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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)

DISCLOSEABLE TRANSACTION IN RELATION TO FORMATION OF JOINT VENTURE

SHAREHOLDERS' AGREEMENT

As advised and confirmed by SHK, on 11th May, 2016, SHKI, an indirect wholly-owned subsidiary of SHK, entered into the Shareholders' Agreement with the JV Partners for the formation of the Joint Venture. The business objectives of the Joint Venture shall be, subject to the entering of an Acquisition Agreement for the purchase of the Hotel Company by the Joint Venture through its wholly-owned subsidiary, (i) to invest in the Hotel through the proposed acquisition by the Joint Venture Group of the Hotel Company; and (ii) to hold and exploit the Property and to carry on thereat a hospitality business.

LISTING RULES IMPLICATIONS

As (i) SHKI is an indirect wholly-owned subsidiary of SHK, (ii) SHK in turn is an indirect non wholly-owned subsidiary of APL; and (iii) APL in turn is a non wholly-owned subsidiary of the Company, the entering into of the Shareholders' Agreement shall be a transaction of each of the Company, APL and SHK under Chapter 14 of the Listing Rules as the definition of "listed issuer" under the Listing Rules shall include the listed issuer's subsidiaries.

The Transaction constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules on the basis that the relevant percentage ratio(s) of the Company exceeds 5% but is below 25% and is subject to the notification and announcement requirements set out in the Listing Rules.

As advised and confirmed by APL and SHK, the Transaction does not constitute a notifiable transaction under Chapter 14 of the Listing Rules for each of APL and SHK on the basis that none of the applicable percentage ratio exceeds 5%.

As advised and confirmed by SHK, on 11th May, 2016, SHKI, an indirect wholly-owned subsidiary of SHK, entered into the Shareholders' Agreement with the JV Partners for the formation of the Joint Venture.

SHAREHOLDERS' AGREEMENT

As advised and confirmed by SHK, a summary of the major terms of the Shareholders' Agreement is as follows:

Date

11th May, 2016

Parties

- (i) SHKI;
- (ii) JV Partner A;
- (iii) JV Partner B; and
- (iv) JV Partner C.

As advised and confirmed by SHK, which has made all reasonable enquiries, and to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, each of the three JV Partners and their respective ultimate beneficial owners are third parties independent of the Company, APL and SHK and their respective connected persons.

Business scope of the Joint Venture

The business objectives of the Joint Venture shall be, subject to the entering of an Acquisition Agreement for the purchase of the Hotel Company by the Joint Venture through its wholly-owned subsidiary, (i) to invest in the Hotel through the proposed acquisition by the Joint Venture Group of the Hotel Company; and (ii) to hold and exploit the Property and to carry on thereat a hospitality business.

Capital commitment

Each of the JV Partners and SHKI shall contribute to the Joint Venture its share of equity and shareholders' loan in an amount sufficient, when taken together with any bank loans obtained by the Joint Venture Group, to enable the Joint Venture Group to complete and discharge its payment obligations under the Acquisition Agreement.

Under the Acquisition Agreement, the enterprise value agreed by the parties for the Hotel Company shall be EUR162.3 million (equivalent to approximately HK\$1,433.86 million) and the purchase price of 100% of the shares issued by the Hotel Company shall be EUR118.91 million (equivalent to approximately HK\$1,050.52 million) (subject to adjustments). After taking into account debt financing, deal expenses and pre-funded interest reserves, the amount to be funded by the JV Partners and SHKI shall be approximately EUR86.48 million (equivalent to approximately HK\$764.02 million). The ratio of shareholding of SHKI, JV Partner A, JV Partner B and JV Partner C in the Joint Venture is 50%, 20%, 20% and 10% respectively. Accordingly, the amount to be invested by SHKI shall be approximately EUR43.24 million (equivalent to approximately HK\$382.01 million) (being 50% of the total amount payable by the shareholders of the Joint Venture) in form of equity in, and/or a shareholder's loan to, the Joint Venture.

As advised and confirmed by SHK, the amount of equity capital and shareholders' loan to be contributed by the JV Partners and SHKI to the Joint Venture is determined after arm's length negotiation between the parties, with reference to, among others, the consideration of the acquisition of the Hotel Company under the Acquisition Agreement.

Board composition of the Joint Venture

Unless and until otherwise agreed in writing by the JV Partners and SHKI, the JV Board shall comprise not less than two (2) managers, and at any given time, the number of Category A Manager(s) and the number of Category B Manager(s) in the JV Board shall be the same.

Decisions of the JV Board

No business shall be transacted at the JV Board meeting unless a quorum of the managers is present throughout the meeting. The presence of both a Category A Manager and a Category B Manager in person or represented by their respective proxy shall constitute a quorum for the JV Board. All decisions of the JV Board shall be decided by majority votes or consent of both the Category A Manager(s) and the Category B Manager(s). If majority votes or consent as aforesaid cannot be achieved, such decision shall be resolved by shareholders' meeting of the Joint Venture.

INFORMATION RELATING TO THE JV PARTNERS AND THE JOINT VENTURE

JV Partner A

As advised and confirmed by SHK, JV Partner A is a company incorporated in Hong Kong with limited liability and the principal business activity of which is investment holding.

JV Partner B

As advised and confirmed by SHK, JV Partner B is a company incorporated in Hong Kong with limited liability and the principal business activity of which is investment holding.

JV Partner C

As advised and confirmed by SHK, JV Partner C is a company incorporated in Hong Kong with limited liability and the principal business activity of which is investment holding.

The Joint Venture

As advised and confirmed by SHK, the Joint Venture is a company incorporated under the laws of Luxembourg with limited liability and the principal business activity of which is acting as an investment vehicle for SHKI and the JV Partners to hold the interest in the Hotel.

As advised and confirmed by SHK, the Joint Venture is an associate of SHK as SHKI holds 50% of the shareholding of the Joint Venture.

INFORMATION RELATING TO THE HOTEL COMPANY AND THE HOTEL

As advised and confirmed by SHK, the Hotel Company is a company incorporated in France with limited liability and the principal business activity of which is to own and operate the Hotel located in Paris, France under the brand “Sofitel”. The Hotel is composed of two buildings with 147 guest rooms and suites.

As advised and confirmed by SHK, the total revenue, gross operating profits and net profit (loss) before and after taxation of the Hotel Company for the two financial years ended 31st March, 2014 and 2015 are set out below:

| | Financial Year ended | |
|-----------------------------------|-----------------------------|------------------------|
| | 31st March, | |
| | 2014 | 2015 |
| | <i>€'million</i> | <i>€'million</i> |
| | <i>(approximately)</i> | <i>(approximately)</i> |
| Total revenue | 22.0 | 17.1 |
| Gross operating profits | 9.1 | 5.3 |
| Net profit (loss) before taxation | 3.1 | (1.1) |
| Net profit (loss) after taxation | 2.3 | (1.1) |

As advised and confirmed by SHK, as at 31st March, 2015, the net asset value of the Hotel Company was approximately EUR7.5 million.

INFORMATION RELATING TO THE COMPANY AND SHKI

The Company

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

SHKI

As advised and confirmed by SHK, SHKI is a company incorporated in Hong Kong with limited liability and the principal business activity of which is investment holding.

As at the date of this announcement, SHKI is an indirect wholly-owned subsidiary of SHK, which is beneficially owned as to approximately 55.62% by APL, which in turn is beneficially owned as to approximately 74.96% by the Company.

REASONS FOR AND BENEFITS OF ENTERING INTO OF THE SHAREHOLDERS' AGREEMENT

As advised and confirmed by SHK, the SHK Group has always been seeking investment opportunities with growth potential. Given that (i) the Hotel is located in the 8th district of Paris which is close to the city's most renowned attractions including the Louvre Museum; (ii) the Hotel has shown stable and solid performance over the years of its operations; (iii) the Hotel has completed a major renovation in 2015 which would allow the Hotel to be positioned as a more premium brand of property, the SHK Exco considers that the entering into of the Shareholders' Agreement and the proposed acquisition of the Hotel Company by the Joint Venture Group is a sound investment opportunity for SHK. By participating in the formation of the Joint Venture, it is expected that SHK can share the profit from the Joint Venture and strengthen its overseas portfolio.

The SHK Exco is of the view that the terms and conditions of the Shareholders' Agreement are on normal commercial terms, and the Transaction is fair and reasonable 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 Directors, the Directors consider that the Transaction is fair and reasonable and in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

As (i) SHKI is an indirect wholly-owned subsidiary of SHK, (ii) SHK in turn is an indirect non wholly-owned subsidiary of APL; and (iii) APL in turn is a non wholly-owned subsidiary of the Company, the entering into of the Shareholders' Agreement shall be a transaction of each of the Company, APL and SHK under Chapter 14 of the Listing Rules as the definition of "listed issuer" under the Listing Rules shall include the listed issuer's subsidiaries.

The Transaction constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules on the basis that the relevant percentage ratio(s) of the Company exceeds 5% but is below 25% and is subject to the notification and announcement requirements set out in the Listing Rules.

As advised and confirmed by APL and SHK, the Transaction does not constitute a notifiable transaction under Chapter 14 of the Listing Rules for each of APL and SHK on the basis that none of the applicable percentage ratio exceeds 5%.

DEFINITIONS

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

| | |
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| “Acquisition Agreement” | a sale and purchase agreement dated 11th May, 2016 entered into by a wholly-owned subsidiary of the Joint Venture and the current shareholder of the Hotel Company in respect of the acquisition of the Hotel Company by the Joint Venture Group; |
| “APL” | Allied Properties (H.K.) 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: 56 and Warrant Code: 1183) and a non wholly-owned subsidiary of the Company; |
| “Board” | the board of Directors; |
| “Category A Manager(s)” | manager(s) nominated by any of the JV Partners or SHKI and approved by an ordinary resolution in a general meeting of the Joint Venture for being member(s) of the JV Board; |
| “Category B Manager(s)” | manager(s) who are permanent tax resident in Luxembourg and approved by an ordinary resolution in a general meeting of the Joint Venture for being member(s) of the JV Board; |
| “Company” | Allied Group Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the main board of the Stock Exchange (Stock Code: 373); |
| “connected person(s)” | having the meaning ascribed to it in the Listing Rules; |
| “Directors” | the directors of the Company; |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong; |

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| “Hong Kong” | the Hong Kong Special Administrative Region of the People’s Republic of China; |
| “Hotel” | Sofitel Paris Le Faubourg, a hotel located at 11/11 bis and 15, rue Boissy d’Anglas, 75008 – Paris, France; |
| “Hotel Company” | a company incorporated in France with limited liability and the principal business activity of which is owning and operating the Hotel; |
| “Joint Venture” | a company incorporated under the laws of Luxembourg with limited liability and the principal business activity of which is acting as an investment vehicle for SHKI and the JV Partners to hold the interest in the Hotel; |
| “Joint Venture Group” | the Joint Venture and its subsidiaries; |
| “JV Board” | the board of managers of the Joint Venture; |
| “JV Partner A” | a company incorporated in Hong Kong with limited liability and the principal business activity of which is investment holding, having 20% of equity interest in the Joint Venture as at the date of this announcement; |
| “JV Partner B” | a company incorporated in Hong Kong with limited liability and the principal business activity of which is investment holding, having 20% of equity interest in the Joint Venture as at the date of this announcement; |
| “JV Partner C” | a company incorporated in Hong Kong with limited liability and the principal business activity of which is investment holding, having 10% of equity interest in the Joint Venture as at the date of this announcement; |
| “JV Partners” | JV Partner A, JV Partner B and JV Partner C; |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange; |

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|---------------------------|---|
| “Property” | the land and the buildings on which the Hotel is erected, together with all the facilities, fixtures, equipment, goodwill and commercial rights of the Hotel which are owned by the Hotel Company; |
| “Shareholders’ Agreement” | a shareholders’ agreement dated 11th May, 2016 entered into by SHKI and the JV Partners in relation to the formation of and the investment in the Joint Venture; |
| “SHK” | Sun Hung Kai & Co. 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: 86) and an indirect non wholly-owned subsidiary of each of the Company and APL; |
| “SHK Exco” | the executive committee of and with powers delegated from the board of directors of SHK; |
| “SHK Group” | SHK and its subsidiaries; |
| “SHKI” | SHK International Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of SHK; |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited; |
| “Transaction” | the transaction contemplated under the Shareholders’ Agreement; |
| “€” or “EUR” | Euro, the lawful currency in the Eurozone; and |
| “%” | per cent. |

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

Hong Kong, 11th May, 2016

For the purpose of this announcement, translations of Euro into Hong Kong dollars or vice versa have been calculated by using an exchange rate of EUR1.00 equal to HK\$8.8346. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were, may have been or will be exchanged at such rate or any other rates or at all.

As at the date of this announcement, the 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 and Ms. Lisa Yang Lai Sum being the Independent Non-Executive Directors.