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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)



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)

JOINT ANNOUNCEMENT
POSSIBLE OFF-MARKET SHARE BUY-BACK OF
SHK CONSTITUTING A DISCLOSEABLE AND
CONNECTED TRANSACTION

THE POSSIBLE SHARE BUY-BACK OF SHK

As advised and confirmed by SHK, on 4th May, 2018, Asia Financial Services executed the Deed of Undertaking in favour of SHK conditionally undertaking to execute the Buy-back Contract (the terms of which have been agreed) relating to an off-market share buy-back by SHK of 145,000,000 SHK Shares, representing approximately 6.73% of the total number of issued SHK Shares, held by Asia Financial Services if so required by SHK.

SHK is a company incorporated in Hong Kong. Under Section 240 of the Companies Ordinance, a listed company may not enter into a contingent purchase contract relating to its shares prior to obtaining the required special resolution of its shareholders. As advised and confirmed by SHK, although the form of the draft Buy-back Contract has been negotiated and finalised between SHK and Asia Financial Services, SHK will not execute the Buy-back Contract unless and until it has obtained approval by at least three-fourths of the votes cast on a poll by the SHK Independent Shareholders present in person or by proxies at the SHK EGM. As advised and confirmed by SHK, it is SHK's intention to enter into the Buy-back Contract with Asia Financial Services if and when such resolution is passed.

Upon completion of the Share Buy-back, the Buy-back Shares will be transferred to SHK and cancelled. The percentage interest of all other SHK Shareholders in the issued SHK Shares will be proportionally increased following the cancellation of the Buy-back Shares and the resulting reduction in the number of issued SHK Shares.

LISTING RULES IMPLICATIONS

As SHK is an indirect non wholly-owned subsidiary of APL, which in turn is a non wholly-owned subsidiary of AGL, the Share Buy-back entered into by SHK shall be a transaction of each of APL and AGL under the Listing Rules as the definition of “listed issuer” under the Listing Rules shall include the listed issuer’s subsidiaries.

As advised and confirmed by SHK, as at the date this joint announcement, Asia Financial Services holds 341,600,000 SHK Shares, representing approximately 15.87% of the total number of issued SHK Shares, and is a substantial shareholder of SHK, a subsidiary of each of AGL and APL. As such, Asia Financial Services is a connected person of both AGL and APL pursuant to the Listing Rules. Accordingly, the Share Buy-back constitutes a connected transaction of both AGL and APL.

Each of the AGL Board and the APL Board has approved the Share Buy-back. In the event that the independent non-executive directors of each of AGL and APL, after considering the advice from the SHK Independent Financial Adviser, confirm that the terms of the Share Buy-back are fair and reasonable, and on normal commercial terms or better and in the interests of AGL or APL (as the case may be) and their respective shareholders as a whole, the Share Buy-back will be subject only to reporting and announcement requirements, but will be exempted from circular, independent financial advice and shareholders’ approval requirements under Rule 14A.101 of the Listing Rules for both AGL and APL. If the independent non-executive directors of AGL and/or APL (as the case may be) do not provide their confirmations pursuant to Rule 14A.101(2) of the Listing Rules, the Share Buy-Back will then be subject to circular, independent financial advice and shareholders’ approval requirements under Chapter 14A of the Listing Rules.

Further announcement will be made by AGL and APL as soon as the SHK Independent Financial Adviser provides their advice and the independent non-executive directors of AGL and APL give their confirmations or, alternatively, decide not to provide their confirmations pursuant to Rule 14A.101(2) of the Listing Rules.

The Share Buy-back also constitutes a discloseable transaction of each of AGL and APL under Chapter 14 of the Listing Rules, as the relevant percentage ratio(s) pursuant to Rule 14.07 of the Listing Rules in respect of the Share Buy-back for each of AGL and APL exceeds 5% but is below 25%. The Share Buy-back is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules for both AGL and APL.

THE POSSIBLE SHARE BUY-BACK OF SHK

As advised and confirmed by SHK, on 4th May, 2018, Asia Financial Services executed the Deed of Undertaking in favour of SHK conditionally undertaking to execute the Buy-back Contract (the terms of which have been agreed and are set out in the section headed “The Buy-back Contract” below) relating to an off-market share buy-back by SHK of 145,000,000 SHK Shares, representing approximately 6.73% of the total number of issued SHK Shares, held by Asia Financial Services if so required by SHK.

SHK is a company incorporated in Hong Kong. Under Section 240 of the Companies Ordinance, a listed company may not enter into a contingent purchase contract relating to its shares prior to obtaining the required special resolution of its shareholders. As advised and confirmed by SHK, although the form of the draft Buy-back Contract has been negotiated and finalised between SHK and Asia Financial Services, SHK will not execute the Buy-back Contract unless and until it has obtained approval by at least three-fourths of the votes cast on a poll by the SHK Independent Shareholders present in person or by proxies at the SHK EGM. As advised and confirmed by SHK, it is SHK’s intention to enter into the Buy-back Contract with Asia Financial Services if and when such resolution is passed.

The Deed of Undertaking

As advised and confirmed by SHK, the principal terms of the Deed of Undertaking are as follows:

Date

4th May, 2018

Parties

- (a) Asia Financial Services
- (b) SHK

The Deed of Undertaking shall take effect commencing on 4th May, 2018 and shall terminate upon the earlier of: (i) 31st August, 2018; and (ii) by agreement of the parties in writing thereto.

Asia Financial Services irrevocably undertakes to SHK that, if so required by SHK, it shall execute the Buy-back Contract within three business days after the satisfaction of the following condition:

- the passing of the requisite resolution by at least three-fourths of the votes cast on a poll by the SHK Independent Shareholders present in person or by proxy at a general meeting of SHK approving the Buy-back Contract.

The Buy-back Contract

As advised and confirmed by SHK, the principal terms of the Buy-back Contract are as follows:

Parties

- (a) Purchaser: SHK
- (b) Vendor: Asia Financial Services

Number of Buy-back Shares

The number of Buy-back Shares is 145,000,000, representing approximately 6.73% of the total number of issued SHK Shares, and representing approximately 42.45% of the SHK Shares currently held by Asia Financial Services in SHK.

Consideration

As advised and confirmed by SHK, the buy-back price for each Buy-back Share is HK\$4.75 and the total consideration for the Share Buy-back shall not exceed HK\$688,750,000. The consideration for the Share Buy-back was determined following commercial and arms' length negotiations between the parties taking into account the movements in the price of the SHK Shares over a period of time and prevailing market conditions. The consideration will be settled in cash by SHK.

As advised and confirmed by SHK, the original purchase cost of the Buy-back Shares to Asia Financial Services was HK\$5.00 per SHK Share.

Conditions

SHK will enter into the Buy-back Contract only if it is approved by at least three-fourths of the votes cast on a poll by the SHK Independent Shareholders in attendance in person or by proxy at a general meeting of SHK duly convened and held to consider the Buy-back Contract and the possible Share Buy-back thereunder in accordance with the Buy-backs Code and the Companies Ordinance.

The completion of the Share Buy-back is conditional upon the following condition:

- the Executive approving the purchase of the Buy-back Shares by SHK contemplated under the Buy-back Contract pursuant to the Buy-backs Code (and such approval not having been withdrawn) and the condition(s) of such approval, if any, having been satisfied.

In the event that the above condition shall not have been fulfilled by 31st August, 2018 (or such other date as may be agreed by the parties), any party may terminate the Buy-back Contract by serving a written notice on the other party, whereupon the parties shall not be bound to proceed with the proposed Share Buy-back and the Buy-back Contract shall cease to be of any effect (save for certain specific clauses).

Completion

As advised and confirmed by SHK, the completion of the Share Buy-back shall take place within five business days following the day on which the condition to the Share Buy-back has been satisfied or such other day as SHK and Asia Financial Services may agree.

As advised and confirmed by SHK, as at the date of this joint announcement, Asia Financial Services holds 341,600,000 SHK Shares, representing approximately 15.87% of the total number of issued SHK Shares. Upon completion of the Share Buy-back, the Buy-back Shares will be transferred to SHK and cancelled. The percentage interest of all other SHK Shareholders in the issued SHK Shares will be proportionally increased following the cancellation of the Buy-back Shares and the resulting reduction in the number of issued SHK Shares.

As advised and confirmed by SHK, Asia Financial Services undertakes to SHK not to offer, sell, contract to sell, grant any option to purchase or otherwise dispose of, directly or indirectly, any SHK Shares during the period from the date of the Buy-back Contract until the date falling three (3) months after the completion of the Share Buy-back.

Effects on AGL's and APL's shareholding in SHK

AGL's and APL's shareholding in SHK will be increased from approximately 57.29% to approximately 61.43% after the completion of the Share Buy-back.

REASONS FOR AND BENEFITS OF THE SHARE BUY-BACK

As advised and confirmed by SHK, to proceed with the Share Buy-back, SHK has taken into consideration that:

- (i) the Share Buy-back is a good opportunity for SHK to enhance the earnings per SHK Share and the rate of return on capital; and
- (ii) the Share Buy-back will result in an approximately 3.4% enhancement in the net asset value per SHK Share attributable to SHK Shareholders based on the audited balance sheet of the SHK Group as at 31st December, 2017, creating greater shareholder value, which is in the interests of all SHK Shareholders.

As advised and confirmed by SHK, in light of the foregoing, the SHK Directors (excluding the non-executive director and the independent non-executive directors of SHK who will reserve their judgement after taking advice from the independent financial adviser advising SHK in the Share Buy-back) believe that the terms and conditions of the Buy-back Contract are fair and reasonable, and in the interests of SHK and the SHK 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 of APL, the directors of APL (excluding the independent non-executive directors of APL who will reserve their judgement until considering the advice from the SHK Independent Financial Adviser advising SHK Shareholders in the Share Buy-back) are of the view that the terms of the Share Buy-back were entered into after arm's length negotiations and on normal commercial terms and that the terms of the Share Buy-back are fair and reasonable so far as APL and the APL Shareholders are concerned and are in the interests of APL and the APL 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 of AGL, the directors of AGL (excluding the independent non-executive directors of AGL who will reserve their judgement until considering the advice from the SHK Independent Financial Adviser advising SHK Shareholders in the Share Buy-back) are of the view that the terms of the Share Buy-back were entered into after arm's length negotiations and on normal commercial terms and that the terms of the Share Buy-back are fair and reasonable so far as AGL and the AGL Shareholders are concerned and are in the interests of AGL and the AGL Shareholders as a whole.

LISTING RULES AND BUY-BACKS CODE IMPLICATIONS

Listing Rules implications

As SHK is an indirect non wholly-owned subsidiary of APL, which in turn is a non wholly-owned subsidiary of AGL, the Share Buy-back entered into by SHK shall be a transaction of each of APL and AGL under the Listing Rules as the definition of “listed issuer” under the Listing Rules shall include the listed issuer’s subsidiaries.

As advised and confirmed by SHK, as at the date this joint announcement, Asia Financial Services holds 341,600,000 SHK Shares, representing approximately 15.87% of the total number of issued SHK Shares, and is a substantial shareholder of SHK, a subsidiary of each of AGL and APL. As such, Asia Financial Services is a connected person of both AGL and APL pursuant to the Listing Rules. Accordingly, the Share Buy-back constitutes a connected transaction of both AGL and APL.

Each of the AGL Board and the APL Board has approved the Share Buy-back. In the event that the independent non-executive directors of each of AGL and APL, after considering the advice from the SHK Independent Financial Adviser, confirm that the terms of the Share Buy-back are fair and reasonable, and on normal commercial terms or better and in the interests of AGL or APL (as the case may be) and their respective shareholders as a whole, the Share Buy-back will be subject only to reporting and announcement requirements, but will be exempted from circular, independent financial advice and shareholders’ approval requirements under Rule 14A.101 of the Listing Rules for both AGL and APL. If the independent non-executive directors of AGL and/or APL (as the case may be) do not provide their confirmations pursuant to Rule 14A.101(2) of the Listing Rules, the Share Buy-Back will then be subject to circular, independent financial advice and shareholders’ approval requirements under Chapter 14A of the Listing Rules.

Further announcement will be made by AGL and APL as soon as the SHK Independent Financial Adviser provides their advice and the independent non-executive directors of AGL and APL give their confirmations or, alternatively, decide not to provide their confirmations pursuant to Rule 14A.101(2) of the Listing Rules.

The Share Buy-back also constitutes a discloseable transaction of each of AGL and APL under Chapter 14 of the Listing Rules, as the relevant percentage ratio(s) pursuant to Rule 14.07 of the Listing Rules in respect of the Share Buy-back for each of AGL and APL exceeds 5% but is below 25%. The Share Buy-back is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules for both AGL and APL.

None of the directors of AGL and APL has material interest in the Share Buy-back and hence no director is required to abstain from voting on respective board resolutions.

Buy-backs Code implications

As advised and confirmed by SHK, the Share Buy-back constitutes an off-market share buy-back by SHK under the Buy-backs Code. SHK will make an application to the Executive for approval of the Share Buy-back pursuant to Rule 2 of the Buy-backs Code. The Executive's approval, if granted, will normally be conditional upon, amongst other things, approval of the Share Buy-back by at least three-fourths of the votes cast on a poll by the SHK Independent Shareholders present in person or by proxy at a general meeting of SHK.

As advised and confirmed by SHK, completion of the Share Buy-back is subject to the condition that the Share Buy-back has been approved by the Executive. Therefore, SHK will not proceed with the Share Buy-back unless the Executive approves the Share Buy-back pursuant to Rule 2 of the Buy-backs Code. However, there is no assurance that such approval will be granted or that all other conditions precedent to the Share Buy-back will be fulfilled.

As advised and confirmed by SHK, as required by the Buy-backs Code, as at the date of this joint announcement, Asia Financial Services (which beneficially holds 341,600,000 SHK Shares, representing approximately 15.87% of all issued SHK Shares) and the parties acting in concert with it will abstain from voting on the resolutions to be proposed at the SHK EGM for approving the Buy-back Contract and the Share Buy-back.

INFORMATION ON THE VENDOR

As advised and confirmed by SHK, the Vendor, Asia Financial Services, is an investment holding company which currently holds 341,600,000 SHK Shares, representing approximately 15.87% of the existing total number of issued SHK Shares as at the date of this joint announcement and is principally engaged in investment holding. Asia Financial Services is ultimately beneficially owned by funds which are advised by CVC Capital Partners.

After the completion of the Share Buy-back, Asia Financial Services will cease to be a substantial shareholder of SHK.

INFORMATION ON AGL, APL AND SHK

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 investment and development, hospitality related activities, elderly care services, the provision of finance and investments in listed and unlisted securities.

APL

APL 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 APL 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 joint announcement, APL is beneficially owned as to approximately 74.99% by AGL.

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.

As advised and confirmed by SHK, the principal business activity of SHK is investment holding. The principal business activities of its major subsidiaries are consumer finance, principal investments, mortgage loans and financial services.

As at the date of this joint announcement, SHK is beneficially owned as to approximately 57.29% by APL.

As advised and confirmed by SHK, for the two years ended 31st December, 2016 and 2017, the audited net profits of the SHK Group before taxation and non-controlling interests were approximately HK\$1,501,600,000 and HK\$2,608,500,000 respectively and the audited net profits of the SHK Group after taxation and non-controlling interests were approximately HK\$1,109,600,000 and HK\$1,824,300,000 respectively.

The AGL Shareholders, the APL Shareholders and potential investors should be aware that the proposed Share Buy-back is subject to the conditions precedent set out in this joint announcement, and consequently the proposed Share Buy-back may or may not proceed. Accordingly, they are advised to exercise caution when dealing in the AGL Shares and APL Shares thereof. Further announcement(s) will be made by AGL and APL as and when appropriate.

DEFINITIONS

Unless the context otherwise requires, the terms used in this joint announcement shall have the following meanings:

“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 directors of AGL;
“AGL Share(s)”	share(s) in the share capital of AGL;
“AGL Shareholder(s)”	shareholders of AGL;
“APL”	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) and a non wholly-owned subsidiary of AGL;
“APL Board”	the board of directors of APL;
“APL Share(s)”	share(s) in the share capital of APL;
“APL Shareholder(s)”	shareholders of APL;
“Asia Financial Services” or “Vendor”	Asia Financial Services Company Limited, a company incorporated in the Cayman Islands, and is a substantial shareholder of SHK as at the date of this joint announcement;
“business day(s)”	a day (excluding Saturdays, Sundays and public holidays and a day on which typhoon signal no. 8 or a black rainstorm warning is hoisted at any time in Hong Kong) on which banks are generally open for business in Hong Kong;

“Buy-back Contract”	a share buy-back agreement to be entered into by SHK as the purchaser and Asia Financial Services as the vendor for the buy-back of 145,000,000 Buy-back Shares by SHK, particulars of which are set out in the section headed “The Buy-back Contract” in this joint announcement;
“Buy-back Share(s)”	145,000,000 SHK Shares, representing approximately 6.73% of the total number of issued SHK Shares, legally and beneficially owned by Asia Financial Services and to be transferred to SHK for cancellation pursuant to the terms and conditions of the Buy-back Contract;
“Buy-backs Code”	the Hong Kong Code on Share Buy-backs;
“Companies Ordinance”	Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time;
“connected person”	has the meaning ascribed to it under the Listing Rules;
“Deed of Undertaking”	a deed of undertaking dated 4th May, 2018 executed by Asia Financial Services in favour of SHK undertaking, subject to satisfaction of certain conditions, to enter into the Buy-back Contract;
“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any of its delegates;
“HK\$”	Hong Kong dollars, 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;

“Share Buy-back”	the possible purchase of the Buy-back Shares by SHK for the cancellation pursuant to the terms and conditions of the Buy-back Contract, which constitutes an off-market share buy-back by SHK pursuant to the Buy-backs Code;
“SHK” or “Purchaser”	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 and an indirect non wholly-owned subsidiary of each of APL and AGL;
“SHK Directors”	the directors of SHK;
“SHK EGM”	the extraordinary general meeting of SHK to be convened to consider and approve, amongst other things, the Buy-back Contract and the transactions contemplated thereunder;
“SHK Group”	SHK and its subsidiaries;
“SHK Independent Financial Adviser”	the independent financial adviser appointed by SHK advising the two independent board committees of SHK (formed pursuant to the Hong Kong Code on Takeovers and Mergers and the Listing Rules respectively) and the SHK Independent Shareholders on the Share Buy-back;
“SHK Independent Shareholder(s)”	SHK Shareholder(s) other than (i) Asia Financial Services; (ii) parties acting in concert with Asia Financial Services; and (iii) any other SHK Shareholders who has a material interest in the Buy-back Contract and/or the Share Buy-back which is different from the interests of all other SHK Shareholders;
“SHK Share(s)”	share(s) in the share capital of SHK;
“SHK Shareholder(s)”	shareholders of SHK;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;

“substantial shareholder” has the meaning ascribed to it under the Listing Rules; and
“%” per cent.

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

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

Hong Kong, 4th May, 2018

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 and Ms. Lisa Yang Lai Sum being the Independent Non-Executive Directors.

As at the date of this joint announcement, the APL 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.