those charged and provided to independent third parties as tenants by the Group.

### **Duration**

The Master Leasing Agreement is for a term of three years, commencing from 14th February, 2020 and expiring on 13th February, 2023.

### **Historical figures and the Annual Caps**

The aggregate rental amounts in relation to the leasing of the Properties paid by the AGL Group or the Target Group prior to the Disposal (as the case may be) to the Group for the financial years ended 31st December, 2017, 2018 and 2019 were approximately HK\$3,200,000, HK\$6,900,000 and HK\$8,100,000, respectively.

The Annual Caps, being the maximum Rental payable by the AGL Group to the Group for the Leasing Transactions, for the financial years ending 31st December, 2020, 2021, 2022 and 2023 are HK\$10,400,000, HK\$11,100,000, HK\$11,900,000 and HK\$1,600,000, respectively. The Annual Caps have been determined by reference to:

- (i) the historical annual transaction amounts paid by the relevant members of the AGL Group or the Target Group prior to the Disposal (as the case may be) to the relevant members of the Group;
- (ii) the projected annual transaction amounts in respect of the rental receivable under the existing agreements with reference to their respective expiration dates entered into between the AGL Group and the Group;
- (iii) the projected annual transaction amounts in respect of the rental receivable under the Individual Agreements that may be entered into between the AGL Group and the Group during the term of the Master Leasing Agreement (including the renewal of the existing agreements) taking into account the anticipated growth of AGL; and
- (iv) the increase in the market rent in general.

The Annual Caps are determined based on the principal assumption that there will not be any adverse change or disruption in market conditions, operations and business environment or government policies which may materially affect the businesses of the Group and/or the AGL Group.

## **REASONS AND BENEFITS OF THE LEASING TRANSACTIONS**

The principal business activities of the Company's major subsidiaries include property investment and development. As the Leasing Transactions are expected to occur on a regular and continuing basis in the ordinary and usual course of business of the Group, the Company intends to streamline the continuing connected transactions between the AGL Group and the Group by entering into the Master Leasing Agreement to regulate the Leasing Transactions with the AGL Group under a common framework agreement. The Master Leasing Agreement provides a single basis on which the Company will comply with the reporting, announcement and independent shareholders' approval requirements, if applicable, in compliance with the Listing Rules and thereby reduce the administrative burden and costs on the Company to comply with such requirements in relation to the execution or renewal of the agreements in respect of the Leasing Transactions.

The Company and AGL agreed that the Leasing Transactions shall be conducted in the ordinary and usual course of business on normal commercial terms, negotiated on arm's length basis, be fair and reasonable to both the Company and AGL, and at price and terms no less favourable than those offered to independent third parties as tenants by the Group. As such, the Directors (including the independent non-executive Directors but excluding Messrs. Arthur George Dew, Alan Stephen Jones, David Craig Bartlett and Lee Seng Hui who have abstained from voting on the relevant board resolutions) are of the view that the Leasing Transactions are conducted in the ordinary and usual course of business of the Group, and the terms of the Master Leasing Agreement (including the Annual Caps) have been negotiated on an arm's length basis, on normal commercial terms and are fair and reasonable, and are in the interests of the Group and the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

AGL, the controlling shareholder of the Company, is beneficially interested in approximately 74.99% of the total number of shares in issue of the Company as at the date of this announcement. As such, the AGL Group is a connected person of the Company. Accordingly, the Leasing Transactions constitute continuing connected transactions for the Company.

As more than one of the relevant percentage ratios (other than the profits ratio) of the Company in respect of the Annual Caps for the Leasing Transactions exceed 0.1% but are less than 5%, the Leasing Transactions are only subject to the reporting, announcement and annual review requirements but exempt from independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Arthur George Dew (being the chairman and a non-executive Director of the Company) is also the chairman and a non-executive director of AGL. Messrs. Alan Stephen Jones and David Craig Bartlett, being independent non-executive Directors, are also independent non-executive directors of AGL. They have voluntarily abstained from voting on the relevant board resolutions of the Company although they were not considered by the Board to be materially interested in the Leasing Transactions.

Mr. Lee Seng Hui (being the chief executive and an executive Director of the Company) is also the chief executive and an executive director of AGL and also one of the trustees of the 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. AGL is directly and indirectly interested in an aggregate of approximately 74.99% of the total number of shares in issue of the Company. As such, Mr. Lee Seng Hui is deemed to be interested in the Leasing Transactions and has abstained from voting on the relevant board resolutions of the Company.

None of the Directors, except for Mr. Lee Seng Hui as disclosed above, has any material interest in the Leasing Transactions and is required to abstain from voting on the board resolutions approving the Leasing Transactions.

The Directors (including the independent non-executive Directors but excluding Messrs. Arthur George Dew, Alan Stephen Jones, David Craig Bartlett and Lee Seng Hui who have abstained from voting on the relevant board resolutions) are of the view that the Leasing Transactions are conducted in the ordinary and usual course of business of the Group, and the terms of the Master Leasing Agreement (including the Annual Caps) were entered into after arm's length negotiations and reflect normal commercial terms, are fair and reasonable so far as the Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

## **INFORMATION ON THE PARTIES TO THE LEASING TRANSACTIONS**

### **The Company**

The Company is 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 the Company 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 announcement, the Company is beneficially owned as to approximately 74.99% by AGL.

### **AGL**

AGL is 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 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 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.

## DEFINITIONS

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

“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);
“AGL Group”	AGL and its subsidiaries from time to time, but excluding the Group;
“Annual Caps”	the maximum Rental payable by the AGL Group to the Group pursuant to the Master Leasing Agreement;
“Board”	the board of the Directors;
“Company”	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), the vendor of the Disposal and a non wholly-owned subsidiary of AGL;
“Completion”	the completion of the Disposal which took place on 17th December, 2019;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Disposal”	the disposal of two shares in the Target Company (representing the entire issued share capital of the Target Company) by the Company to Allied Services Hong Kong Limited, a wholly-owned subsidiary of AGL, pursuant to the sale and purchase agreement dated 18th October, 2019;
“Group”	the Company and its subsidiaries from time to time;

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China;
“Individual Agreement(s)”	future individual agreement(s) which may be entered into between the relevant members of the Group and of the AGL Group from time to time in relation to any of the Leasing Transactions at any time during the term of the Master Leasing Agreement, including tenancy agreement, leasing agreement or licensing agreement;
“Leasing Transactions”	all existing and future transactions between the Group and the AGL Group regarding the Group leasing or sub-leasing the Properties to the AGL Group as contemplated under the Master Leasing Agreement;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Master Leasing Agreement”	the agreement dated 14th February, 2020 entered into between the Company and AGL for leasing or sub-leasing of the Properties by the Group to the AGL Group;
“percentage ratio(s)”	percentage ratio(s) as set out in Rule 14.07 of the Listing Rules to be applied for determining the classification of a transaction;
“Properties”	the properties owned by the Group or sub-let from any landlord to the Group from time to time;
“Rental”	the fees payable by the AGL Group to the Group pursuant to the Leasing Transactions which comprises rental, government rates, management fees and/or air-conditioning charges (as the case may be);
“Shareholders”	the holder(s) of the ordinary share(s) of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;



“subsidiary(ies)”	has the meaning ascribed to it under the Companies Ordinance (Chapter 622 of the laws of Hong Kong);
“Target Company”	AP Elderly Care Limited, a company incorporated in the British Virgin Islands with limited liability, and has become an indirect wholly-owned subsidiary of AGL upon the Completion;
“Target Group”	the Target Company and its subsidiaries; and
“%”	per cent.

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

Hong Kong, 14th February, 2020

*As at the date of this announcement, the 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.*