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## **ALLIED PROPERTIES (H.K.) LIMITED**

**(聯合地產(香港)有限公司)**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 56)**

### **CONTINUING CONNECTED TRANSACTION**

#### **RENEWAL OF THE EXISTING TENANCY AGREEMENT**

On 29th November, 2017, Hillcrest as the lessor and AGL as the lessee entered into the Tenancy Agreement, pursuant to which Hillcrest has agreed to lease the Property to AGL for a term of two years commencing from 1st January, 2018 to 31st December, 2019 at a monthly rental of HK\$488,000 (exclusive of rates and management fee) payable monthly in advance.

#### **LISTING RULES IMPLICATIONS**

As Hillcrest is an indirect wholly-owned subsidiary of the Company, the Transaction entered into by Hillcrest shall be a transaction for the Company under the Listing Rules as the definition of “listed issuer” under the Listing Rules includes the listed issuer’s subsidiaries.

As AGL is the controlling shareholder of the Company and is beneficially interested in approximately 74.99% of the total number of shares in issue of the Company as at the date of this announcement, AGL is a connected person of the Company. Since all of the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules in relation to the Transaction are less than 5%, the Transaction constitutes a continuing connected transaction under Rule 14A.76(2) of the Listing Rules, which is therefore subject to the reporting and announcement requirements and is exempt from the independent shareholders’ approval requirement under the Listing Rules.

## **RENEWAL OF THE EXISTING TENANCY AGREEMENT**

Since the Existing Tenancy Agreement will expire on 31st December, 2017, Hillcrest as the lessor and AGL as the lessee entered into the Tenancy Agreement on 29th November, 2017 for the renewal of the Existing Tenancy Agreement. Pursuant to the Tenancy Agreement, Hillcrest has agreed to lease the Property to AGL for a term of two years commencing from 1st January, 2018 to 31st December, 2019 at a monthly rental of HK\$488,000 (exclusive of rates and management fee) payable monthly in advance. The rental amount has been determined between Hillcrest and AGL with reference to the prevailing market rent as advised by Norton Appraisals Holdings Limited, a firm of independent property valuers.

## **THE PROPERTY**

The Property is a house located at 60 Plantation Road, the Peak, Hong Kong with a gross floor area of approximately 6,882 square feet with carpark, garden/terrace and roofs, and is held by Hillcrest for investment purposes.

## **ANNUAL CAPS**

The monthly rental under the Existing Tenancy Agreement is HK\$493,500 (exclusive of rates and management fee). Up to the date of this announcement, the historical annual cap of HK\$5,922,000, being the annualised rental payable by AGL under the Existing Tenancy Agreement, has not been exceeded.

The Annual Cap for each of the two years ending 31st December, 2019 is HK\$5,856,000, which has been determined with reference to the annualised rental payable by AGL to Hillcrest under the Tenancy Agreement.

## **REASONS FOR AND BENEFITS OF THE TRANSACTION**

The purpose of entering into of the Tenancy Agreement is to ensure a suitable residential accommodation for the chief executive and executive director of AGL. The Tenancy Agreement was entered into by Hillcrest and AGL after arm's length negotiation and the rental amount of the Property has been determined with reference to the prevailing market rent as advised by the independent property valuers.

Having regard to the prevailing market rent level as advised by the independent property valuers and the rental payable by AGL under the Existing Tenancy Agreement, the Directors (including the independent non-executive directors) consider that the Annual Cap for each of the two years ending 31st December, 2019 and the terms of the Tenancy Agreement are fair and reasonable and on normal commercial terms, and in the ordinary and usual course of business of the Group and in the interests of the Company and the shareholders of the Company as a whole.

## **LISTING RULES IMPLICATIONS**

As Hillcrest is an indirect wholly-owned subsidiary of the Company, the Transaction entered into by Hillcrest shall be a transaction for the Company under the Listing Rules as the definition of “listed issuer” under the Listing Rules includes the listed issuer’s subsidiaries.

As AGL is the controlling shareholder of the Company and is beneficially interested in approximately 74.99% of the total number of shares in issue of the Company as at the date of this announcement, AGL is a connected person of the Company. Since all of the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules in relation to the Transaction are less than 5%, the Transaction constitutes a continuing connected transaction under Rule 14A.76(2) of the Listing Rules, which is therefore subject to the reporting and announcement requirements and is exempt from the independent shareholders’ approval requirement under the Listing Rules. Details of the Tenancy Agreement and the Annual Cap will also be disclosed in the next published annual report and accounts of the Company in accordance with Rule 14A.49 of the Listing Rules.

Messrs. Arthur George Dew, Alan Stephen Jones and David Craig Bartlett, all being the directors of both the Company and AGL, have voluntarily abstained from voting on the Board resolutions approving the Transaction although they were not considered by the Board to be materially interested in the Transaction.

Mr. Lee Seng Hui, who is the chief executive and executive director of both the Company and AGL and has the right to use the Property, has been considered by the Board to be materially interested in the Transaction and accordingly has abstained from voting on the Board resolutions approving the Transaction.

The Company will comply with all the requirements for annual review of continuing connected transactions under Rules 14A.55 to 14A.59 of the Listing Rules.

## **EXEMPTED TENANCY AGREEMENT**

On 29th November, 2017, Best Melody (an indirect wholly-owned subsidiary of the Company) as the lessor and Mr. Lee Seng Hui as the lessee entered into the Exempted Tenancy Agreement, in respect of the leasing of the Exempted Property. Pursuant to the Exempted Tenancy Agreement, Best Melody has agreed to lease the Exempted Property to Mr. Lee Seng Hui for a term of two years commencing from 19th November, 2017 to 18th November, 2019 at a monthly rental of HK\$328,000 (exclusive of management fee and government rates).

As Mr. Lee Seng Hui is the chief executive and an executive director of the Company, and also one of the trustees of Lee and Lee Trust, being a discretionary trust which, together with his personal interest, controls approximately 74.95% interest in the total number of shares in issue of AGL which is directly and indirectly interested in an aggregate of approximately 74.99% of the total number of shares in issue of the Company as at the date of this announcement, he is a connected person of the Company. As a result, the transaction contemplated under the Exempted Tenancy Agreement constitutes a continuing connected transaction of the Company. Nevertheless, as all applicable percentage ratio(s) as defined under Rule 14.07 of the Listing Rules for the Company in respect of the transaction contemplated under the Exempted Tenancy Agreement fall under 0.1%, the transaction contemplated under the Exempted Tenancy Agreement is fully exempt from the requirements under Chapter 14A of the Listing Rules.

The transaction contemplated under the Tenancy Agreement and that under the Exempted Tenancy Agreement relate to different properties and they were separately negotiated between relevant parties thereunder. The two transactions were not made under any master agreement between the Company and any connected persons. In addition, as the Group's principal business activities include property investment, the transactions contemplated under the Tenancy Agreement and the Exempted Tenancy Agreement were in line with the principal business of the Group and the circumstances described in Rule 14A.82(3) of the Listing Rules does not exist. Given the above, the Board are of the view that it was not appropriate to aggregate the transactions contemplated under the Tenancy Agreement and the Exempted Tenancy Agreement. Nevertheless, the transactions contemplated under the Tenancy Agreement and the Exempted Tenancy Agreement, even if on an aggregate basis, would be subject to the reporting and announcement requirements and exempt from independent shareholders' approval requirement under the Listing Rules.

## **INFORMATION ABOUT THE COMPANY, HILLCREST AND AGL**

### **The Company**

The Company is incorporated in Hong Kong with limited liability, the shares of which are listed on the main board of the Stock Exchange.

The principal business activity of the Company is investment holding. The principal business activities of its major subsidiaries are property investment and development, hospitality related activities, elderly care services, the provision of finance and investments in listed and unlisted securities.

As at the date of this announcement, the Company is beneficially owned as to approximately 74.99% by AGL.

### **Hillcrest**

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

## **AGL**

AGL is a company incorporated in Hong Kong with limited liability, the controlling shareholder of the Company 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 investment and development, hospitality related activities, elderly care services, the provision of finance and investments in listed and unlisted securities.

## **DEFINITIONS**

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

“AGL”	Allied Group Limited, a company incorporated in Hong Kong with limited liability, the controlling shareholder of the Company and the shares of which are listed on the main board of the Stock Exchange (Stock Code: 373);
“Annual Cap(s)”	an amount of HK\$5,856,000, being the annual aggregate maximum amounts of the rental payable by AGL to Hillcrest for each of the two years ending 31st December, 2019 under the Tenancy Agreement;
“Best Melody”	Best Melody Development Limited, a company incorporated in Hong Kong with limited liability, and an indirect wholly-owned subsidiary of the Company;
“Board”	the board of Directors;
“Company”	Allied Properties (H.K.) Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the main board of the Stock Exchange (Stock Code: 56);
“connected person(s)”	having the meaning ascribed to it under the Listing Rules;
“Directors”	the directors of the Company;
“Exempted Property”	an apartment located at Tregunter, No. 14 Tregunter Path, Mid-Levels, Hong Kong with a gross floor area of approximately 8,018 square feet and flat roof and carparking spaces;
“Exempted Tenancy Agreement”	the tenancy agreement dated 29th November, 2017 entered into between Best Melody and Mr. Lee Seng Hui in respect of the lease of the Exempted Property for a term of two years from 19th November, 2017 to 18th November, 2019;

“Existing Tenancy Agreement”	the tenancy agreement dated 2nd December, 2015 entered into between Hillcrest and AGL in respect of the lease of the Property for a term of two years from 1st January, 2016 to 31st December, 2017;
“Group”	the Company and its subsidiaries;
“Hillcrest”	Hillcrest Development Limited, a company incorporated in Hong Kong with limited liability, and an indirect wholly-owned subsidiary of the Company;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange;
“Property”	the house located at 60 Plantation Road, the Peak, Hong Kong with a gross floor area of approximately 6,882 square feet and carpark, garden/terrace and roofs, and is held by Hillcrest for investment purposes;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Tenancy Agreement”	the tenancy agreement dated 29th November, 2017 entered into between Hillcrest and AGL in respect of the lease of the Property for a term of two years from 1st January, 2018 to 31st December, 2019;
“Transaction”	the transaction contemplated under the Tenancy Agreement; and
“%”	per cent.

On behalf of the Board  
**Allied Properties (H.K.) Limited**  
**Li Chi Kong**  
*Executive Director*

Hong Kong, 29th November, 2017

*As at the date of this announcement, the Board comprises Messrs. Lee Seng Hui (Chief Executive), Li Chi Kong and Mark Wong Tai Chun being the Executive Directors; Mr. Arthur George Dew (Chairman) being the Non-Executive Director; and Messrs. Steven Samuel Zoellner, Alan Stephen Jones and David Craig Bartlett being the Independent Non-Executive Directors.*