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ALLIED GROUP LIMITED
(聯合集團有限公司)

(Incorporated in Hong Kong with limited liability)
(Stock Code: 373)



新鴻基有限公司
SUN HUNG KAI & CO. LIMITED

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

**JOINT ANNOUNCEMENT
CONTINUING CONNECTED TRANSACTION
RELATING TO THE DISCRETIONARY INVESTMENT
MANAGEMENT AGREEMENT**

THE DISCRETIONARY INVESTMENT MANAGEMENT AGREEMENT

As advised and confirmed by SHK, on 19 October 2022, Mr. Lee (a connected person of each of SHK and AGL) and the Manager (an indirect subsidiary of each of SHK and AGL) entered into the Discretionary Investment Management Agreement, pursuant to which Mr. Lee has agreed to appoint the Manager to provide discretionary investment management services in respect of the Portfolio for a term of three years commencing from the date of the Discretionary Investment Management Agreement. It is expected that the maximum daily balance of the investment amount by Mr. Lee (including any accrued investment returns and cash holdings) in the Portfolio shall not exceed US\$27,500,000 (equivalent to approximately HK\$215,875,000).

LISTING RULES IMPLICATIONS

As Mr. Lee is an executive director of SHK, and also one of the trustees of the Lee and Lee Trust, being a discretionary trust which, together with Mr. Lee Seng Hui's personal interests, controls approximately 74.99% interest in the total number of shares in issue of AGL, which is indirectly interested in an aggregate of approximately 73.24% of the total number of shares in issue of SHK as at the date of this joint announcement, he is a connected person of each of SHK and AGL.

As advised and confirmed by SHK, as at the date of this joint announcement, the Manager is an indirect wholly-owned subsidiary of SHK, which in turn is an indirect non-wholly owned subsidiary of AGL, therefore, the Transactions constitute continuing connected transactions of each of SHK and AGL under Chapter 14A of the Listing Rules.

SHK

As advised and confirmed by SHK, as one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Transactions are more than 0.1% but all are less than 5%, the Transactions are subject to the reporting and announcement requirements but exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

AGL

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Transactions are more than 0.1% but all are less than 5%, the Transactions are subject to the reporting and announcement requirements but exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

THE DISCRETIONARY INVESTMENT MANAGEMENT AGREEMENT

As advised and confirmed by SHK, on 19 October 2022, Mr. Lee (a connected person of each of SHK and AGL) and the Manager (an indirect subsidiary of each of SHK and AGL) entered into the Discretionary Investment Management Agreement, pursuant to which Mr. Lee has agreed to appoint the Manager to provide discretionary investment management services in respect of the Portfolio for a term of three years commencing from the date of the Discretionary Investment Management Agreement. It is expected that the maximum daily balance of the investment amount by Mr. Lee (including any accrued investment returns and cash holdings) in the Portfolio shall not exceed US\$27,500,000 (equivalent to approximately HK\$215,875,000).

The appointment of the Manager by Mr. Lee to manage his assets will increase the asset under management of the Manager and support the asset management business of SHK.

PRINCIPAL TERMS OF THE DISCRETIONARY INVESTMENT MANAGEMENT AGREEMENT

As advised and confirmed by SHK, the principal terms of the Transactions and the Discretionary Investment Management Agreement are as follows:

- Date : 19 October 2022.
- Parties : (i) The Manager; and
(ii) Mr. Lee.
- Term : The Discretionary Investment Management Agreement shall be for a term of three years commencing from the date of the Discretionary Investment Management Agreement.
- Scope of services : The Manager agrees to provide discretionary investment management services in respect of the Portfolio, which will, subject to compliance with applicable laws, rules, regulations and investment mandate, invest in range of investment products.
- Fees payable to the Manager : The Manager is entitled to receive (i) a management fee at a rate according to the prevailing market rates for different asset classes, up to a maximum of 2% per annum over the net asset value of the Portfolio calculated and payable on a monthly basis; and (ii) a performance fee of up to 20% over the higher-water-mark calculated and payable at the end of each 12-month calculation period.

The rates of management fee and performance fee for the asset classes are determined after arm's length negotiations between Mr. Lee and the Manager with reference to (i) the nature of each of the asset classes, taking into consideration various factors including but not limited to its investment strategy, volatility, targeted returns and size of the investment; (ii) the prevailing market rates charged by other asset management companies; (iii) the rates to be charged by the Manager to other independent third party clients in respect of the provision of similar discretionary investment management services; and (iv) the responsibilities and duties of the Manager under the Discretionary Investment Management Agreement.

Termination

- : The Discretionary Investment Management Agreement may be terminated by either party by giving not less than 3 months' prior notice or immediately if:
- a) any party commits any material breach of its obligations under the Discretionary Investment Management Agreement which is not capable of being made good within 10 business days;
 - b) any party becomes liquidated or dissolved, becomes unable to pay debt as they fall due or commits any act of bankruptcy, or if a receiver is appointed over any of its assets;
 - c) the Manager ceases to be licensed by the SFC for the relevant regulated activities; or
 - d) the Manager determines that Mr. Lee ceases to be a professional investor under the Securities and Futures Ordinance.

The terms of the Discretionary Investment Management Agreement are on normal commercial terms and no more favourable than those terms that will be offered to independent third parties by the Manager for similar services. The independent non-executive directors of each of SHK and AGL will, and each of SHK and AGL will engage its external auditors to, conduct annual review of the continuing connected transactions in accordance with the Listing Rules requirements. SHK, AGL and the Manager will keep track of the asset value of the Portfolio, make regular projections of management fees and performance fees payable to the Manager and will consistently monitor the Portfolio balance so that it will not exceed the annual caps as set out below.

PROPOSED ANNUAL CAPS AND BASIS

The annual caps for the daily balance of the Portfolio for the period from 19 October 2022 to 31 December 2022, each of the financial years ending 31 December 2023 and 31 December 2024 and the period from 1 January 2025 to 18 October 2025 shall be HK\$215,875,000, being the maximum daily balance of the amount invested by Mr. Lee (including any accrued investment returns and cash holdings) in the Portfolio.

The annual caps for the Fees to be received by the Manager for each of the financial years ending 31 December 2022, 31 December 2023, 31 December 2024 and 31 December 2025 shall be:

For the financial year ending	HK\$ (in millions)
31 December 2022	5
31 December 2023	20
31 December 2024	20
31 December 2025	15

In determining the proposed Annual Caps, the following factors have been taken into account:

- a) for the annual caps for the daily balance of the Portfolio, amount of the maximum daily balance arrived at after arm's length negotiation between Mr. Lee and the Manager, having considered the reasons set out in the section headed "REASONS FOR AND BENEFITS OF THE TRANSACTIONS" below and the optimized level of asset under management to support the business expansion of the Manager;

- b) for the annual caps of the Fees, the expected daily balance of the Portfolio, the projected investment return of the Portfolio which is expected to be no more than 35% annually based on the historical track record of the Manager for the proposed investment mandate, and the rate of the Fees to be charged by the Manager under the Discretionary Investment Management Agreement; and
- c) the benefit to the AGL Group, SHK Group and their respective shareholders as a whole.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

As advised and confirmed by SHK and as discussed in SHK's latest annual and interim reports, the funds management segment of SHK was launched in 2021 with the objective to further diversify SHK's products and strategies and to add additional revenue streams to SHK. The Manager, which currently holds SFC Type 1, 4 and 9 licenses, was set up to be SHK's asset management platform to provide external asset management service and serve as a funds distribution channel. By providing discretionary investment management service to Mr. Lee, the Manager will not only receive management fees and performance fees for services rendered, but can also increase its asset under management, build scale and promote the development of its asset management business.

As advised and confirmed by SHK, in view of the above, the SHK Directors (including the independent non-executive directors) consider that the terms of the Transactions are fair and reasonable, are on normal commercial terms and the same as available to other independent investors, and the Transactions are in the ordinary and usual course of asset management business of the SHK Group, and in the interests of SHK and its shareholders as a whole.

Based on the information and the confirmation provided by SHK and to the best knowledge, information and belief of the AGL Directors, the AGL Directors (including the independent non-executive directors) consider that the terms of the Transactions are fair and reasonable, are on normal commercial terms, and the Transactions are in the ordinary and usual course of asset management business of the SHK Group, and in the interests of AGL and its shareholders as a whole.

LISTING RULES IMPLICATIONS

As Mr. Lee is an executive director of SHK, and also one of the trustees of the Lee and Lee Trust, being a discretionary trust which, together with Mr. Lee Seng Hui's personal interests, controls approximately 74.99% interest in the total number of shares in issue of AGL, which is indirectly interested in an aggregate of approximately 73.24% of the total number of shares in issue of SHK as at the date of this joint announcement, he is a connected person of each of SHK and AGL.

As advised and confirmed by SHK, as at the date of this joint announcement, the Manager is an indirect wholly-owned subsidiary of SHK, which in turn is an indirect non-wholly owned subsidiary of AGL, therefore, the Transactions constitute continuing connected transactions of each of SHK and AGL under Chapter 14A of the Listing Rules.

SHK

As advised and confirmed by SHK, as one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Transactions are more than 0.1% but all are less than 5%, the Transactions are subject to the reporting and announcement requirements but exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As Mr. Lee, being the group executive chairman and an executive director of SHK, has a material interest in the Transactions, he has abstained from voting on the relevant board resolutions of SHK. Apart from the above, none of the other SHK Directors has any material interest in the Transactions and is required to abstain from voting on the board resolutions of SHK approving the Transactions.

AGL

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Transactions are more than 0.1% but all are less than 5%, the Transactions are subject to the reporting and announcement requirements but exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

None of the AGL Directors has any material interest in the Transactions and is required to abstain from voting on the board resolutions of AGL approving the Transactions.

GENERAL INFORMATION ON THE PARTIES

The Manager

As advised and confirmed by SHK, The Manager is a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of SHK, which in turn is an indirect non-wholly owned subsidiary of AGL. The Manager is licensed for Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities by the SFC and is principally engaged in asset management business.

Mr. Lee

Mr. Lee is an executive director of SHK, one of the trustees of the Lee and Lee Trust and a connected person of each of SHK and 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 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, logistics services, and the provision of finance, investments in listed and unlisted securities and funds management.

SHK

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

The principal business activity of SHK is investment holding. The principal business activities of its major subsidiaries are financing which includes consumer finance, private credit & mortgage loans, and investment management & funds management.

As at the date of this joint announcement, SHK is beneficially owned as to approximately 73.24% by AGL.

DEFINITIONS

In this joint 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 Board”	the board of AGL Directors
“AGL Director(s)”	the director(s) of AGL

“AGL Group”	AGL and its subsidiaries
“Annual Caps”	the proposed annual caps for the maximum daily balance of the Portfolio and the Fees payable by Mr. Lee to the Manager as set out in the section headed “PROPOSED ANNUAL CAPS AND BASIS” in this joint announcement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Discretionary Investment Management Agreement”	the discretionary investment management agreement dated 19 October 2022 entered into between the Manager and Mr. Lee in relation to the provision of discretionary investment management services by the Manager to Mr. Lee
“Fees”	the management fees and performance fees payable by Mr. Lee to the Manager under the Discretionary Investment Management Agreement
“HK\$”	Hong Kong Dollar, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Manager”	Sun Hung Kai Capital Partners Limited, a company incorporated in Hong Kong with limited liability, and an indirect subsidiary of each of SHK and AGL
“Mr. Lee”	Mr. Lee Seng Huang, an executive director of SHK, one of the trustees of the Lee and Lee Trust and a connected person of each of SHK and AGL

“Portfolio”	the assets of Mr. Lee to be held in a segregated account to be opened and maintained by the Manager with a custodian or held in the Manager’s own name for and on behalf of Mr. Lee for provision of discretionary investment management services under the Discretionary Investment Management Agreement
“SFC”	the Securities and Futures Commission
“SHK”	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)
“SHK Board”	the board of SHK Directors
“SHK Director(s)”	the director(s) of SHK
“SHK Group”	SHK and its subsidiaries
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transactions”	the transactions contemplated under the Discretionary Investment Management Agreement
“US\$”	United States Dollar, the lawful currency of the United States of America
“%”	per cent.

For illustration purposes, amounts in US\$ in this joint announcement have been translated into HK\$ at the rate of US\$1 to HK\$7.85.

On behalf of the AGL Board
Allied Group Limited
Edwin Lo King Yau
Executive Director

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

Hong Kong, 19 October 2022

As at the date of this joint announcement, the AGL Board comprises Messrs. Lee Seng Hui (Chief Executive), Edwin Lo King Yau and Mak Pak Hung being the Executive Directors; Mr. Arthur George Dew (Chairman) and Ms. Lee Su Hwei being the Non-Executive Directors; and Mr. David Craig Bartlett, Mr. Alan Stephen Jones, Ms. Lisa Yang Lai Sum and Mr. Kelvin Chau Kwok Wing being the Independent Non-Executive Directors.

As at the date of this joint announcement, the SHK Board comprises Messrs. Lee Seng Huang (Group Executive Chairman) and Simon Chow Wing Charn being the Executive Directors, Mr. Peter Anthony Curry being the Non-Executive Director and 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 being the Independent Non-Executive Directors.