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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 TRANSACTIONS MASTER SERVICES AGREEMENT

MASTER SERVICES AGREEMENT

Reference is made to the circular of the Company dated 20th November, 2019 in respect of the Disposal and the announcement of the Company dated 17th December, 2019 on the Completion. Following Completion, certain continuing transactions between the Target Group (now being indirect wholly-owned subsidiaries of AGL, which in turn is a controlling shareholder of the Company) and the Group constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As such continuing transactions are expected to continue upon the Completion, on 17th December, 2019, the Company and AGL entered into the Master Services Agreement to regulate the Services Transactions between the Group and the AGL Group under a common framework agreement. Pursuant to the Master Services Agreement, the AGL Group shall provide the Services to the Group for the premises occupied by any member of the Group as tenant and the properties owned by any member of the Group (wholly or partly) from time to time.

LISTING RULES IMPLICATIONS

AGL, the controlling shareholder of the Company, 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. As such, the Target Group, being the indirect wholly-owned subsidiaries of AGL as a result of the Disposal, are connected persons of the Company. Accordingly, the Transactions constitute continuing connected transactions for the Company.

As more than one of the relevant percentage ratios (other than the profits ratio) of the Company in respect of the Annual Caps for the Transactions exceed 0.1% but are less than 5%, the Transactions are only subject to the reporting, announcement and annual review requirements but exempt from independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

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The principal terms of the Master Services Agreement are as follows:

Date

17th December, 2019

Parties

- (1) AGL
- (2) the Company

General terms of the Services Transactions

Pursuant to the Master Services Agreement, the Company appoints AGL and its subsidiaries to provide the Services to the Group for the premises occupied by any member of the Group as tenant and the properties owned by any member of the Group (wholly or partly) from time to time.

The relevant members of the Group and the relevant members of the AGL Group may from time to time enter into Individual Agreement(s) in relation to any Services Transactions upon, and subject to, the terms and conditions in compliance with the Master Services Agreement as may be agreed between the relevant members of the Group and of the AGL Group. All existing agreements between the relevant members of the Group and of the Target Group in respect of the Services Transactions will be treated as Individual Agreements made pursuant to the Master Services Agreement.

For all Individual Agreements:

- (i) the term of each Individual Agreement shall be fixed and in any event shall not exceed three years, and if the term of such Individual Agreement extends beyond 16th December, 2022 (that is, the date of expiry of the Master Services Agreement), the Company and AGL will re-comply with the applicable requirements under the Listing Rules at the relevant time; and

- (ii) if applicable, the terms, conditions and Fees payable under the Services will be determined either (a) through public open tendering process held by the Group, and the engagement of the AGL Group as a service provider of the Services to the Group shall only take effect as and when the AGL Group has been selected by the relevant members of the Group to provide the Services at completion of the public open tendering process; or (b) through obtaining quote from the relevant members of the AGL Group, and the relevant members of the Group may consider either to accept the quote and proceed or reject the quote and decline to proceed further, based on other quote(s) for similar service(s) obtained from independent third parties in the market.

Fees

The Fees payable by the Group as recipient receiving the relevant Services from the AGL Group shall comprise (i) the remuneration payable to the AGL Group as the service provider of the Services; and (ii) reimbursement of costs incurred by the AGL Group in providing the Services, including those under contracts with third party service providers on arm's length normal commercial terms for the provision of the Services. Such Fees shall be payable in accordance with each Individual Agreement or individual transaction contemplated under the Master Services Agreement.

It is further agreed by the Company and AGL that, with effect from the date of the Master Services Agreement, the provision of Services shall be conducted in the ordinary and usual course of business on normal commercial terms, negotiated on arm's length basis, be fair and reasonable to both the Company and AGL, and at price and terms no less favourable than those charged and provided to independent third party customers of the AGL Group.

Duration

The Master Services Agreement is for a term of three years, commencing from 17th December, 2019 and expiring on 16th December, 2022.

Historical figures and the Annual Caps

The aggregate transaction amounts in relation to the Services provided by the Target Group to the Group for the financial years ended 31st December, 2017 and 2018 and the eleven months ended 30th November, 2019 were approximately HK\$25,900,000, HK\$26,800,000 and HK\$25,500,000, respectively.

The Annual Caps, being the maximum Fees payable by the Group to the AGL Group for the provision of the Services, for the financial years ending 31st December, 2019, 2020, 2021 and 2022 are approximately HK\$1,300,000, HK\$34,500,000, HK\$35,900,000 and HK\$35,800,000, respectively. The Annual Caps has been determined by reference to:

- (i) the historical annual transaction amounts between the relevant members of the Target Group and the relevant members of the Group for the provision of the Services;
- (ii) the projected annual transaction amounts in respect of the Services to be needed by the relevant members of the Group in the next three years, being the term of the Master Services Agreement;
- (iii) the anticipated inflation rate of approximately 4% each year; and
- (iv) a reasonable buffer to cater for any unforeseen costs changes to be incurred by the AGL Group and/or any unexpected increase in the amount of the Services to be needed by the Group.

The Annual Caps are determined based on the principal assumption that there will not be any adverse change or disruption in market conditions, operations and business environment or government policies which may materially affect the businesses of the Group and/or the AGL Group.

REASONS AND BENEFITS OF THE TRANSACTIONS

The principal business activities of the Company's major subsidiaries include property investment and development, and from time of time require the provision of the Services from the Target Group prior to the Disposal. Upon Completion, the continuing transactions in relation to the provision of the Services by the Target Group (now being indirect wholly-owned subsidiaries of AGL, which in turn is a controlling shareholder of the Company) and the Group constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

The Company intends to streamline the continuing connected transactions between the AGL Group and the Group by entering into the Master Services Agreement to regulate the Services Transactions with the AGL Group under a common framework agreement, as the provision of the Services are expected to be of a recurring nature and will occur on a regular and continuing basis in the ordinary and usual course of business of the Group and the AGL Group. The Master Services Agreement provides a single basis on which the Company will comply with the reporting, announcement and independent shareholders' approval requirements, if applicable, in compliance with the Listing Rules and thereby reduce the administrative burden and costs on the Company to comply with such requirements in relation to the execution or renewal of the agreements in respect of the provision of the Services Transactions.

The Company and AGL agreed that the provision of Services shall be conducted in the ordinary and usual course of business on normal commercial terms, negotiated on arm's length basis, be fair and reasonable to both the Company and AGL, and at price and terms no less favourable than those charged and provided to independent third party customers of the AGL Group. As such, the Directors (including the independent non-executive Directors but excluding Messrs. Arthur George Dew, Alan Stephen Jones, David Craig Bartlett and Lee Seng Hui who have abstained from voting on the relevant board resolutions) are of the view that the Transactions are conducted in the ordinary and usual course of business of the Group, and the terms of the Master Services Agreement (including the Annual Caps) have been negotiated on an arm's length basis, on normal commercial terms and are fair and reasonable, and are in the interests of the Group and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

AGL, the controlling shareholder of the Company, 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. As such, the Target Group, being the indirect wholly-owned subsidiaries of AGL as a result of the Disposal, are connected persons of the Company. Accordingly, the Transactions constitute continuing connected transactions for the Company.

As more than one of the relevant percentage ratios (other than the profits ratio) of the Company in respect of the Annual Caps for the Transactions exceed 0.1% but are less than 5%, the Transactions are only subject to the reporting, announcement and annual review requirements but exempt from independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Arthur George Dew (being the chairman and a non-executive Director of the Company) is also the chairman and a non-executive director of AGL. Messrs. Alan Stephen Jones and David Craig Bartlett, being independent non-executive Directors, are also independent non-executive directors of AGL. They have voluntarily abstained from voting on the relevant board resolutions of the Company although they were not considered by the Board to be materially interested in the Transactions.

Mr. Lee Seng Hui (being the chief executive and an executive Director of the Company) is also the chief executive and an executive director of AGL and also one of the trustees of the 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. AGL is directly and indirectly interested in an aggregate of approximately 74.99% of the total number of shares in issue of the Company. As such, Mr. Lee Seng Hui is deemed to be interested in the Transactions and has abstained from voting on the relevant board resolutions of the Company.

None of the Directors, except for Mr. Lee Seng Hui as disclosed above, has any material interest in the Transactions and is required to abstain from voting on the board resolutions approving the Transactions.

The Directors (including the independent non-executive Directors but excluding Messrs. Arthur George Dew, Alan Stephen Jones, David Craig Bartlett and Lee Seng Hui who have abstained from voting on the relevant board resolutions) are of the view that the Transactions are conducted in the ordinary and usual course of business of the Group, and the terms of the Master Services Agreement (including the Annual Caps) were entered into after arm's length negotiations and reflect normal commercial terms, are fair and reasonable so far as the Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE PARTIES TO THE TRANSACTIONS

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 and 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.

AGL

AGL 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 AGL is investment holding. The principal business activities of its major subsidiaries are property investment and development, hospitality related activities, provision of elderly care services, property management, cleaning and security guarding services in Hong Kong, the provision of finance and investments in listed and unlisted securities.

As at the date of this announcement, AGL is beneficially owned as to approximately 74.95% by Lee and Lee Trust (inclusive of Mr. Lee Seng Hui's personal interests), being a discretionary trust.

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 shares of which are listed on the main board of the Stock Exchange (Stock code: 373);
“AGL Group”	AGL and its subsidiaries from time to time;
“Annual Caps”	the maximum Fees payable by the Group to the AGL Group pursuant to the Master Services Agreement;
“Board”	the board of the 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), the vendor of the Disposal and a non wholly-owned subsidiary of AGL;
“Completion”	the completion of the Disposal pursuant to the terms of the Sale and Purchase Agreement which took place on 17th December, 2019;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Disposal”	the disposal of two shares in the Target Company (representing the entire issued share capital of the Target Company) by the Company to Allied Services Hong Kong Limited pursuant to the Sale and Purchase Agreement;

“Fees”	the fees payable to the AGL Group by the Group as recipient receiving the relevant Services from the AGL Group, which comprises (i) the remuneration payable to the AGL Group as the service provider of the Services; and (ii) reimbursement of costs incurred by the AGL Group in providing the Services, including those under contracts with third party service providers on arm’s length normal commercial terms for the provision of the Services;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China;
“Individual Agreement(s)”	future individual agreement(s) which may be entered into between the relevant members of the Group and of the AGL Group from time to time in relation to any of the Services Transactions at any time during the term of the Master Services Agreement;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Master Services Agreement”	the agreement dated 17th December, 2019 entered into between the Company and AGL in relation to the provision of the Services by the AGL Group to the Group;
“percentage ratio(s)”	percentage ratio(s) as set out in Rule 14.07 of the Listing Rules to be applied for determining the classification of a transaction;
“Sale and Purchase Agreement”	the sale and purchase agreement dated 18th October, 2019 entered into between the Company (as vendor) and Allied Services Hong Kong Limited (as purchaser) in relation to the Disposal;

“Services”	the services provided by the AGL Group to the Group pursuant to Master Services Agreement, which include (i) cleaning, waste disposal, pest & rodent control, marble floor crystallisation treatment services; (ii) repair and maintenance services; (iii) security guarding services; (iv) property management services; and (v) management and administration services for project based property maintenance works;
“Services Transactions”	all existing and future transactions between the Group and the AGL Group regarding the provision of Services by the AGL Group to the Group as contemplated under the Master Services Agreement;
“Shareholders”	the holder(s) of the ordinary share(s) of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary(ies)”	has the meaning ascribed to it under the Companies Ordinance (Chapter 622 of the laws of Hong Kong);
“Target Company”	AP Elderly Care Limited, a company incorporated in the British Virgin Islands with limited liability, and become an indirect wholly-owned subsidiary of AGL upon Completion;
“Target Group”	the Target Company and its subsidiaries;
“Transactions”	the transactions contemplated under the Master Services Agreement; and
“%”	per cent.

On behalf of the Board
Allied Properties (H.K.) Limited
Mark Wong Tai Chun
Executive Director

Hong Kong, 17th December, 2019

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