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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
PROVISION OF COUNTER GUARANTEE**

As advised and confirmed by SHK, pursuant to the Reimbursement Agreement entered into between the Debtor and the Guaranteeing Banks on 3 December, 2018, Bank A as the fronting bank agreed to issue the Letter(s) of Credit in an aggregate amount equal to NTD1,650,000,000, which will be used to secure payment of the principal of and premium on the Convertible Bonds due and payable by the Debtor as the issuer if the Debtor fails to pay in part or in full in accordance with the terms and conditions of the Convertible Bonds, and each of the Guaranteeing Banks agreed to, among other things, make its respective participation payment in respect of the Letter(s) of Credit on the terms and subject to the conditions therein.

As advised and confirmed by SHK, on 19 February, 2019, SHK as a counter guarantor entered into the Guarantee Agreement with Bank A as the agent and trustee for the Guaranteeing Banks, pursuant to which, SHK agreed to, among other things, act as the counter guarantor for the due and punctual payment of all and any sums (whether principal, interest, fees or otherwise) which are now or at any time may become payable by the Debtor under the Reimbursement Agreement and all other monies agreed to be paid under the Guarantee Agreement and the due and punctual performance and observance by the Debtor of all other obligations in relation to the Convertible Bonds.

As advised and confirmed by SHK, in consideration of SHK agreeing to provide the guarantee under the Guarantee Agreement, on 18 December, 2018, the Debtor entered into the Indemnity Agreement with SHK, pursuant to which, the Debtor agreed to, among other things, pay to SHK an upfront guarantee fee in the amount of US\$1,598,625, reimburse SHK for the full amount of any amount paid or to be paid by SHK under the Guarantee Agreement and interest on such payment by SHK at the Indemnity Interest Rate and indemnify SHK in respect of all actions, proceedings, taxes, liabilities, claims, losses, damages, fees, costs, expenses and any related penalties suffered and incurred by SHK in relation to the Guarantee Agreement.

As SHK 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 SHK 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 Transactions in accordance with the Listing Rules, constitutes a discloseable transaction for each of SHK and AGL on the basis that the relevant percentage ratio(s) of each of SHK and 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 Transactions 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 COUNTER GUARANTEE

As advised and confirmed by SHK, pursuant to the Reimbursement Agreement entered into between the Debtor and the Guaranteeing Banks on 3 December, 2018, Bank A as the fronting bank agreed to issue the Letter(s) of Credit in an aggregate amount equal to NTD1,650,000,000, which will be used to secure payment of the principal of and premium on the Convertible Bonds due and payable by the Debtor as the issuer if the Debtor fails to pay in part or in full in accordance with the terms and conditions of the Convertible Bonds, and each of the Guaranteeing Banks agreed to, among other things, make its respective participation payment in respect of the Letter(s) of Credit on the terms and subject to the conditions therein.

As advised and confirmed by SHK, on 19 February, 2019, SHK as a counter guarantor entered into the Guarantee Agreement with Bank A as the agent and trustee for the Guaranteeing Banks, pursuant to which, SHK agreed to, among other things, act as the counter guarantor for the due and punctual payment of all and any sums (whether principal, interest, fees or otherwise) which are now or at any time may become payable by the Debtor under the Reimbursement Agreement and all other monies agreed to be paid under the Guarantee Agreement and the due and punctual performance and observance by the Debtor of all other obligations in relation to the Convertible Bonds.

Principal Terms of the proposed issue of Convertible Bonds

As advised and confirmed by SHK, the principal terms of the proposed issue of Convertible Bonds are as follows:

Issuer:	The Debtor
Issue size:	US\$50,000,000
Issue date:	26 February, 2019
Coupon rate:	The coupon rate is set at 0% per annum
Maturity date:	22 January, 2022
Letter(s) of Credit:	The Convertible Bonds will have the benefit of irrevocable standby letter(s) of credit (the “ Letter(s) of Credit ”) issued by Bank A pursuant to which the Trustee, on behalf of the Bondholders, can utilize and make a claim under the Letter(s) of Credit under certain circumstances.

Principal Terms of the Reimbursement Agreement

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

- Date: 3 December, 2018
- Parties: (1) the Debtor; and
(2) the Guaranteeing Banks
- Issuance/Participation: Bank A as the fronting bank shall issue the Letter(s) of Credit in favour of the Trustee for the benefit of the Bondholders. Each Guaranteeing Bank shall become irrevocably and unconditionally obliged to make its participation payment in respect of the Letter(s) of Credit.
- Letter(s) of Credit disbursement and reimbursement: Each of the Guaranteeing Banks agrees with Bank A, that, if a demand has been delivered by the Trustee to Bank A in accordance with the terms of the Letter(s) of Credit, each Guaranteeing Bank shall pay to Bank A an amount equal to such bank's commitment ratio of the disbursement amount, respectively. The Debtor shall reimburse all the Guaranteeing Banks an amount in US Dollars equivalent to the disbursement amount.

Principal Terms of the Guarantee Agreement

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

- Date: 19 February, 2019
- Parties: (1) SHK; and
(2) Bank A

Counter Guarantee:

SHK guarantees that the due and punctual payment of all and any sums (whether principal, interest, fees or otherwise) which are now or at any time may become payable by the Debtor under the Reimbursement Agreement and all other monies agreed to be paid under the Guarantee Agreement (the “**Secured Indebtedness**”) and the due and punctual performance and observance by the Debtor of all other obligations in relation to the Convertible Bonds.

SHK unconditionally and irrevocably undertakes, as a separate, additional and continuing obligation, to indemnify each Guaranteeing Banks against all losses, liabilities, damages, costs and expenses (including in-house and external costs on a full indemnity basis) whatsoever arising out of any failure by the Debtor to make due and punctual payment of the Secured Indebtedness or in the due and punctual performance and observance of all other obligations in relation to the Convertible Bonds.

As advised and confirmed by SHK, in consideration of SHK agreeing to provide the guarantee under the Guarantee Agreement, on 18 December, 2018, the Debtor entered into the Indemnity Agreement with SHK, pursuant to which, the Debtor agreed to, among other things, pay to SHK an upfront guarantee fee in the amount of US\$1,598,625, reimburse SHK for full amount of any amount paid or to be paid by SHK under the Guarantee Agreement and interest on such payment by SHK at the Indemnity Interest Rate and indemnify SHK in respect of all actions, proceedings, taxes, liabilities, claims, losses, damages, fees, costs, expenses and any related penalties suffered and incurred by SHK in relation to the Guarantee Agreement.

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

REASONS FOR AND BENEFITS OF THE TRANSACTION

As advised and confirmed by SHK, the terms of the Guarantee Agreement were arrived at after arm's length negotiations between SHK and Bank A, having taken into account the prevailing market practices. Based on the confirmation of SHK, the Guarantee Agreement was entered into by SHK having regard to (i) the fee income to be generated by the Transaction; and (ii) the indemnity provided by the Debtor under the Indemnity Agreement. In view of the above, the SHK Directors are of the view that the terms of the Guarantee 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 TRANSACTIONS

As advised and confirmed by SHK, on 29 October, 2018, Lender A (an indirect non-wholly owned subsidiary of SHK) as lender entered into the Loan Agreement A with Borrower A (an indirect wholly owned subsidiary of the Debtor) as borrower, pursuant to which, Lender A agreed to, among other things, make available to Borrower A an unsecured loan of RMB8,500,000, which was guaranteed by an individual, with interest rate of 0.5% per month for a term of 6 months on the terms and subject to the conditions therein.

As advised and confirmed by SHK, on 29 October, 2018, Lender B (an indirect non-wholly owned subsidiary of SHK) as lender entered into the Loan Agreement B with Borrower B (an indirect wholly owned subsidiary of the Debtor) as borrower, pursuant to which, Lender B agreed to, among other things, make available to Borrower B an unsecured loan of RMB10,000,000, which was guaranteed by Borrower A, with interest rate of 0.5% per month for a term of 12 months on the terms and subject to the conditions therein.

As advised and confirmed by SHK, on 29 October, 2018, Lender C (an indirect non-wholly owned subsidiary of SHK) as lender entered into the Loan Agreement C with Borrower C (an indirect wholly owned subsidiary of the Debtor) as borrower, pursuant to which, Lender C agreed to, among other things, make available to Borrower C an unsecured loan of RMB15,000,000, which was guaranteed by Borrower A, with interest rate of 0.5% per month for a term of 12 months on the terms and subject to the conditions therein.

INFORMATION ABOUT AGL, SHK, THE DEBTOR AND THE GUARANTEEING BANKS

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 Debtor

As advised and confirmed by SHK, the Debtor is a company incorporated in the Republic of China with limited liability, the securities of which are listed on TWSE.

The principal business activity of the Debtor is retail distribution. The principle business activities of its major subsidiaries is retail distribution in the PRC.

The Guaranteeing Banks

As advised and confirmed by SHK, the Guaranteeing Banks comprise of Bank A and Bank B.

Bank A is the Taipei branch of a bank incorporated in Hong Kong. The principal business activities of Bank A is providing comprehensive corporate banking, personal banking, wealth management, and investment services.

Bank B is a bank incorporated in Taiwan. The principal business activities of Bank B is providing banking products and services primarily in Taiwan.

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 Transaction entered into by SHK 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 Transactions in accordance with the Listing Rules, constitutes a discloseable transaction for each of SHK and AGL on the basis that the relevant percentage ratio(s) of each of SHK and 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 Transactions 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%.

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;

“Bank A”	one of the Guaranteeing Banks under the Reimbursement Agreement, the issuing bank under the Letter(s) of Credit and the agent and trustee for the Guaranteeing Banks under the Guarantee Agreement;
“Bank B”	one of the Guaranteeing Banks under the Reimbursement Agreement;
“Bondholders”	holder(s) of the Convertible Bonds from time to time;
“Borrower A”	a company incorporated in the PRC and an indirect wholly owned subsidiary of the Debtor, being the borrower under the Loan Agreement A;
“Borrower B”	a company incorporated in the PRC and an indirect wholly owned subsidiary of the Debtor, being the borrower under the Loan Agreement B;
“Borrower C”	a company incorporated in the PRC and an indirect wholly owned subsidiary of the Debtor, being the borrower under the Loan Agreement C;
“connected persons”	having the meaning ascribed to it under the Listing Rules;
“Convertible Bonds”	currency linked zero coupon convertible bonds due 2022 in the maximum aggregate principal amount payable at maturity of the Convertible Bonds of up to US Dollars Fifty Million (US\$50,000,000);
“Debtor”	the debtor under the Reimbursement Agreement, the issuer of the Convertible Bonds and the debtor under the Indemnity Agreement;
“Guarantee Agreement”	the guarantee agreement entered into between SHK as the guarantor and Bank A as the agent and trustee for the Guaranteeing Banks dated 19 February, 2019;
“Guaranteeing Banks”	Bank A and Bank B;

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China;
“Indemnity Agreement”	the indemnity agreement entered into between the Debtor as the debtor and SHK as the guarantor dated 18 December, 2018;
“Indemnity Interest Rate”	(i) on or before the date falling on the first anniversary of the issue date of the Convertible Bonds: 9% per annum; (ii) on or before the date falling on the first anniversary (exclusive) and the second anniversary (inclusive) of the issue date of the Convertible Bonds: 12% per annum; and (iii) on or before the date falling on the second anniversary (exclusive) of the issue date of the Convertible Bonds: 15% per annum;
“Lender A”	上海浦東新區亞聯財小額貸款有限公司 (United Asia Finance (Shanghai Pudong New District) Limited*), a company incorporated in the PRC and an indirect non-wholly owned subsidiary of SHK, being the lender under Loan Agreement A;
“Lender B”	濟南亞聯財小額貸款有限公司 (United Asia Finance (Jinan) Limited*), a company incorporated in the PRC and an indirect non-wholly owned subsidiary of SHK, being the lender under Loan Agreement B;
“Lender C”	青島市城陽區亞聯財小額貸款有限公司 (United Asia Finance (Qingdao Chengyang District) Limited*), a company incorporated in the PRC and an indirect non-wholly owned subsidiary of SHK, being the lender under Loan Agreement C;
“Letter(s) of Credit”	The standby letter(s) of credit in respect of the Convertible Bonds to be issued by Bank A to the Trustee;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;

“Loan Agreement A”	the loan agreement entered into between Lender A as lender and the Borrower A as borrower dated 29 October, 2018;
“Loan Agreement B”	the loan agreement entered into between Lender B as lender and the Borrower B as borrower dated 29 October, 2018;
“Loan Agreement C”	the loan agreement entered into between Lender C as lender and the Borrower C as borrower dated 29 October, 2018 ;
“NTD”	New Taiwan Dollars, the lawful currency of the Republic of China;
“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;
“PRC”	People’s Republic of China;
“Previous Transactions”	the transactions contemplated under Loan Agreement A, Loan Agreement B and Loan Agreement C;
“Reimbursement Agreement”	the reimbursement agreement entered into among the Debtor, Bank A as the fronting bank, the agent and one of the arrangers and the Guaranteeing Banks, and Bank B as one of the arrangers and the Guaranteeing Banks dated 3 December, 2018;
“RMB”	Renminbi, the lawful currency of the PRC;
“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 Guarantee Agreement;
“Trustee”	the trustee acting on behalf of the Bondholders under the Trust Deed;
“Trust Deed”	the trust deed to be entered into between the Issuer and the Trustee;
“TWSE”	Taiwan Stock Exchange Corporation;
“US\$” or “US Dollars”	United States Dollars, the lawful currency of the United States of America; 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, 19 February, 2019

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.

* *For identification purpose only*