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(Incorporated in Hong Kong with limited liability)

(Stock Code: 86)

CONNECTED TRANSACTION LEASE

On 24 July 2020, the Tenant accepted the Offer Letter issued from the Landlord in relation to the leasing of the Premises for a term of four (4) years commencing from 24 July 2020 and expiring on 23 July 2024 (both days inclusive).

LISTING RULES IMPLICATIONS

In accordance with HKFRS 16 “Leases”, the Company will recognize a right-of-use asset on its consolidated statement of financial position in respect of the Lease. Accordingly, the entering into of the Lease will be regarded as an acquisition of asset by the Group for the purpose of the Listing Rules.

As the Tenant is an indirect wholly-owned subsidiary of the Company, the entering into of the Lease is regarded as a transaction for the Company under the Listing Rules as the definition of “listed issuer” under the Listing Rules includes the listed issuer’s subsidiaries.

As at the date of this announcement, the Company is held as to approximately 62.61% by APL, being a Substantial Shareholder of the Company. The Landlord is an indirect wholly-owned subsidiary of APL and is regarded as a connected person of the Company under the Listing Rules. Accordingly, the entering into of the Lease would constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the relevant applicable percentage ratios exceeds 0.1% but is less than 5%, the Lease is subject to the reporting and announcement requirements but is exempt from the circular (including independent financial advice) and independent Shareholders’ approval requirements pursuant to Rule 14A.76(2) of the Listing Rules.

INTRODUCTION

On 24 July 2020, the Tenant, an indirect wholly-owned subsidiary of the Company, accepted a legally binding Offer Letter issued from the Landlord in relation to the leasing of the Premises for a term of four (4) years commencing from 24 July 2020 and expiring on 23 July 2024 (both days inclusive), subject to the Tenant's option to renew the term for two (2) additional three-year periods.

OFFER LETTER FOR THE LEASE

The principal terms of the Offer Letter for the Lease are as follows:

Date:	24 July 2020
Parties:	SHK Investment Services Limited as the Tenant; and Hillcrest Development Limited as the Landlord
Premises:	the house located at No. 60 Plantation Road, the Peak, Hong Kong
Term:	a term of four (4) years commencing from 24 July 2020 to 23 July 2024 (both days inclusive)
Renewal option:	the Tenant has an option to renew the tenancy for two (2) additional three-year periods each at open market rent commencing at the expiration of the initial lease term
Rent:	HK\$850,000 per month, inclusive of government rent but exclusive of management fees and rates
Rent free period:	from 24 July 2020 to 31 October 2020 but the Tenant shall pay rates during the rent-free period
Holding deposit:	HK\$850,000 (equivalent to one (1) month's rent) payable by the Tenant to the Landlord upon signing of the Offer Letter and shall be applied towards the rent for the first month of the Lease immediately after the aforesaid rent free period

Security deposit: HK\$1,700,000 (equivalent to two (2) months' rent) payable by the Tenant to the Landlord upon the entering into of the Tenancy Agreement

Tenancy Agreement: the parties shall enter into the Tenancy Agreement according to the terms of the Offer Letter on or before 23 August 2020, failing which the Offer Letter shall be null and void and the aforesaid holding deposit in the sum of HK\$850,000 shall be forfeited to the Landlord

Based on the monthly rent and the security deposit, and taking into account the aggregate rent-free period under the Offer Letter, the aggregate amount payable by the Tenant under the Offer Letter (assuming that the Tenant shall exercise the option to renew for two additional three-year periods at the same monthly rent) will be approximately HK\$100,931,000 and is expected to be financed by the internal resources of the Group.

RIGHT-OF-USE ASSET

The value of the right-of-use asset to be recognized by the Company under the Lease amounts to approximately HK\$80,696,000 which is the present value of aggregated lease payments to be made (assuming that the Tenant shall exercise the option to renew for two additional three-year periods at the same monthly rent) under the Lease in accordance with HKFRS 16 "Leases".

REASONS FOR AND BENEFITS OF ACCEPTING THE OFFER LETTER

The purpose of accepting the Offer Letter is to facilitate a suitable residential accommodation for Mr. Lee Seng Huang (the Group Executive Chairman and an Executive Director of the Company) under his employment contract. The Offer Letter was issued by the Landlord and accepted by the Tenant after arm's length negotiation and the rental amount of the Premises has been determined with reference to the prevailing market rent as advised by the independent property valuers. Having regard to the prevailing market rent level as advised by the independent property valuers and the rental payable by the Tenant under the Offer Letter, the Directors (including the Independent Non-Executive Directors) consider that the terms of the Offer Letter are fair and reasonable and on normal commercial terms, and in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

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As the Tenant is an indirect wholly-owned subsidiary of the Company, the entering into of the Lease is regarded as a transaction for the Company under the Listing Rules as the definition of “listed issuer” under the Listing Rules includes the listed issuer’s subsidiaries.

As at the date of this announcement, the Company is held as to approximately 62.61% by APL, being a Substantial Shareholder of the Company. The Landlord is an indirect wholly-owned subsidiary of APL and is regarded as a connected person of the Company under the Listing Rules. Accordingly, the entering into of the Lease would constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the relevant applicable percentage ratios exceeds 0.1% but is less than 5%, the Lease is subject to the reporting and announcement requirements but is exempt from the circular (including independent financial advice) and independent Shareholders’ approval requirements pursuant to Rule 14A.76(2) of the Listing Rules.

As at the date of this announcement, (i) Mr. Lee Seng Huang (the Group Executive Chairman and an Executive Director of the Company), Mr. Lee Seng Hui and Ms. Lee Su Hwei are the trustees of Lee and Lee Trust, being a discretionary trust which together with the personal interest of Mr. Lee Seng Hui, 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; and (ii) the provision of residential accommodation is part of Mr. Lee Seng Huang’s employment contract. Accordingly, Mr. Lee Seng Huang is deemed to be interested in the Lease and has abstained from voting on the relevant board resolutions of the Company.

Apart from the above, none of the Directors has any material interest in the Lease or is required to abstain from voting on the board resolutions of the Company approving the Offer Letter and the transactions contemplated thereunder.

INFORMATION ON THE COMPANY, APL, AGL, THE TENANT AND THE LANDLORD

The Company

The Company 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 the Company is investment holding. The principal business activities of its major subsidiaries are financing and investing. In terms of financing, the Group operates businesses that engage in consumer finance, specialty finance and mortgage loans. In terms of investing, the Group is engaged in investment management and strategic investments. As at the date of this announcement, the Company is beneficially owned as to approximately 62.61% by APL.

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 announcement, APL is beneficially owned as to approximately 74.99% by AGL.

AGL

AGL 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 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.

The Tenant

The Tenant is a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company. The principal business activity of the Tenant is asset holding.

The Landlord

The Landlord is a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of APL. The principal business activity of the Landlord is property investment.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“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), being a holding company of 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 the Company and a non wholly-owned subsidiary of AGL
“Board”	the board of Directors
“Company”	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
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars

“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Landlord”	Hillcrest Development Limited, a company incorporated in Hong Kong with limited liability, and an indirect wholly-owned subsidiary of APL, which holds the Premises
“Lease”	the leasing of the Premises under the Offer Letter
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Offer Letter”	the offer letter issued by the Landlord on 24 July 2020 and accepted by the Tenant in relation to the leasing of the Premises
“PRC”	the People’s Republic of China
“Premises”	the house located at No. 60 Plantation Road, the Peak, Hong Kong with a gross floor area of approximately 6,882 square feet and carpark, garden/terrace and roofs, and is held by the Landlord for investment purposes
“Shareholder(s)”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Substantial Shareholder”	has the meaning ascribed to it under the Listing Rules
“Tenancy Agreement”	a tenancy agreement to be entered into between the Landlord and the Tenant on or before 23 August 2020 in accordance with the terms of the Offer Letter

“Tenant” SHK Investment Services Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company

“%” per cent.

By Order of the Board
Sun Hung Kai & Co. Limited
Simon Chow Wing Charn
Executive Director

Hong Kong, 24 July 2020

As at the date of this announcement, the Board comprises:

Executive Directors:

Messrs. Lee Seng Huang (*Group Executive Chairman*) and Simon Chow Wing Charn

Non-Executive Directors:

Messrs. Peter Anthony Curry and Jonathan Andrew Cimino

Independent Non-Executive Directors:

Mr. Evan Au Yang Chi Chun, Mr. David Craig Bartlett, Mr. Alan Stephen Jones and Ms. Jacqueline Alee Leung