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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 TRANSACTIONS**

## **ACQUISITION OF APPROXIMATELY 9.91% SHARES IN SHK INVOLVING THE NOTES TRANSFER**

#### **THE ACQUISITION**

On 19 March 2021 (after trading hours), the Purchaser (an indirect wholly-owned subsidiary of the Company) entered into the Share Purchase Agreement with the Seller, pursuant to which the Purchaser agreed to purchase, and the Seller agreed to sell, the Sale Shares (representing approximately 9.91% of the total number of issued shares in SHK as at the date of this announcement) at the Consideration of HK\$589,800,000, which shall be settled on the Completion Date in the form of (i) the Notes Consideration of US\$51,844,388 and (ii) the Cash Consideration of HK\$188,005,992.

#### **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceed 5% but are all less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

The transfer of the SHK2022 Notes and the SHK2024 Notes from AG Capital, AP Diamond and Hardy Wall (all being indirect wholly-owned subsidiaries of the Company) to the Seller (i.e the settlement of the Notes Consideration) on the Completion Date in accordance with the Share Purchase Agreement shall constitute a disposal of assets by the Group under Chapter 14 of the Listing Rules. As all applicable percentage ratios (as defined in the Listing Rules) in respect of the Notes Transfer are less than 5%, the Notes Transfer, on a standalone basis, is fully exempt from the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Pursuant to Rule 14.24 of the Listing Rules, as the Acquisition and the Notes Transfer under the Share Purchase Agreement constitute a transaction involving both an acquisition and a disposal, the transaction will be classified by reference to the larger of the acquisition or disposal, and subject to the reporting, disclosure and/or shareholder approval requirements applicable to such classification. Accordingly, the Acquisition and the Notes Transfer are subject to the notification and announcement requirements applicable to discloseable transaction under Chapter 14 of the Listing Rules.

## **THE ACQUISITION**

On 19 March 2021 (after trading hours), the Purchaser (an indirect wholly-owned subsidiary of the Company) entered into the Share Purchase Agreement with the Seller, the principal terms of which are as follows:

### **The Share Purchase Agreement**

Date: 19 March 2021 (after trading hours)

Parties: (i) the Purchaser; and  
(ii) the Seller

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, (i) the Seller is wholly-owned by Asia Financial Services Holdings Limited, which is controlled by CVC Capital Partners Asia Pacific III L.P. (“**CVC Fund**”) (a private equity fund focusing on investment in established companies in developed economies in the Asia Pacific region which is widely held by a large number of investors, with CVC Capital Partners Asia III Limited as its general partner); and (ii) each of the Seller and its ultimate beneficial owner(s) is a third party independent of the Company and its connected person(s) (as defined in the Listing Rules).

### **Subject matter**

Pursuant to the Share Purchase Agreement, the Purchaser agreed to purchase, and the Seller agreed to sell, the Sale Shares (representing approximately 9.91% of the total number of issued shares in SHK as at the date of this announcement) free of any Encumbrance and together with all rights attaching thereto, including all rights to any dividend or other distribution declared made or paid, on or after the Completion Date.

Upon Completion, the Company will be interested in approximately 72.74% of the total number of issued shares in SHK and remains to be a substantial shareholder of SHK.

### **Consideration**

The Consideration of HK\$589,800,000 (representing a price of HK\$3.00 per Sale Share) shall be satisfied by the Purchaser on the Completion Date in the following manner (based on a conversion rate of US\$1.00: HK\$7.75):

- (i) US\$1,834,784 in the form of SHK2022 Notes held by AP Diamond, valued at face value with accrued interest up until 24 March 2021;
- (ii) US\$16,942,029 in the form of SHK2024 Notes held by AP Diamond, valued at face value with accrued interest up until 24 March 2021;
- (iii) US\$26,739,829 in the form of SHK2024 Notes held by AG Capital, valued at face value with accrued interest up until 24 March 2021;

- (iv) US\$6,327,746 in the form of SHK2024 Notes held by Hardy Wall, valued at face value with accrued interest up until 24 March 2021; and
- (v) HK\$188,005,992 in the form of cash.

### **Basis of the Consideration**

The Consideration was determined after arm's length negotiations between the Purchaser and the Seller on normal commercial terms taking into account, among other things, (i) the closing price of approximately HK\$3.64 per SHK Share as quoted on the Stock Exchange as at the date of the Share Purchase Agreement and (ii) the audited consolidated net asset value of HK\$11.4 per SHK Share as at 31 December 2020 based on the published final results announcement of SHK for the year ended 31 December 2020. The Consideration of HK\$3.00 per Sale Share represents (i) a discount of approximately 17.6% to the closing price of HK\$3.64 per SHK Share as quoted on the Stock Exchange as at the date of the Share Purchase Agreement and (ii) a discount of approximately 73.7% to the audited consolidated net asset value of HK\$11.4 per SHK Share as at 31 December 2020. While the Notes Consideration is satisfied by the Notes Transfer, the Cash Consideration shall be financed by internal resources of the Group.

An additional payment (in an amount equal to  $((A-3) \times 196,600,000)$ , where A means the highest price in HK\$ paid for acquiring or cancelling one share in SHK) by the Purchaser to the Seller would be triggered if, after the date of the Share Purchase Agreement and prior to 31 December 2021, the Purchaser and/or any of its Affiliates completes (a) any dealing in shares in SHK (whether by way of acquisition by the Purchaser or any of its Affiliates, or by way of share repurchase by SHK) resulting in it and/or them holding more than 75.0% of the issued share capital of SHK; (b) any acquisition of shares in SHK from certain shareholder and/or any of its Affiliates; or (c) a privatisation of SHK within the meaning of the Listing Rules and/or the Hong Kong Code on Takeovers and Mergers.

### **Completion**

Completion shall take place on the Completion Date and shall only occur if all required documents, items and actions have been delivered or performed by each party to the Share Purchase Agreement in accordance with the terms contained therein.

### **INFORMATION ON SHK**

SHK 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 SHK is investment holding. The principal business activities of its major subsidiaries are financing which includes consumer finance, specialty finance & mortgage loans, and investment management & funds management.

## Financial Information

The following information is extracted from the published annual report and final results announcement of SHK for the year ended 31 December 2019 and 31 December 2020, respectively:

	For the year ended	
	31 December	
	2019	2020
	<i>HK\$ million</i>	<i>HK\$ million</i>
Revenue	4,216.8	4,056.6
Pre-tax profit	2,743.4	3,200.6
Profit for the year	2,514.6	2,928.9

Based on the published final results announcement of SHK for the year ended 31 December 2020, as at 31 December 2020, the audited total assets of SHK was approximately HK\$44,083.2 million and the audited net asset value of SHK, being the audited consolidated equity attributable to owners of SHK, was approximately HK\$22,625.2 million.

## Information on the SHK2022 Notes and the SHK2024 Notes

The SHK2022 Notes and the SHK2024 Notes were issued by SHK BVI (a wholly-owned subsidiary of SHK) and guaranteed by SHK and are denominated in U.S. dollars. The SHK2022 Notes bear a fixed interest rate of 4.65% per annum and will be due in 2022 whereas the SHK2024 Notes bear a fixed interest rate of 5.75% per annum and will be due in 2024. Both the SHK2022 Notes (Stock code: 5267) and the SHK2024 Notes (Stock Code: 40065) are listed on the Stock Exchange.

## Financial Effect of the Notes Transfer

The SHK2022 Notes and the SHK2024 Notes forming the Notes Consideration (i.e the Transferred Notes) are of an aggregate principal amount of approximately US\$50.8 million. As at 30 June 2020, the carrying value of the Transferred Notes was approximately HK\$396.9 million and the carrying value is estimated to be approximately HK\$401.8 million as at the Completion Date. Net interest income attributable to the Transferred Notes recognised for the financial year ended 31 December 2019 and for the six months ended 30 June 2020 were approximately HK\$3.5 million and HK\$11.3 million, respectively. As the amount of the Notes Consideration of US\$51,844,388 or approximately HK\$401.8 million (based on a conversion rate of US\$1.00: HK\$7.75) is approximate to the estimated carrying value of the Transferred Notes of approximately HK\$401.8 million as at the Completion Date, there is no significant gain or loss expected to be recognised by the Group from the Notes Transfer.

## **REASONS FOR AND BENEFITS OF THE ACQUISITION (INCLUDING THE NOTES TRANSFER)**

The Directors noted that the Consideration at a term of HK\$3.00 per Sale Share represents (i) a discount of approximately 17.6% to closing price of HK\$3.64 per SHK Share as at the date of the Share Purchase Agreement and (ii) a discount of approximately 73.7% to the audited consolidated net asset value of HK\$11.4 per SHK Share as at 31 December 2020. The Notes Transfer forms part of the Consideration for the purpose of effecting the Acquisition and it is noted that there is no significant gain or loss expected to be recognised by the Group from the Notes Transfer. The core businesses of the Group include property investment and development and financial services together with property management and elderly care services. SHK and its subsidiaries are engaged in provision of financial services which is one of the core businesses of the Group. The Directors consider that the Acquisition offers a good opportunity for the Group to make additional investment in SHK which is in line with the Group's stated strategy of focusing its management and financial resources on its core businesses and that it is practically difficult to acquire such en bloc stake of SHK Shares (representing approximately 9.91% of the total number of issued shares in SHK as at the date of this announcement) in the market. Upon Completion, the Company's beneficial interest in SHK will increase from the existing 62.83% to 72.74% which will further strengthen the Group's equity position in SHK. In addition, the financial performance of the Group is anticipated to be strengthened taking into account the previous financial performance of SHK.

In light of the above, the Directors are of the view that the terms of the Acquisition (including the Notes Transfer) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceed 5% but are all less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

The transfer of the SHK2022 Notes and the SHK2024 Notes from AG Capital, AP Diamond and Hardy Wall (all being indirect wholly-owned subsidiaries of the Company) to the Seller (i.e the settlement of the Notes Consideration) on the Completion Date in accordance with the Share Purchase Agreement shall constitute a disposal of assets by the Group under Chapter 14 of the Listing Rules. As all applicable percentage ratios (as defined in the Listing Rules) in respect of the Notes Transfer are less than 5%, the Notes Transfer, on a standalone basis, is fully exempt from the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Pursuant to Rule 14.24 of the Listing Rules, as the Acquisition and the Notes Transfer under the Share Purchase Agreement constitute a transaction involving both an acquisition and a disposal, the transaction will be classified by reference to the larger of the acquisition or disposal, and subject to the reporting, disclosure and/or shareholder approval requirements applicable to such classification. Accordingly, the Acquisition and the Notes Transfer are subject to the notification and announcement requirements applicable to discloseable transaction under Chapter 14 of the Listing Rules.

## **INFORMATION ON THE PARTIES**

### **The Purchaser and the Company**

The Purchaser is a company incorporated in the British Virgin Islands and an indirect wholly-owned subsidiary of the Company. It is an investment holding company.

The Company 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 the Company 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, and the provision of finance and investments in listed and unlisted securities.

### **The Seller**

The Seller is a company incorporated in the Cayman Islands with limited liability and is an investment holding company.

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following words and expressions shall have the meaning ascribed to them below:

“Acquisition”	the proposed acquisition of the Sale Shares by the Purchaser pursuant to the Share Purchase Agreement
“Affiliate(s)”	means, in respect of the parties to the Share Purchase Agreement, any company which is (a) a holding company of such party; or (b) a subsidiary of a holding company of such party; or (c) a subsidiary of such party; or (d) a controlling shareholder of such party; or (e) a company controlled by a controlling shareholder of such party; or (f) a company controlled by such party; or (g) an associated company of a holding company of such party; or (h) an associated company of such party
“AG Capital”	AG Capital Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“AP Diamond”	AP Diamond Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company

“Board”	the board of Directors
“Cash Consideration”	HK\$188,005,992, being the portion of the Consideration to be settled by the Purchaser in cash
“Company”	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)
“Completion”	completion of the Acquisition
“Completion Date”	24 March 2021, or such earlier date as agreed by the parties in accordance with the Share Purchase Agreement
“Consideration”	HK\$589,800,000, being the total consideration payable by the Purchaser pursuant to the Share Purchase Agreement
“Director(s)”	the director(s) of the Company
“Encumbrance”	a mortgage, pledge, lien, option, restriction, right of pre-emption, third party right or interest, other encumbrance or security interest of any kind, or another type of preferential arrangement (including, without limitation, a title transfer or retention arrangement) having similar effect
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hardy Wall”	Hardy Wall Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company
“Hong Kong”	the 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
“Notes Consideration”	the SHK2022 Notes and the SHK2024 Notes forming part of the Consideration, which shall be transferred to the Seller in accordance with the Share Purchase Agreement

“Notes Transfer”	the transfer of the SHK2022 Notes and the SHK2024 Notes from AG Capital, AP Diamond and Hardy Wall to the Seller in accordance with the Share Purchase Agreement
“Purchaser”	AP Emerald Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company
“Sale Shares”	196,600,000 ordinary shares in SHK (representing approximately 9.91% of the total number of issued shares in SHK as at the date of this announcement), which are legally owned by the Seller prior to Completion
“Seller”	Asia Financial Services Company Limited, a company incorporated in the Cayman Islands with limited liability
“Shareholder(s)”	holder(s) of the share(s) in the Company
“Share Purchase Agreement”	the share purchase agreement dated 19 March 2021 entered into between the Purchaser and the Seller for the Sale Shares
“SHK BVI”	Sun Hung Kai & Co. (BVI) Limited, a wholly-owned subsidiary of SHK
“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)
“SHK Share(s)”	the ordinary share(s) of SHK
“SHK2022 Notes”	the 4.65% notes due 2022 issued by SHK BVI and guaranteed by SHK, which are listed on the Stock Exchange (Stock Code: 5267)
“SHK2024 Notes”	the 5.75% notes due 2024 issued by SHK BVI and guaranteed by SHK, which are listed on the Stock Exchange (Stock Code: 40065)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transferred Notes”	the SHK2022 Notes and the SHK2024 Notes forming the Notes Consideration



“US\$” United States dollars, the lawful currency of the United States of America

“%” per cent

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

Hong Kong, 19 March 2021

*As at the date of this announcement, the board of directors of the Company 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, Ms. Lisa Yang Lai Sum and Mr. Kelvin Chau Kwok Wing being the Independent Non-Executive Directors.*