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(Incorporated in Hong Kong with limited liability)

(Stock Code: 86)

CONTINUING CONNECTED TRANSACTIONS AND CONNECTED TRANSACTION

(I) 2021 SUPPLEMENTAL MASTER LEASE AGREEMENT AND REVISION OF THE MASTER LEASE ANNUAL CAPS; AND (II) RENEWED LICENSE AGREEMENT

2021 SUPPLEMENTAL MASTER LEASE AGREEMENT AND REVISION OF THE MASTER LEASE ANNUAL CAPS

Reference is made to the announcement of the Company dated 1 December 2020 in respect of the 2021 Master Lease Agreement.

As the Board expects that the annual caps stated in the 2021 Master Lease Agreement may not be sufficient to meet the needs of the Group's business growth in the future, on 31 March 2022, the Company as lessee and Art View as lessor entered into the 2021 Supplemental Master Lease Agreement, pursuant to which the parties agreed to amend the terms of the 2021 Master Lease Agreement to increase the Master Lease Annual Caps for the years ending 31 December 2022 and 31 December 2023.

Save for the revision of the Master Lease Annual Caps for the years ending 31 December 2022 and 31 December 2023, all other terms of the 2021 Master Lease Agreement shall remain unchanged.

RENEWED LICENSE AGREEMENT

Reference is made to the announcement of the Company dated 30 September 2021 in respect of the Existing License Agreement.

As the Existing License Agreement shall expire on 31 March 2022, the Company intends to renew the Existing License Agreement on or before its expiry date. On 31 March 2022, UAF, an indirect non wholly-owned subsidiary of the Company, and Jaffe entered into the Renewed License Agreement, pursuant to which Jaffe granted a license over the Roof Top Signage Space to UAF for the purpose of LED advertisement display for a term commencing on 1 April 2022 and expiring on 31 March 2025 (both days inclusive).

LISTING RULES IMPLICATIONS

As at the date of this announcement, the Company is indirectly held as to approximately 73.09% by AGL which, in turn, indirectly owns 50% interest in Art View. Accordingly, Art View is regarded as a connected person of the Company under the Listing Rules, and the transactions contemplated under the 2021 Supplemental Master Lease Agreement constitute continuing connected transactions of the Company.

Pursuant to Rule 14A.54 of the Listing Rules, if the Company proposes to revise the annual caps for its continuing connected transactions, the Company will be required to re-comply with the announcement and shareholders' approval requirements under the Listing Rules.

As at the date of this announcement, AGL also indirectly owns 100% interest in Jaffe. Accordingly, Jaffe is regarded as a connected person of the Company under the Listing Rules and the entering into of the Renewed License Agreement constitutes a connected transaction and a continuing connected transaction of the Company.

The transactions contemplated under the 2021 Supplemental Master Lease Agreement and the Renewed License Agreement have been aggregated with the Previous Transactions for the Listing Rules purposes on the basis that they all relate to properties leased or licensed by AGL or its associates to the Group. The transactions contemplated under the 2021 Supplemental Master Lease Agreement and the Renewed License Agreement, when aggregated with the Previous Transactions, shall be subject to the announcement, reporting and annual review requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules as the applicable percentage ratios exceed 0.1% but all are less than 5%.

Details of the 2021 Master Lease Agreement (as amended by the 2021 Supplemental Master Lease Agreement), the Sub-tenancy Agreement, the Existing License Agreement, the Renewed License Agreement and the transactions contemplated thereunder will be included in the next published annual report of the Company in accordance with Rule 14A.49 of the Listing Rules.

I. 2021 SUPPLEMENTAL MASTER LEASE AGREEMENT AND REVISION OF THE MASTER LEASE ANNUAL CAPS

Reference is made to the announcement of the Company dated 1 December 2020 in respect of the 2021 Master Lease Agreement.

As disclosed in the announcement, on 1 December 2020, the Company as lessee and Art View as lessor entered into the 2021 Master Lease Agreement, pursuant to which any member of the Group may continue, amend or renew the existing leases as of the date of the 2021 Master Lease Agreement or enter into new leases in relation to Allied Kajima Building with Art View from time to time during the period commencing on 1 January 2021 and ending on 31 December 2023 (both days inclusive), subject to the annual caps as stated under the 2021 Master Lease Agreement.

Revision of the Master Lease Annual Caps

As the Board expects that the annual caps stated in the 2021 Master Lease Agreement may not be sufficient to meet the needs of the Group's business growth in the future, on 31 March 2022, the Company as lessee and Art View as lessor entered into the 2021 Supplemental Master Lease Agreement, pursuant to which the parties agreed to amend the terms of the 2021 Master Lease Agreement to increase the Master Lease Annual Caps for the years ending 31 December 2022 and 31 December 2023 as follows:

	Previous Master Lease Annual Caps For the years ending 31 December		Revised Master Lease Annual Caps For the years ending 31 December	
	2022	2023	2022	2023
	<i>(HK\$)</i>	<i>(HK\$)</i>	<i>(HK\$)</i>	<i>(HK\$)</i>
Master Lease Annual Caps:				
Annual Caps for Rental Payment	10,670,000	6,382,000	27,974,000	6,851,000
Annual Caps for Management Fees	5,195,000	6,061,000	6,348,000	8,153,000

Save for the revision of the Master Lease Annual Caps for the years ending 31 December 2022 and 31 December 2023, all other terms of the 2021 Master Lease Agreement shall remain unchanged.

Basis of determination of the Master Lease Annual Caps

Annual Caps for Rental Payment:

The revised Annual Caps for Rental Payment are arrived at with reference to the following factors:

- (i) the total value of right-of-use assets of the Group for the year ended 31 December 2021 under the 2021 Master Lease Agreement in the amount of HK\$72,342,000; and
- (ii) the estimated rental payment, including the right-of-use assets and short term rental expenses to be incurred by the Group under the 2021 Master Lease Agreement (as amended by the 2021 Supplemental Master Lease Agreement), taking into account the higher than expected number of new offices to be leased in Allied Kajima Building by the Group from Art View due to business development of the Group, which includes the new leases to be entered into between the Group and Art View as set out in the section headed “New leases under the 2021 Master Lease Agreement (as amended by the 2021 Supplemental Master Lease Agreement)” below.

Annual Caps for Management Fees:

The revised Annual Caps for Management Fees are arrived at with reference to the following factors:

- (i) the amount paid by members of the Group to Art View for the year ended 31 December 2021 under the 2021 Master Lease Agreement in the amount of HK\$3,935,000;
- (ii) the estimated total annual management fees (including air-conditioning charges), taking into account management fees (including air-conditioning charges) in respect of higher than expected new leases which may be entered into by the Group with Art View under the 2021 Master Lease Agreement (as amended by the 2021 Supplemental Master Lease Agreement), which includes the new leases as set out in the section headed “New leases under the 2021 Master Lease Agreement (as amended by the 2021 Supplemental Master Lease Agreement)” below; and

(iii) the expected adjustments to be made to the management fees (including air-conditioning charges) payable by the Group to Art View pursuant to the leases to be entered into under the 2021 Master Lease Agreement (as amended by the 2021 Supplemental Master Lease Agreement).

New leases under the 2021 Master Lease Agreement (as amended by the 2021 Supplemental Master Lease Agreement)

On 31 March 2022, UAF as lessee has entered into new leases with Art View as lessor under the 2021 Master Lease Agreement (as amended by 2021 Supplemental Master Lease Agreement), details of which are set out below:

Premises	Area (sq. feet)	Term	Monthly Rent (HK\$)	Monthly management fees (including air-conditioning charges) (HK\$)
17/F, Allied Kajima Building	9,506	1 April 2022 – 31 May 2022	380,240	65,591.40
6/F, Allied Kajima Building	9,506	16 May 2022 – 31 December 2023	380,240	65,591.40
10/F, Allied Kajima Building	9,506	16 May 2022 – 31 December 2023	380,240	65,591.40

Notes:

1. The leases of 6/F and 10/F, Allied Kajima Building, are offered with rent free period from 16 May 2022 to 31 July 2022.
2. The monthly management fees (including air conditioning charges) are subject to adjustments in accordance with the terms and conditions of the relevant leases.

Reasons for and benefits of the 2021 Supplemental Master Lease Agreement and revision of the Master Lease Annual Caps

The Master Lease Annual Caps are set by taking into account the business development and expected future expansion of the Group. Given the expected increase in office spaces to be leased by the Group and the rental amounts, and taking into account the amounts paid by the Group to Art View under the 2021 Master Lease Agreement for the year ended 31 December 2021, the Board is of the view that the revision of the Master Lease Annual Caps would provide the Group with the requisite flexibility in terms of leasing of office spaces.

The rent and management fees payable pursuant to the new leases as set out in the section headed “New leases under the 2021 Master Lease Agreement (as amended by the 2021 Supplemental Master Lease Agreement)” was determined between Art View and the relevant member(s) of the Group with reference to the prevailing market conditions and the rental level of similar properties in the vicinity of Allied Kajima Building, where opinions from an independent professional valuer have been sought to confirm that the rentals are in the region of the prevailing market rental for Allied Kajima Building.

In view of the above, the Directors (including the Independent Non-Executive Directors) consider that the transactions contemplated under the 2021 Supplemental Master Lease Agreement have been entered into in the ordinary and usual course of business of the Group and are on normal commercial terms after arm’s length negotiations between the parties, and the terms of the 2021 Supplemental Master Lease Agreement, together with the revision of the Master Lease Annual Caps, are fair and reasonable and in the interests of the Company and its shareholders as a whole.

II. RENEWED LICENSE AGREEMENT

Reference is made to the announcement of the Company dated 30 September 2021 in respect of the Existing License Agreement.

As the Existing License Agreement shall expire on 31 March 2022, the Company intends to renew the Existing License Agreement on or before its expiry date. On 31 March 2022, UAF, an indirect non wholly-owned subsidiary of the Company, and Jaffe entered into the Renewed License Agreement, pursuant to which Jaffe granted a license over the Roof Top Signage Space to UAF for the purpose of LED advertisement display.

Major terms of the Renewed License Agreement

The major terms of the Renewed License Agreement are set out below:

- Term : three years commencing on 1 April 2022 and expiring on 31 March 2025
- License Fee : HK\$7,000,000 per annum (exclusive of management fees, government rates, electricity charges, maintenance fee and other utilities expenses, etc.)
- Management fees : HK\$3,000 per month (subject to revisions if the operation costs for the provision of maintenance and management services have been changed)
- Payment method : the License Fee shall be payable quarterly in advance
- Deposit : HK\$1,750,000 (equivalent to three months of the License Fee to be paid upon the entering into of the Renewed License Agreement)
- User : for the purpose of LED advertisement display only
- Other special conditions : UAF shall not assign or sub-let the Roof Top Signage Space or any part thereof to any party without Jaffe's prior written consent

The License Fee was determined with reference to the prevailing market conditions and the license fee levels of similar roof top signage spaces in the vicinity of China Online Centre, where opinion from an independent professional valuer has been sought to confirm that the License Fee is fair and reasonable.

Accounting implication and treatment under the Listing Rules

In accordance with HKFRS 16 “Leases”, the License Fee under the Renewed License Agreement will be recognised as right-of-use assets on the consolidated statement of financial position of the Group. The value of the right-of-use assets to be recognised under the Renewed License Agreement, being HK\$20,310,000, mainly represents the present value of the License Fee to be made using the members of the Group’s incremental borrowing rate in the year of the entering into of the Renewed License Agreement. Such acquisition of right-of-use assets will constitute a one-off connected transaction of the Company under Chapter 14A of the Listing Rules.

The management fees, electricity charges and other utilities expenses payable under the Renewed License Agreement will not be recognised as right-of-use assets but will continue to be recognised as expenses in the consolidated statement of profit or loss of the Group, and the payment of such expenses will be regarded as a continuing connected transaction of the Company under Chapter 14A of the Listing Rules. The Company is required to set annual caps with respect to the management fees, electricity charges and other utilities expenses payable under the Renewed License Agreement pursuant to Rule 14A.53 of the Listing Rules.

Renewed License Annual Caps

The Renewed License Annual Caps, being the management fees, electricity charges and other utilities expenses payable under the Renewed License Agreement for each of the four years ending 31 December 2025 are HK\$939,000, HK\$1,254,000, HK\$1,257,000 and HK\$314,000 respectively, and are arrived at with reference to the following factors:

- (i) the amount of electricity charges and other utilities expenses paid and payable in the amount of HK\$307,071 for the six months ended 31 March 2022 under the Existing License Agreement;
- (ii) the estimated amount of management fees, maintenance fee and other utilities expenses of approximately HK\$4,375 per month and expected adjustments payable under the Renewed License Agreement; and
- (iii) the contemplated electricity charges of approximately HK\$100,000 per month for operating the LED display.

Reasons for and benefits of the Renewed License Agreement

As UAF principally engages in the business of money lending and consumer finance, the licensing of the Roof Top Signage Space is for the continuing marketing and promotional needs of UAF.

The Directors (including the Independent Non-Executive Directors) are of the view that the Renewed License Agreement was entered into in the ordinary and usual course of business of the Group and on normal commercial terms after arm's length negotiations between the parties, and the terms of the Renewed License Agreement, together with the Renewed License Annual Caps, are fair and reasonable and in the interests of the Company and its shareholders as a whole.

AGGREGATED AND REVISED ANNUAL CAPS

As the transactions contemplated under the 2021 Supplemental Master Lease Agreement and the Renewed License Agreement all relate to properties leased or licensed by AGL or its associates to the Group and have been aggregated with the Previous Transactions, the annual caps with respect to the Previous Transactions will be aggregated with the Master Lease Annual Caps and the Renewed License Annual Caps.

The revised annual caps with respect to the aggregated transactions for the four years ending 31 December 2025 are set out below:

	For the years ending			
	31 December 2022 (HK\$)	31 December 2023 (HK\$)	31 December 2024 (HK\$)	31 December 2025 (HK\$)
Annual caps with respect to:				
–2021 Master Lease Agreement (as amended by the 2021 Supplemental Master Lease Agreement)	34,322,000	15,004,000	–	–
–Sub-tenancy Agreement	269,000	68,000	–	–
–Existing License Agreement	750,000	–	–	–
–Renewed License Agreement	939,000	1,254,000	1,257,000	314,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
–Aggregated annual caps	<u>36,280,000</u>	<u>16,326,000</u>	<u>1,257,000</u>	<u>314,000</u>

LISTING RULES IMPLICATIONS

As at the date of this announcement, the Company is indirectly held as to approximately 73.09% by AGL which, in turn, indirectly owns 50% interest in Art View. Accordingly, Art View is regarded as a connected person of the Company under the Listing Rules, and the transactions contemplated under the 2021 Supplemental Master Lease Agreement constitute continuing connected transactions of the Company.

Pursuant to Rule 14A.54 of the Listing Rules, if the Company proposes to revise the annual caps for its continuing connected transactions, the Company will be required to re-comply with the announcement and shareholders' approval requirements under the Listing Rules.

As at the date of this announcement, AGL also indirectly owns 100% interest in Jaffe. Accordingly, Jaffe is regarded as a connected person of the Company under the Listing Rules and the entering into of the Renewed License Agreement constitutes a connected transaction and a continuing connected transaction of the Company.

The transactions contemplated under the 2021 Supplemental Master Lease Agreement and the Renewed License Agreement have been aggregated with the Previous Transactions for the Listing Rules purposes on the basis that they all relate to properties leased or licensed by AGL or its associates to the Group. The transactions contemplated under the 2021 Supplemental Master Lease Agreement and the Renewed License Agreement, when aggregated with the Previous Transactions, shall be subject to the announcement, reporting and annual review requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules as the applicable percentage ratios exceed 0.1% but all are less than 5%.

Details of the 2021 Master Lease Agreement (as amended by the 2021 Supplemental Master Lease Agreement), the Sub-tenancy Agreement, the Existing License Agreement, the Renewed License Agreement and the transactions contemplated thereunder will be included in the next published annual report of the Company in accordance with Rule 14A.49 of the Listing Rules.

As at the date of this announcement, 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 74.96% interest in the total number of shares in issue of AGL. Accordingly, Mr. Lee Seng Huang is deemed to be interested in the transactions contemplated under the 2021 Supplemental Master Lease Agreement and the Renewed License Agreement and has abstained from voting on the relevant board resolutions of the Company.

INFORMATION ABOUT THE COMPANY, UAF, ART VIEW, JAFFE, AGL AND KAJIMA CORPORATION

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 which includes consumer finance, private credit & mortgage loans, and investment management & funds management.

As at the date of this announcement, the Company is beneficially owned as to approximately 73.09% by AGL.

UAF

UAF is a company incorporated in Hong Kong with limited liability and an indirect non wholly-owned subsidiary of the Company. The principal business activity of UAF is money lending and consumer finance.

Art View

Art View is incorporated in Hong Kong with limited liability and is indirectly held by each of AGL and Kajima Corporation as to 50%. The principal business activity of Art View is property holding.

Jaffe

Jaffe is a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of AGL. The principal business activity of Jaffe is property holding.

AGL

AGL is a company incorporated in Hong Kong with limited liability, 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 development mainly comprising apartments, villas, office buildings and commercial properties, property investment, hospitality related activities, provision of elderly care services, property management, cleaning and security guarding services, and the provision of finance and investments in listed and unlisted securities.

Kajima Corporation

Kajima Corporation is a company incorporated in Japan and is a listed company, whose shares are traded on four leading Japanese stock exchanges and is a constituent of the Nikkei 225 stock index. The principal business activities of its subsidiaries are design, construction, construction material procurement, real estate development and management, and publishing.

DEFINITIONS

“2021 Master Lease Agreement”	the master lease agreement dated 1 December 2020 entered into between the Company as lessee and Art View as lessor for a term commencing on 1 January 2021 and ending on 31 December 2023 (both days inclusive)
“2021 Supplemental Master Lease Agreement”	the supplemental agreement in respect of 2021 Master Lease Agreement dated 31 March 2022 entered into between the Company and Art View to revise the Master Lease Annual Caps for the years ending 31 December 2022 and 31 December 2023
“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 substantial shareholder of the Company
“Allied Kajima Building”	Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong, which is owned by Art View
“Annual Caps for Management Fees”	the annual aggregate maximum amounts of management fees payable by the Group to Art View under the 2021 Master Lease Agreement (as amended by the 2021 Supplemental Master Lease Agreement)

“Annual Caps for Rental Payment”	the total value of right-of-use assets and short term rental expenses relating to the existing leases or future possible new leases to be entered into in each of the three years ending 31 December 2023 under the 2021 Master Lease Agreement (as amended by the 2021 Supplemental Master Lease Agreement)
“Art View”	Art View Properties Limited, a company incorporated in Hong Kong with limited liability, which is indirectly owned as to 50% by AGL
“associate”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors
“China Online Centre”	China Online Centre, No. 333 Lockhart Road, Wanchai, Hong Kong, which is owned by Jaffe
“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 AGL
“connected persons”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Existing License Agreement”	the license agreement dated 30 September 2021 entered into between UAF and Jaffe for a term commencing on 1 October 2021 and expiring on 31 March 2022 (both days inclusive) pursuant to which Jaffe granted a license over the Roof Top Signage Space to UAF for the purpose of LED advertisement display
“Group”	the Company and its subsidiaries from time to time
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“Jaffe”	Jaffe Development Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of AGL
“License Fee”	the license fee (exclusive of management fees, government rates, electricity charges and maintenance fee and other utility expenses, etc.) payable by UAF to Jaffe under the Renewed License Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Master Lease Annual Caps”	the Annual Caps for Rental Payment and the Annual Caps for Management Fees
“percentage ratio(s)”	percentage ratio(s) as set out in Rule 14.08 of the Listing Rules to be applied for determining the classification of a transaction
“Previous Transactions”	the transactions contemplated under the 2021 Master Lease Agreement, the Sub-tenancy Agreement and the Existing License Agreement
“Renewed License Agreement”	the license agreement dated 31 March 2022 entered into between UAF and Jaffe for a term commencing on 1 April 2022 and expiring on 31 March 2025 (both days inclusive) pursuant to which Jaffe granted a license over the Roof Top Signage Space to UAF for the purpose of LED advertisement display
“Renewed License Annual Caps”	the annual caps with respect to management fees, electricity charges and other utilities expenses under the Renewed License Agreement
“Roof Top Signage Space”	the roof top signage space facing the north and south sides of China Online Centre
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Sub-tenancy Agreement”	the sub-tenancy agreement dated 1 April 2021 entered into between UAF and AGL for a term commencing on 1 April 2021 and expiring on 31 March 2023 (both days inclusive) pursuant to which a portion of 24/F of Allied Kajima Building and the rights of usage of the ancillary facilities of 23/F of Allied Kajima Building was sub-leased by AGL to UAF, details of which are set out in the announcement of the Company dated 1 April 2021
“UAF”	United Asia Finance Limited, a company incorporated in Hong Kong with limited liability and an indirect non 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, 31 March 2022

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 Director:

Mr. Peter Anthony Curry

Independent Non-Executive Directors:

Mr. Evan Au Yang Chi Chun, Mr. David Craig Bartlett, Mr. Alan Stephen Jones, Ms. Vivian Alexa Kao, Ms. Jacqueline Alee Leung and Mr. Wayne Robert Porritt