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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
DISCLOSEABLE TRANSACTION
LOAN TRANSACTION**

As advised and confirmed by SHK, on 20th December, 2018, the Lender (an indirect non-wholly owned subsidiary of SHK) as lender entered into the Loan Agreement with the Borrower as borrower, pursuant to which, the Lender agreed to, among other things, make available to the Borrower the Loan on the terms and subject to the conditions therein.

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

The Transaction, on a stand-alone basis and when aggregated with the Previous Transaction in accordance with the Listing Rules, constitutes a disclosable transaction for AGL on the basis that the relevant percentage ratio(s) of AGL exceeds 5% but is below 25%.

As advised and confirmed by APL, the Transaction, on a stand-alone basis and when aggregated with the Previous Transaction in accordance with the Listing Rules, does not constitute a notifiable transaction under Chapter 14 of the Listing Rules for APL on the basis that none of the applicable percentage ratios exceeds 5%.

The Transaction constitutes a disclosable transaction for SHK on the basis that the relevant percentage ratio(s) of SHK exceeds 5% but is below 25%.

THE LOAN AGREEMENT

As advised and confirmed by SHK, on 20th December, 2018, the Lender (an indirect non-wholly owned subsidiary of SHK) as lender entered into the Loan Agreement with the Borrower as borrower, pursuant to which, the Lender agreed to, among other things, make available to the Borrower the Loan on the terms and subject to the conditions therein.

Date: 20th December, 2018

Parties: (1) the Lender as the lender for the Loan Agreement; and
(2) the Borrower as the borrower for the Loan Agreement.

As advised and confirmed by SHK, which has made all reasonable enquiries, and based on the confirmations of the Borrower, the Guarantor and HK Co, and to the best knowledge, information and belief of the SHK Directors and AGL Directors, having made all reasonable enquiries, the Borrower, HK Co, their respective ultimate beneficial owners and the Guarantor are third parties independent of SHK and AGL and their respective connected persons.

Principal terms of the Loan Agreement

As advised and confirmed by SHK, the principal terms of the Loan Agreement are as follows:

Loan amount: HK\$800,000,000, (i) the first drawdown of which shall be in the amount of HK\$400,000,000 to be made on 24th December, 2018 (the “**First Drawdown**”); and (ii) the second drawdown of which shall be in the amount of HK\$400,000,000 to be made on 28th December, 2018 (the “**Second Drawdown**”). Drawdown of the Loan is at the sole discretion of the Lender.

Term: Twelve (12) months from the date of the First Drawdown

Purpose: The Loan shall be applied and used by the Borrower for its general working capital

- Interest rate:
- (i) For the First Drawdown: 20% per annum for the first Interest Period and 18% per annum thereafter
 - (ii) For the Second Drawdown: 20% per annum for the first Interest Period and 18% per annum thereafter
- Prepayment:
- The Loan may only be prepaid after the last date of the third month from the date of the First Drawdown
- Securities for the Loan:
- (i) Assignment;
 - (ii) Share Mortgage (Borrower);
 - (iii) Debenture (Borrower);
 - (iv) Share Mortgage (HK Co);
 - (v) Debenture (HK Co); and
 - (vi) Deed of Guarantee.

Assignment

As advised and confirmed by SHK, the Loan is secured by the Assignment created by the Guarantor as assignor in favor of the Lender as assignee by way of an assignment of all the right, title and interest as a creditor and the full benefit and right to receive and recover the shareholder's loan in the amount of HK\$100,000,000 owed by the Borrower to the Guarantor, which shall be repayable to the Lender on demand by the Lender.

Share Mortgage (Borrower)

As advised and confirmed by SHK, the Loan is secured by the Share Mortgage (Borrower) created by the Guarantor in favour of the Lender by way of a first fixed mortgage of the Borrower Shares.

The Lender, as mortgagee of the Share Mortgage (Borrower), shall have rights, among other things, to transfer to itself the Borrower Shares upon execution of the Share Mortgage (Borrower) and dispose of the Borrower Shares upon the occurrence of any event of default or the occurrence of any event which may lead to a default by the Borrower.

Debenture (Borrower)

As advised and confirmed by SHK, the Loan is secured by the Debenture (Borrower) created by the Borrower in favor of the Lender by way of a first fixed and floating charge over all the assets of the Borrower.

The Debenture (Borrower) and all security constituted by or pursuant to the Debenture (Borrower) shall become immediately enforceable upon the occurrence of any event of default or the occurrence of any event which may lead to a default by the Borrower.

Share Mortgage (HK Co)

As advised and confirmed by SHK, the Loan is secured by the Share Mortgage (HK Co) to be created by the Borrower in favor of the Lender by way of a first fixed mortgage of the HK Co Shares.

The Lender, as mortgagee of the Share Mortgage (HK Co), shall have rights, among other things, to transfer to itself the HK Co Shares upon execution of the Share Mortgage (HK Co) and dispose of the HK Co Shares upon the occurrence of any event of default or the occurrence of any event which may lead to a default by the Borrower.

Debenture (HK Co)

As advised and confirmed by SHK, the Loan is secured by the Debenture (HK Co) to be created by the HK Co in favor of the Lender by way of a first fixed and floating charge over all the assets of the HK Co.

The Debenture (HK Co) and all security constituted by or pursuant to the Debenture (HK Co) shall become immediately enforceable upon the occurrence of any event of default or the occurrence of any event which may lead to a default by the Borrower.

Deed of Guarantee

As advised and confirmed by SHK, the Guarantor has agreed to guarantee the due and punctual performance of the obligations of the Borrower under the Loan Agreement.

PARTICIPATION AGREEMENTS

As advised and confirmed by SHK, on 20th December, 2018, the Lender entered into the Participation Agreement A with the Participant A as the participant, pursuant to which, the Participant A agreed to, among other things, participate in the First Drawdown in the amount of HK\$60,000,000.

As advised and confirmed by SHK, on 20th December, 2018, the Lender entered into the Participation Agreement B with the Participant B as the participant, pursuant to which, the Participant B agreed to, among other things, participate in the Second Drawdown in the amount of HK\$290,000,000.

As advised and confirmed by SHK, on 20th December, 2018, the Lender entered into the Participation Agreement C with the Participant C as the participant, pursuant to which, the Participant C agreed to, among other things, participate in the Second Drawdown in the amount of HK\$50,000,000.

REASONS FOR AND BENEFITS OF THE TRANSACTION

As advised and confirmed by SHK, the terms of the Loan Agreement, including the interest rate applicable, were arrived at after arm's length negotiations among the Lender and the Borrower, having taken into account the prevailing market interest rates and practices. Based on the confirmation of SHK, the Loan Agreement was entered into by the Lender having regard to (i) the costs of borrowing in providing the Loan to the Borrower; (ii) the interest income to be generated by the Transaction; and (iii) the underlying securities. In addition, as advised and confirmed by SHK, the Transaction is part of the ordinary and usual course of business of the Lender. In view of the above, the SHK Directors are of the view that the terms of the Loan Agreement are on normal commercial terms and the Transaction is fair and reasonable, and in the interests of SHK and its shareholders taken 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 consider that the Transaction is fair and reasonable and in the interests of AGL and its shareholders taken as a whole.

PREVIOUS TRANSACTION

As advised and confirmed by APL, on 5th December, 2018, Lender A (an indirect wholly owned subsidiary of APL) as lender entered into the Loan Agreement A with the Guarantor as borrower, pursuant to which, Lender A agreed to, among other things, make available to the Guarantor an unsecured loan of HK\$100,000,000, which was guaranteed by an individual, with interest rate of 1.5705% per month for the first month from the drawdown date and 1.50% per month thereafter and repayment date on 11th March, 2019 on the terms and subject to the conditions therein.

INFORMATION ABOUT AGL, SHK, THE LENDER, THE BORROWER, HK CO AND THE GUARANTOR

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.

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 consumer finance, principal investments, mortgage loans and financial services.

As at the date of this joint announcement, SHK is beneficially owned as to approximately 61.43% by APL.

The Lender

As advised and confirmed by SHK, the Lender is a company incorporated in Hong Kong with limited liability, an indirect non-wholly owned subsidiary of SHK and is principally engaged in money lending. The Lender holds a money lenders license under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong).

The Borrower

As advised and confirmed by SHK, the Borrower is a company incorporated in the British Virgin Islands with limited liability. The principal business activity of the Borrower is investment holdings.

HK Co

As advised and confirmed by SHK, HK Co is a company incorporated in Hong Kong with limited liability and upon completion of the First Drawdown of the Loan will be a direct wholly owned subsidiary of the Borrower. The principal business activity of HK Co is securities investment holdings.

The Guarantor

As advised and confirmed by SHK, the Guarantor is an individual and the sole shareholder of the Borrower.

LISTING RULES IMPLICATIONS

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

The Transaction, on a stand-alone basis and when aggregated with the Previous Transaction in accordance with the Listing Rules, constitutes a disclosable transaction for AGL on the basis that the relevant percentage ratio(s) of AGL exceeds 5% but is below 25%.

As advised and confirmed by APL, the Transaction, on a stand-alone basis and when aggregated with the Previous Transaction in accordance with the Listing Rules, does not constitute a notifiable transaction under Chapter 14 of the Listing Rules for APL on the basis that none of the applicable percentage ratios exceeds 5%.

The Transaction constitutes a disclosable transaction for SHK, on the basis that the relevant percentage ratio(s) of SHK exceeds 5% but is below 25%.

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 Directors”	directors 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;
“Assignment”	the assignment created by the Guarantor in favor of the Lender of a shareholder’s loan in the amount of HK\$100,000,000 owed by the Borrower to the Guarantor;
“Borrower”	the borrower under the Loan Agreement, the mortgagor under the Share Mortgage (HK Co) and the chargor under the Debenture (Borrower);
“Borrower Shares”	the entire issued shares of the Borrower;
“connected persons”	having the meaning ascribed to it under the Listing Rules;
“Debenture (Borrower)”	the debenture created by the Borrower in favor of the Lender by way of a first fixed and floating charge over all the assets of the Borrower;
“Debenture (HK Co)”	the debenture to be created by HK Co in favor of the Lender by way of a first fixed and floating charge over all the assets of HK Co;
“Deed of Guarantee”	the irrevocable and unconditional guarantee executed by the Guarantor in favor of the Lender;

“Guarantor”	an individual guarantor under the Deed of Guarantee, the mortgagor under Share Mortgage (Borrower), the sole shareholder of the Borrower, the assignor under the Assignment and the borrower under Loan Agreement A;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“HK Co”	the chargor under the Debenture (HK Co);
“HK Co Shares”	the entire issued shares of HK Co;
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China;
“Interest Period”	a period of one month or a shorter period as the case applicable and the first Interest Period shall commence on the date of the First Drawdown;
“Lender”	SHK Finance Limited, a company incorporated in Hong Kong with limited liability and an indirect non-wholly owned subsidiary of SHK, being the lender under the Loan Agreement;
“Lender A”	AP Finance Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly owned subsidiary of APL, being the lender under Loan Agreement A;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Loan”	the loan in the amount of HK\$800,000,000, to be made available by the Lender to the Borrower on the terms and subject to the conditions set out in the Loan Agreement;
“Loan Agreement”	the loan agreement entered into between the Lender as lender and the Borrower as borrower on 20th December, 2018;

“Loan Agreement A”	the loan agreement dated 5th December, 2018, as amended by an agreement dated 12th December, 2018, both entered into between Lender A as lender and the Guarantor as borrower;
“Participant A”	the participant under the Participation Agreement A;
“Participant B”	the participant under the Participation Agreement B;
“Participant C”	the participant under the Participation Agreement C;
“Participation Agreement A”	the participation agreement dated 20th December, 2018 entered into between the Lender and the Participant A;
“Participation Agreement B”	the participation agreement dated 20th December, 2018 entered into between the Lender and the Participant B;
“Participation Agreement C”	the participation agreement dated 20th December, 2018 entered into between the Lender and the Participant C;
“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;
“Previous Transaction”	the transactions contemplated under Loan Agreement A;
“Share Mortgage (Borrower)”	the mortgage created by the Guarantor in favor of the Lender by way of a first fixed mortgage of the Borrower Shares;
“Share Mortgage (HK Co)”	the mortgage to be created by the Borrower in favor of the Lender by way of a first fixed mortgage of the HK Co Shares;
“SHK”	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 (Stock Code: 86) and an indirect non-wholly owned subsidiary of each of APL and AGL;
“SHK Board”	the board of SHK Directors;

“SHK Directors”	directors of SHK;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Transaction”	the transaction contemplated under the Loan Agreement; and
“%”	per cent.

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, 20th December, 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 SHK Board comprises Messrs. Lee Seng Huang (Group Executive Chairman) and Simon Chow Wing Charn being the Executive Directors; Messrs. Peter Anthony Curry and Jonathan Andrew Cimino being the Non-Executive Directors; and Mr. Evan Au Yang Chi Chun, Mr. David Craig Bartlett, Mr. Alan Stephen Jones, Ms. Jacqueline Alee Leung and Mr. Peter Wong Man Kong being the Independent Non-Executive Directors.