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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Sun Hung Kai & Co. Limited, you should at once hand this circular to the purchaser or transferee or to the bank, the licensed securities dealer, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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MAJOR TRANSACTION

EXERCISE OF PUT RIGHT BY THE COMPANY

Financial Adviser to the Company



Capitalised terms used on this cover shall have the same meanings as those defined in this circular, unless the context requires otherwise.

A letter from the Board is set out on pages 5 to 13 of this circular.

The Company has obtained written Shareholders' approval for the Transaction and the transactions contemplated thereunder pursuant to Rule 14.44 of the Listing Rules from the relevant Shareholder who holds more than 50% of the total issued Shares giving the right to attend and vote at a general meeting. Accordingly, no Shareholders' meeting will be held to approve the Transaction and the transactions contemplated thereunder pursuant to Rule 14.44 of the Listing Rules.

This circular is being despatched to the Shareholders for information only.

8 December 2020

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DEFINITIONS

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

“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)
“Amended and Restated Shareholders’ Agreement”	the shareholders’ agreement dated 17 November 2020 entered into between the Company, ESFH and SHKFGL which amends and restates the Original Shareholders’ Agreement
“Amended and Restated Trade Mark Licence”	the amended and restated trade mark licence agreement dated 17 November 2020 entered into between the Company, SHKFGL, EBSHK and ESIL which amends and restates the trade mark licence agreement dated 2 June 2015
“Announcements”	the announcements jointly issued by the Company, AGL and APL dated 17 November 2020 and 18 November 2020 in relation to the Transaction
“APL”	Allied Properties (H.K.) Limited, a company incorporated in Hong Kong with limited liability, the shares of which were withdrawn from listing on the main board of the Stock Exchange on 27 November 2020 and an indirect wholly-owned subsidiary of AGL
“Board”	the board of directors of the Company
“Charge Agreement”	the charge agreement dated 17 November 2020 entered into between the Company and the Chargors
“Chargors”	Sun Hung Kai Investment Services Limited and Structured Solutions Limited, both incorporated in Hong Kong with limited liability and are indirect wholly-owned subsidiaries of SHKFGL
“Companies Act”	BVI Business Companies Act and any of its amendment acts
“Company”	Sun Hung Kai & Co. Limited, a company incorporated in Hong Kong with limited liability, the securities of which are listed on the Stock Exchange (Stock Code: 86)

DEFINITIONS

“Condition”	the condition of the Repurchase and Subscription Agreement as set out in the section headed “Condition Precedent” in this circular
“Consideration”	(i) cash payment of HK\$1,257,106,447; and (ii) 90,365,142 SHKFGL Preference Shares at the Subscription Price of HK\$1,156,000,000
“CSRC”	the China Securities Regulatory Commission
“EBS”	Everbright Securities Company Limited (光大證券股份有限公司), a company incorporated in the PRC with limited liability and listed on the Shanghai Stock Exchange (Stock Code: 601788) and the main board of the Stock Exchange (Stock Code: 6178)
“EBSHK”	Everbright Sun Hung Kai Company Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of SHKFGL
“ESFH”	Everbright Securities Financial Holdings Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of EBS
“ESIL”	Everbright Securities (International) Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of ESFH
“Excluded Loan Contract”	any amount due and payable under such loan contract (original) and/or such loan contract (supplemental) is unpaid (whether on its maturity date or otherwise); or such loan contract (original) and/or such loan contract (supplemental) contains contractual restrictions in connection with the provision of security constituted by the Charge Agreement and/or any supplemental Chargor or in respect of the transfer or assignment of rights by the relevant Chargor under or in respect of such loan contract (original) and/or such loan contract (supplemental); or the inclusion of such loan contract (original) and/or such loan contract (supplemental) in the loan balance would result, as reasonably determined by the the Company, in a breach or violation by the Company of any applicable law, rule or regulation

DEFINITIONS

“Group”	The Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Latest Practicable Date”	3 December 2020, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Original Sale and Purchase Agreement”	the sale and purchase agreement dated 1 February 2015 entered into between the Company and ESFH in relation to the 70% Disposal and the transactions contemplated thereunder
“Original Shareholders’ Agreement”	the shareholders’ agreement dated 2 June 2015, entered into between the Company, ESFH and SHKFGL as part of the transaction of the 70% Disposal, which is amended and restated by the Amended and Restated Shareholders’ Agreement
“PRC”	People’s Republic of China, which for the purpose of this circular shall exclude Hong Kong, Taiwan and the Macau Special Administrative Region of the People’s Republic of China
“Preferred Dividend”	a fixed, cumulative preferential dividend of 8.5% per annum accruing on each SHKFGL Preference Share
“Put Option Period”	the period which the Company can exercise its Put Right, from the period of six months commencing on the third anniversary of completion of the 70% Disposal, which is 2 December 2018, to the period of six months commencing on the fifth anniversary of the 70% Disposal, which is 2 December 2020
“Put Right”	the put right to require ESFH to buy part or all of the shares in SHKFGL in cash held by the Company as stated in the Original Shareholders’ Agreement
“Repurchase and Subscription Agreement”	the repurchase and subscription agreement dated 17 November 2020 entered into between the Company, ESFH and SHKFGL
“SFC”	the Securities and Futures Commission

DEFINITIONS

“Share Sale Completion”	completion of the Share Sale
“Share(s)”	ordinary share(s) in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“SHKFGL”	Sun Hung Kai Financial Group Limited (新鴻基金融集團有限公司), a company incorporated in the British Virgin Islands with limited liability
“SHKFGL Group”	SHKFGL and its subsidiaries
“SHKFGL Preference Share(s)”	redeemable preference share(s) issued by SHKFGL
“SHKFGL Share(s)”	ordinary share(s) in the share capital of SHKFGL
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Completion”	completion of the Subscription
“Subscription Price”	HK\$1,156,000,000 payable by ESFH to SHKFGL for the subscription of 90,365,142 SHKFGL Preference Shares pursuant to the Repurchase and Subscription Agreement
“Subscription Shares”	90,365,142 SHKFGL Preference Shares
“Transaction”	the sale and purchase of 30% equity interest in SHKFGL by the Company to ESFH under the Repurchase and Subscription Agreement and the transactions contemplated under the Amended and Restated Shareholders’ Agreement, the Charge Agreement and the Amended and Restated Trade Mark Licence
“70% Disposal”	the disposal of 70% equity interest in SHKFGL by the Company to ESFH under the Original Sale and Purchase Agreement
“%”	per cent



(Incorporated in Hong Kong with limited liability)
(Stock Code: 86)

Executive Directors:

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

Non-Executive Directors:

Peter Anthony Curry
Jonathan Andrew Cimino

Independent Non-Executive Directors:

Evan Au Yang Chi Chun
David Craig Bartlett
Alan Stephen Jones
Jacqueline Alee Leung

Registered office:

42/F, Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

8 December 2020

To the Shareholders

Dear Sir/Madam,

MAJOR TRANSACTION

EXERCISE OF PUT RIGHT BY THE COMPANY

INTRODUCTION

References are made to (i) the announcements dated 2 February 2015, 2 June 2015, 17 November 2020 and 18 November 2020 jointly issued by AGL, APL and the Company; and (ii) the circular dated 27 February 2015 issued by the Company, in relation to the 70% Disposal.

On 1 February 2015, the Company and ESFH entered into the Original Sale and Purchase Agreement for the sale and purchase of 70% equity interest in SHKFGL. Completion of the 70% Disposal took place on 2 June 2015. On the same date, the Company and ESFH entered into the Original Shareholders' Agreement to regulate the management of SHKFGL and their relationship with each other as shareholders.

As part of the Original Shareholders' Agreement, the Company and ESFH agreed that the Company could during the Put Option Period, exercise the Put Right to require ESFH to buy part or all of the shares the Company holds in SHKFGL.

LETTER FROM THE BOARD

EXERCISE OF THE PUT RIGHT

On 17 November 2020, the Company, ESFH and SHKFGL entered into the Repurchase and Subscription Agreement to exercise the Put Right to require ESFH to buy the remaining 30% shareholding in SHKFGL held by the Company at the Consideration of (i) HK\$1,257,106,447 in cash; and (ii) HK\$1,156,000,000 in SHKFGL Preference Shares.

As part of the Transaction, on 17 November 2020, the Company and respective parties also entered into the Amended and Restated Shareholders' Agreement, the Charge Agreement and the Amended and Restated Trade Mark Licence.

Repurchase and Subscription Agreement

Date: 17 November 2020

Parties: (1) the Company;
(2) ESFH; and
(3) SHKFGL

Based on the confirmation of ESFH, and to the best knowledge, information and belief of the Directors, having made all reasonable enquiries, save as ESFH is the controlling shareholder of SHKFGL, ESFH and its ultimate beneficial owner are third parties independent of the Company and their respective connected persons (as defined under the Listing Rules).

In exercising the Put Right:

- (i) the Company shall sell and ESFH shall purchase 90,365,142 SHKFGL Shares, representing 30% of the entire issued share capital of SHKFGL and together with all of the Company's rights, title and interest to the SHKFGL Shares, free and clear of all encumbrances for a cash consideration of HK\$1,257,106,447 and an undertaking by ESFH to transfer the Subscription Shares to the Company (the "Share Sale");
- (ii) SHKFGL shall repurchase from ESFH and cancel the SHKFGL Shares purchased by ESFH from the Company; and
- (iii) in consideration of the repurchase, ESFH will then subscribe for 90,365,142 SHKFGL Preference Shares at the Subscription Price of HK\$1,156,000,000 to be allotted and issued by SHKFGL, which will be transferred to the Company as remaining part of the Consideration (together with (ii), the "Subscription").

LETTER FROM THE BOARD

Consideration

The total Consideration for the sale and purchase of 90,365,142 SHKFGL Shares consists of (i) cash payment of HK\$1,257,106,447; and (ii) 90,365,142 SHKFGL Preference Shares at the Subscription Price of HK\$1,156,000,000.

The Consideration was determined after arm's length negotiations between the Company and ESFH with reference to the put exercise price under the Original Sale and Purchase Agreement, which is equivalent to the initial consideration per SHKFGL Share paid under the Original Sale and Purchase Agreement, plus a guaranteed yield of 8.8% per annum (inclusive of dividends declared and received).

Condition Precedent

The Share Sale Completion was subject to the SHK Shareholders having passed a resolution at an extraordinary general meeting or by way of written resolution (if applicable), to approve the terms of, and the documents under the Transaction and in accordance with the Listing Rules.

The above Condition has been fulfilled as at the date of the Repurchase and Subscription Agreement.

Share Sale Completion and Subscription Completion

The Share Sale Completion took place on the date of the Repurchase and Subscription Agreement. Subscription Completion took place on 18 November 2020.

Amended and Restated Shareholders' Agreement

The Company, ESFH and SHKFGL entered into the Amended and Restated Shareholders' Agreement on 17 November 2020 to put in place the appropriate governance structure commensurate with their new relationship and the structure of SHKFGL, including but not limited to, terms relating to the SHKFGL Preference Shares, SHKFGL board representation, non-competition undertaking, restrictions on transfer of SHKFGL Shares and other reserved matters.

LETTER FROM THE BOARD

Terms relating to SHKFGL Preference Shares

Redemption: Redeemable and are subject to mandatory redemption, SHKFGL shall redeem 30,121,714 SHKFGL Preference Shares (being one third of the 90,365,142 SHKFGL Preference Shares transferred to the Company) on each of 1 June 2021, 1 June 2022 and 1 June 2023.

EFSH may in its sole discretion, require SHKFGL to redeem the remaining number of SHKFGL Preference Shares (after each mandatory redemption as mentioned above) on each of 1 June 2021, 1 December 2021, 1 June 2022 and 1 December 2022 in accordance with the Amended and Restated Shareholders' Agreement.

In the event that SHKFGL fails to pay the redemption premium (as stated below) upon redemption or occurrence of certain default event under the Amended and Restated Shareholders' Agreement, the Company may require SHKFGL to redeem all of the outstanding SHKFGL Preference Shares.

Redemption premium: Upon redemption, holder(s) of SHKFGL Preference Shares shall receive cash equivalent to 107% of the Subscription Price, plus all accrued and unpaid Preferred Dividend calculated up to and including the date of redemption.

The combined Preferred Dividend and redemption premium will be reduced upon early redemption, subject to due performance of the Amended and Restated Shareholders' Agreement.

Preferred Dividend: A fixed, cumulative, Preferred Dividend at a rate of 8.5% of the Subscription Price per annum from the date of issue, which shall accrue from day to day.

Subject to the Companies Act, the Preferred Dividend accrued shall be payable on first of June every year.

LETTER FROM THE BOARD

Liquidation: In case of any liquidation, winding-up or dissolution of SHKFGL, the available assets of SHKFGL shall be distributed in cash on each SHKFGL Preference Share in priority to distribution on any ordinary share of SHKFGL, up to an amount equal to:

- (a) 100% of the price of the SHKFGL Preference Shares (as adjusted for any subdivisions and/or consolidations); plus
- (b) all accrued and unpaid Preferred Dividend.

Voting rights: The SHKFGL Preference Shares confer and carry the right to vote (one vote per SHKFGL Preference Shares), and shall confer the right to receive notice of and attend any general meeting of SHKFGL; provided that in relation to matters that do not require the consent of the Company under the Amended and Restated Shareholders' Agreement, the Company shall not exercise the right to vote in relation to the SHKFGL Preference Shares it holds at the relevant time.

SHKFGL Board Representation

The board of directors of SHKFGL shall consist of six (6) directors. The Company and ESFH shall be entitled to appoint one (1) and five (5) directors of SHKFGL, respectively.

Except for certain reserved matters which shall require the consent of the Company or its nominated director to the board of directors of SHKFGL, all decisions regarding the day-to-day operations and management of SHKFGL and the SHKFGL Group shall be resolved by the board of directors of SHKFGL by way of a simple majority vote.

Non-Competition Undertaking

The Company undertakes to ESFH that for a period of eighteen (18) months starting from the date of Share Sale Completion, the Company and its subsidiaries shall not either alone or jointly with any person, carry on any SFC regulated business of retail brokerage and retail wealth management in Hong Kong, and the equivalent business in the United Kingdom of Great Britain, Australia, Macau and the PRC.

LETTER FROM THE BOARD

Restriction on Transfer of SHKFGL Shares

Other than the redemption of the SHKFGL Preference Shares, none of the Company and ESFH shall transfer any SHKFGL Share, SHKFGL Preference Share or other security issued by SHKFGL to a party that is not their respective affiliate without prior written consent from the other party.

Charge Agreement

To secure the obligation of SHKFGL under the Amended and Restated Shareholder's Agreement, the Company and the Chargors entered into the Charge Agreement on 17 November 2020, pursuant to which, each of the Chargors agrees to charge in favour of the Company, including but not limited to, their respective loan portfolio as a continuing security for the payment, discharge and satisfaction of obligation due or owing by SHKFGL to the Company for redeeming the SHKFGL Preference Shares among other obligations under the Amended and Restated Shareholders' Agreement.

Each Chargor shall ensure that, at all times, commencing from the date after 14 days after the date of the Charge Agreement, the loan balance of the charged loan portfolio, after taking into account the Excluded Loan Contract, as at the relevant time set out below shall not be less than the required loan balance:

Relevant time	Required loan balance
Any time after 14 days after the date of the Charge Agreement but on or before 1 June 2021	HK\$1,260,000,000
Any time after 1 June 2021 but on or before 1 June 2022	HK\$850,000,000
Any time after 1 June 2022 and until no SHKFGL Preference Share is outstanding	HK\$440,000,000

The required loan balance of the charged loan portfolio is sufficient to cover the total redemption premium of the outstanding SHKFGL Preference Shares except for the period between 1 June 2021 to 1 June 2022 which has a shortfall of approximately HK\$14.1 million. The terms of the Charge Agreement, including the required loan balance, were determined after arm's length negotiations between the Company and the Chargors. The Board is of the view that since the shortfall between 1 June 2021 to 1 June 2022 only represents approximately 1.6% of the redemption premium of the outstanding SHKFGL Preference Shares for the period, the shortfall does not pose a material risk to the Company.

The balance of the loan portfolio charged by the Chargors shall be adjusted in accordance to redemption status of the SHKFGL Preference Shares and the Chargors obligation shall be released upon redemption of the SHKFGL Preference Shares in full.

Amended and Restated Trade Mark Licence

The Company, SHKFGL, EBSHK and ESIL entered into the Amended and Restated Trade Mark Licence on 17 November 2020, pursuant to which the Company agreed to extend SHKFGL, EBSHK and ESIL certain rights to use the trademarks and domain names used for their existing business operations of the SHKFGL for a further eighteen (18) months following Share Sale Completion (i.e. on 17 November 2020).

LETTER FROM THE BOARD

INFORMATION ABOUT THE COMPANY

The Company is 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, it operates businesses that engage in consumer finance, specialty finance and mortgage loans. Investing seeks returns across a broad range of sectors, strategies and geographies.

As at the Latest Practicable Date, the Company is beneficially owned as to approximately 62.83% by AP Emerald Limited, an indirect wholly-owned subsidiary of AGL.

INFORMATION ABOUT ESFH AND SHKFGL

ESFH

ESFH is a wholly-owned subsidiary of EBS, a joint stock company incorporated in the PRC and listed on the Shanghai Stock Exchange and the Stock Exchange. The business scope of the EBS includes securities brokerage, securities investment consulting, financial advisory relating to securities trading and securities investment, securities underwriting and sponsorship, proprietary trading of securities, intermediary introduction business for futures companies, proxy sale of securities investment funds, margin financing and securities lending business, proxy sale of financial products, market making of stocks and options and other businesses approved by the CSRC.

SHKFGL

SHKFGL is a company incorporated in the British Virgin Islands with limited liability. The principal business activity of SHKFGL is investment holding. SHKFGL Group is a leading wealth management institution with five key business segments, including wealth management, corporate finance and capital markets, institutional business, asset management, investment and financing, serving individual, corporate and institutional clients in Hong Kong, Macau, PRC and the United Kingdom.

Prior to Share Sale Completion, SHKFGL was owned as to 70% by ESFH and 30% by the Company.

LETTER FROM THE BOARD

The following is a summary of the audited consolidated financial information of the SHKFGL for the two financial years ended 31 December 2018 and 2019:

	For the year ended 31 December 2018 HK\$'000	For the year ended 31 December 2019 HK\$'000
Profit before taxation	372,534	368,323
Profit after taxation	328,457	336,777

The aforesaid audited consolidated financial information of the SHKFGL are for illustration purposes and is prepared based on the audited financial statements of the SHKFGL Group. As of 31 December 2019, the audited consolidated net asset value of SHKFGL amounted to approximately HK\$3,238,224,000.

REASONS FOR AND BENEFIT OF THE TRANSACTION

The Board considers the exercise of Put Right as part of the arrangement of the 70% Disposal and the Transaction will generate cash inflow, thereby strengthening the capital position of the Company and enabling the Company to pursue business growth in other areas.

The Consideration was determined after arm's length negotiations between ESFH and the Company with reference to the put exercise price under the Original Sale and Purchase Agreement, and is on normal commercial terms. In view of the above, the Board is of the view that the terms of the Transaction are on normal commercial terms and the Transaction is fair and reasonable, and in the interests of the Company and the Shareholders taken as a whole.

FINANCIAL EFFECTS OF AND USE OF PROCEEDS FROM THE EXERCISE OF PUT RIGHT

It is expected that, subject to audit, (i) as at the time of the Share Sale Completion the Company will not record any gain or loss on the Transaction as the Consideration is equal to the combined value of the carrying amount of 30% equity interest in SHKFGL and the fair value of the Put Right, as the guaranteed yield of 8.8% per annum on the 90,365,142 SHKFGL Shares held by the Company pursuant to the Original Shareholders' Agreement has been accrued in the Company's financial statements since 2015; and (ii) the Transaction will not result in any change in the net asset value of the Group.

As at 30 June 2020, the fair value of the Put Right amounted to approximately HK\$1,422.0 million and the estimated carrying amount of the Company's 30% equity interest in SHKFGL amounted to approximately HK\$918.0 million, representing a difference of approximately HK\$73.1 million when compared to the Consideration. The difference is mainly attributable to changes in fair value of the Put Right and carrying amount of the Company's 30% equity interest in SHKFGL from 1 July 2020 up to the day of the date of the Repurchase and Subscription Agreement.

LETTER FROM THE BOARD

Share Sale Completion and Subscription Completion took place on 17 November 2020 and 18 November 2020 respectively, the Company ceased to hold any equity interest of SHKFGL (other than the SHKFGL Preference Shares).

The gross Consideration consists of cash consideration of HK\$1,257,106,447 and 90,365,142 non-listed SHKFGL Preference Shares. The Company intends to apply the net proceeds (i) for business expansion in investment management and specialty finance; (ii) for the purpose of general working capital; and (iii) for dividend to the Shareholders.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Transaction exceeds 25% but is less than 75%, the Transaction constitutes a major transaction for the Company, and is therefore subject to the reporting, announcement and Shareholders' approval requirements pursuant to Chapter 14 of the Listing Rules.

As no Shareholder is required to abstain from voting at the general meeting of the Company to be convened for the approval of the Transaction, the Company obtained a written shareholder's approval from its controlling shareholder, namely AP Emerald Limited, an indirect wholly-owned subsidiary of AGL, which holds 1,245,582,575 Shares as at the Latest Practicable Date (representing approximately 62.83% of the total number of shares in issue of the Company), for approving the Transaction in lieu of holding a general meeting of the Company, pursuant to Rule 14.44 of the Listing Rules.

RECOMMENDATION

The Board considers that the terms of the Transaction and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable, and the entering into of the Repurchase and Subscription Agreement, Amended and Restated Shareholders' Agreement, Charge Agreement and Amended and Restated Trade Mark Licence is in the interests of the Company and the Shareholders as a whole.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

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

1. FINANCIAL SUMMARY

The audited consolidated financial statements of the Group for the three years ended 31 December 2017, 2018 and 2019 and the unaudited consolidated financial statements of the Group for the six months ended 30 June 2020 have been set out in the following documents which have been published on both the website of the Stock Exchange (<http://www.hkex.com.hk>) and the website of the Company (<https://www.shkco.com/html/>). Please refer to the hyperlinks as stated below:

- (i) 2017 annual report, published on 19 April 2018, pages 60-115:
<https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0419/ltn20180419876.pdf>
- (ii) 2018 annual report, published on 10 April 2019, pages 69-140:
<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0410/ltn20190410469.pdf>
- (iii) 2019 annual report, published on 20 April 2020, pages 79-156:
<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0420/2020042001081.pdf>
- (iv) 2020 interim report, published on 7 September 2020, pages 23-47:
<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0907/2020090700438.pdf>

2. STATEMENT OF INDEBTEDNESS

At the close of business on 31 October 2020, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Group had outstanding borrowings of approximately HK\$16,215,378,000, comprising of: (i) secured and guaranteed bank loans of approximately HK\$265,835,000; (ii) unsecured and guaranteed bank borrowings of approximately HK\$1,585,351,000; (iii) unsecured and unguaranteed bank loans of approximately HK\$6,101,425,000; (iv) unsecured and unguaranteed other borrowings of approximately HK\$64,713,000 and (v) unsecured and guaranteed notes of approximately HK\$8,198,054,000. The Group's secured borrowings were secured by investment properties, bank deposits and bank balances held by the Group.

The Group recognised right-of-use assets and corresponding lease liabilities in respect of all leases unless they qualify for low value or short-term lease. The lease liabilities represent obligation to make lease payment for right of using underlying assets. As at 31 October 2020, the Group had lease liabilities of approximately HK\$263,517,000 of which (i) approximately HK\$261,137,000 were secured by rental deposits and unguaranteed and (ii) approximately HK\$2,380,000 were unsecured and unguaranteed.

In addition, the Group had contingent liabilities relating to guarantees to a joint venture in the amount of approximately HK\$108,880,000 and an independent third party of approximately HK\$387,600,000.

Foreign currency amounts have been translated into Hong Kong dollars at the rates of exchange prevailing at the close of business on 31 October 2020.

Save as aforesaid and apart from intra-group liabilities, the Group did not have any outstanding mortgages, charges, debentures, other loan capital, bank overdrafts, loans or other similar indebtedness, hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities as at the close of business on 31 October 2020.

3. WORKING CAPITAL

The Directors are of the opinion that taking into account of the Group's internal resources, cash flow from operations, credit facility and the net proceeds from the Transaction, the Group will have sufficient working capital for a period of 12 months from the date of this circular.

4. FINANCIAL AND TRADING PROSPECTS

As disclosed in the Company's interim report for the six months ended 30 June 2020, as global markets wrestle with unprecedented shocks and sharp increases in volatility from the COVID-19 pandemic, the financial performance of the Company remains solid. The Company remained liquid and profitable for the first half of 2020, and have adopted risk reducing strategies, and remained well-positioned for new business opportunities.

The Company have moved more of the PRC consumer finance business online to mitigate the negative effects of COVID-19. The Company's Hong Kong consumer finance business remained stable in terms of profitability and credit quality.

Mortgage loans business has maintained in scale and profitability.

The investment management business felt the impact of the volatile markets after a strong 2019 and has been actively managing the investment portfolio through these difficult market conditions, nonetheless, it has committed to several new investments and expect to continue to deploy capital. The Company plans to launch a fund management platform in 2021, and believe this platform will add additional assets and revenue to the Group.

The Group will maintain diversified funding sources and liquid assets to provide staying power and enable business development. The Group will remain cautious in lending and investment businesses, and are retaining additional liquidity on balance sheet.

Given the ongoing global economic uncertainties, the Group will continue its business model and aims to deliver strong performance over the long term with sound governance and risk controls.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular, is accurate and complete in all material respects and not misleading or deceptive, and there is no omission of other matters which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(A) Directors' and chief executive's interests and short positions in Shares, underlying Shares and debentures

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they had taken or deemed to have taken under such provisions of the SFO); or (b) were recorded in the register required to be kept under Section 352 of the SFO; or (c) were otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in the Listing Rules were as follows:

Name of Directors	Capacity	Number of Shares and underlying Shares	Approximate % of the total number of issued Shares
Lee Seng Huang	Interests of controlled corporation (<i>Note 1</i>)	1,442,182,575 (<i>Note 2</i>)	72.74%
Simon Chow Wing Charn	Beneficial owner	2,031,000	0.10%
Peter Anthony Curry	Beneficial owner	1,241,141	0.06%

Notes:

- Mr. Lee Seng Huang, a Director, together with Mr. Lee Seng Hui and Ms. Lee Su Hwei are the trustees of Lee and Lee Trust, being a discretionary trust. The Lee and Lee Trust controlled approximately 74.96% of the total number of issued shares of AGL (inclusive of Mr. Lee Seng Hui's personal interests) and was therefore deemed to have interests in the Shares in which AGL was interested.
- This included the deemed interests in (i) 1,245,582,575 Shares held by AGL; and (ii) 196,600,000 Shares held as holder of security interest by a wholly-owned subsidiary of the Company for a loan facility.

(B) Interests in the shares and underlying shares of associated corporations

Name of Director	Associated corporations	Capacity	Number of shares and underlying shares	Approximate % of the total number of issued shares
Lee Seng Huang (<i>Note 1</i>)	AGL	Trustee (<i>Note 2</i>)	2,634,646,760	74.95%
	SHK Hong Kong Industries Limited ("SHK HK Ind")	Interests of controlled corporation (<i>Note 3</i>)	3,082,889,606 (<i>Note 4</i>)	74.97%

Notes:

1. Mr. Lee Seng Huang, by virtue of his interests in AGL, was deemed to be interested in the shares of the subsidiaries of AGL (including SHK HK Ind, a listed subsidiary of AGL), which are associated corporations of the Company as defined under the SFO. A waiver application was submitted to the Stock Exchange for exemption from disclosure of Mr. Lee's deemed interests in the shares of such associated corporations of the Company in this circular, and a waiver was granted by the Stock Exchange on 26 November 2020.
2. Mr. Lee Seng Huang is one of the trustees of Lee and Lee Trust, being a discretionary trust which indirectly controlled 2,634,646,760 shares of AGL.
3. This referred to the same interests held indirectly by AGL in SHK HK Ind.
4. This referred to the interests in 3,082,889,606 shares of SHK HK Ind.

(C) Other Director's interests and short positions in Shares and underlying Shares

As at the Latest Practicable Date, so far as was known to any Director or chief executive of the Company, the following Directors are the directors or employees of a company which has an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Directors	Name of companies which had such discloseable interest or short position/Position held by the Directors in such companies
Lee Seng Huang	The Company (the holding company of Shipshape Investments Limited ("Shipshape"), the holding company of Sun Hung Kai Strategic Capital Limited ("SHKSC"), the holding company of Plentiwind Limited ("Plentiwind"), a company which has an interest in the Shares and/or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO). Mr. Lee is a Director of the Company
Simon Chow Wing Charn	the Company/Director Shipshape/Director SHKSC/Director Plentiwind/Director
Peter Anthony Curry	the Company/Director
Evan Au Yang Chi Chun	the Company/Director
Ms. Jacqueline Alee Leung	the Company/Director
Jonathan Andrew Cimino	Dubai Group (LLC) (the holding company of Dubai Ventures LLC which is a substantial shareholder of the Company under the provisions of Part XV of the SFO)/Chief Executive Officer the Company/Director

Name of Directors	Name of companies which had such discloseable interest or short position/Position held by the Directors in such companies
David Craig Bartlett	AGL/Director APL/Director the Company/Director
Alan Stephen Jones	AGL/Director APL/Director the Company/Director

3. INTERESTS IN THE GROUP'S ASSETS/CONTRACTS AND OTHER INTERESTS

Save as (i) the offer letter dated 24 July 2020 entered into between SHK Investment Services Limited (an indirect wholly-owned subsidiary of the Company) as the tenant and Hillcrest Development Limited (a wholly-owned subsidiary of AGL) as the landlord in relation to leasing a premises for a term of four years commencing from 24 July 2020 at the monthly rental of HK\$850,000 (details of the offer letter were disclosed in the announcement of the Company dated 24 July 2020); and (ii) the master lease agreement dated 1 December 2020 entered into between the Company as lessee and Art View Properties Limited, a joint venture of AGL, as lessor in relation to leasing of a commercial property for a term of three years from 1 January 2021 to 31 December 2023 with the annual caps of HK\$78,576,000, HK\$15,865,000 and HK\$12,443,000 for the years ending 31 December 2021, 2022 and 2023. As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been acquired by or disposed of or leased to any member of the Group or are proposed to be acquired by or disposed of or leased to any member of the Group since 31 December 2019, being the date to which the latest published audited consolidated financial statements of the Group were made up.

Mr. Lee Seng Huang was deemed to be interested in the shares of the subsidiaries of AGL for being one of the trustees of Lee and Lee Trust which is a substantial shareholder of AGL.

As at the Latest Practicable Date, none of the Directors were materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group which was subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.

4. DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at the Latest Practicable Date, so far as the Directors were aware, the following Director (not being independent non-executive Directors) was considered to have interests in businesses apart from the Group's businesses which compete, or are likely to compete, either directly or indirectly, with the businesses of the Group pursuant to Rule 8.10 of the Listing Rules:

Mr. Lee Seng Huang is one of the trustees of Lee and Lee Trust which is a deemed substantial shareholder of each of AGL, SHK HK Ind, APAC Resources Limited ("APAC"), Tian An China Investments Company Limited ("TACI") and Asiasec Properties Limited ("Asiasec") which, through their subsidiaries, are partly engaged in the businesses as follows:

- AGL, through certain of its subsidiaries and a close associate, is partly engaged in the businesses of money lending, property investment, trading and investment in securities in the resources and related industries and financial instruments;
- SHK HK Ind, through certain of its subsidiaries, is partly engaged in the businesses of investments in listed and unlisted financial instruments;
- APAC, through certain of its subsidiaries, is partly engaged in the businesses of money lending, investment and/or trading in listed securities in the resources and related industries;
- TACI, through certain of its subsidiaries, is partly engaged in the businesses of money lending and property investment; and
- Asiasec, through certain of its subsidiaries, is partly engaged in the business of money lending and property investment.

Although the abovementioned Director is considered to have competing interests in other companies by virtue of his shareholding, he will fulfil his fiduciary duties in order to ensure that he will act in the best interests of the shareholders and the Company as a whole at all times. Hence the Group is capable of carrying on its businesses independently of, and at arm's length from, the businesses of such companies.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which does not expire or is not terminable by such member of the Group within one (1) year without payment of compensation (other than statutory compensation).

6. MATERIAL CONTRACTS

Save for and except for the transactions disclosed below, there were no material contracts (not being contracts entered into in the ordinary course of business carried on by the Group) being entered into by any member of the Group within the two (2) years immediately preceding the Latest Practicable Date:

- (i) the master lease agreement dated 1 December 2020 entered into between the Company as lessee and Art View Properties Limited, a joint venture of AGL, as lessor in relation to leasing of a commercial property for a term of three years from 1 January 2021 to 31 December 2023 with the annual caps of HK\$78,576,000, HK\$15,865,000 and HK\$12,443,000 for the years ending 31 December 2021, 2022 and 2023. Details of the master lease agreement were disclosed in the announcement of the Company dated 1 December 2020;
- (ii) the Repurchase and Subscription Agreement, the Charge Agreement, the Amended and Restated Shareholders' Agreement and the Amended and Restated Trade Mark Licence, all the terms of which are set out in this circular;
- (iii) the tenancy agreement dated 23 August 2020 entered into between Hillcrest Development Limited as the landlord and SHK Investment Services Limited (an indirect wholly-owned subsidiary of the Company) as the tenant for a term of four years commencing from 24 July 2020 at the monthly rental of HK\$850,000 in accordance with the terms of the offer letter issued by the landlord on 24 July 2020 and accepted by the tenant in relation to the leasing of the premises located at No. 60 Plantation Road, the Peak, Hong Kong. Details of the tenancy were disclosed in the announcement of the Company dated 24 July 2020;
- (iv) the agreement dated 2 January 2020 entered into between the Company and AGL in respect of the renewal of 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) in respect of the sharing of management services for a term of three years commencing from 1 January 2020 with the annual caps of HK\$28,000,000, HK\$30,800,000 and HK\$33,900,000 for the financial years ending 31 December 2020, 2021 and 2022. Details of the agreement were disclosed in the announcement of the Company dated 2 January 2020;
- (v) the shareholders agreement of a joint venture company dated 10 December 2019 entered into between SHKSC (an indirect wholly-owned subsidiary of the Company), Macquarie European Investment Holdings Limited and DPK Quay Limited for the formation of the joint venture company (in which SHKSC would subscribe shares for an aggregate amount of GBP5,225,000) for the purpose of the acquisition of all issued ordinary share(s) of Isabella Properties Limited ("Isabella"). Details of the shareholders agreement were disclosed in the announcement of the Company dated 11 December 2019;

- (vi) the share purchase agreement dated 10 December 2019 entered into between HNA International Property Investment Company Two Limited as seller and Isabella as buyer for acquisition of all issued ordinary share of HNA International Property Investment Company Three Limited at the consideration of approximately GBP35,000,000, which is the sole legal and beneficial owner of a property at Building B-4, and its extension Building B-4A, 17 Columbus Courtyard, Canary Wharf, London. Details of the share purchase agreement were also disclosed in the announcement of the Company dated 11 December 2019;
- (vii) the conditional sale and purchase agreement dated 20 June 2019 entered into between ORIX Asia Capital Limited as the vendor and United Asia Finance Limited (“UAF”, an indirect non wholly-owned subsidiary of the Company) as the purchaser in respect of the sale and purchase of 12,500,000 issued and fully-paid ordinary shares in the capital of UAF representing approximately 7.27% of the then entire issued shares of UAF at a consideration of JPY10,000,000,000. Details of the conditional sale and purchase agreement and its completion were disclosed in the announcements of the Company dated 20 June 2019 and 27 June 2019, respectively; and
- (viii) the guarantee agreement dated 19 February 2019 entered into between the Company as a counter guarantor and a bank (i.e. the Taipei branch of a bank incorporated in Hong Kong) as the agent and trustee for the guaranteeing banks for provision of counter guarantee of a debtor with an aggregate amount equal to NTD1,650,000,000. Details of the guarantee agreement were disclosed in the announcement of the Company dated 19 February 2019.

7. LITIGATION

The Directors confirm that, as far as they are aware as at the Latest Practicable Date, the Group was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against the Group immediately preceding the Latest Practicable Date.

8. GENERAL

- (i) The registered office of the Company is located at 42/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong.
- (ii) The secretary of the Company is Ms. Hester Wong Lam Chun. She is a fellow member of The Chartered Governance Institute and The Hong Kong Institute of Chartered Secretaries.
- (iii) The share registrar of the Company is Tricor Secretaries Limited of Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong.
- (iv) The English text of this circular shall prevail over the Chinese translation in the event of inconsistency.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection (i) during normal business hours at the registered office of the Company at 42/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong from the date of this circular up to the date which is 14 days after the date of this circular:

- (a) the articles of association of the Company;
- (b) the annual reports of the Company for each of the three financial years ended 31 December 2017, 31 December 2018 and 31 December 2019 and the interim report of the Company for the six months ended 30 June 2020;
- (c) the Repurchase and Subscription Agreement, the Charge Agreement, the Amended and Restated Shareholders' Agreement and Amended and Restated Trade Mark Licence;
- (d) the letter from the Board, the text of which are set out on pages 5 to 13 of this circular;
- (e) the material contracts referred to under the paragraph "Material Contracts" in this appendix; and
- (f) this circular.