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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)

DISCLOSEABLE AND CONNECTED TRANSACTION DISPOSAL OF A SUBSIDIARY

THE DISPOSAL

On 18th October, 2019, the Company (as vendor) and the Purchaser (an indirect wholly-owned subsidiary of AGL) entered into the Sale and Purchase Agreement, pursuant to which the Purchaser has conditionally agreed to acquire and the Company has conditionally agreed to sell the Sale Shares at the Consideration of HK\$260,000,000.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the Disposal exceeds 5% but is below 25%, the Disposal constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

The Purchaser is an indirect wholly-owned subsidiary of AGL, the controlling shareholder of the Company which is beneficially interested in approximately 74.99% of the total number of shares in issue of the Company as at the date of this announcement, and hence is a connected person of the Company. As such, the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one of the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the Disposal exceeds 5%, the Disposal is, in addition to the reporting and announcement requirements, subject to the circular and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Messrs. Alan Stephen Jones and David Craig Bartlett, being independent non-executive Directors, are also independent non-executive directors of AGL. They were not appointed as members of the Independent Board Committee and have voluntarily abstained from voting on the relevant board resolutions of the Company although they were not considered by the Board to be materially interested in the Sale and Purchase Agreement and the transactions contemplated thereunder.

Mr. Lee Seng Hui (being the chief executive and an executive Director of the Company) is also the chief executive and an executive director of AGL and also one of the trustees of Lee and Lee Trust, being a discretionary trust which, together with his personal interest, controls approximately 74.95% interest in the total number of shares in issue of AGL. AGL is directly and indirectly interested in an aggregate of approximately 74.99% of the total number of shares in issue of the Company. As such, Mr. Lee Seng Hui is deemed to be interested in the Sale and Purchase Agreement and has abstained from voting on the relevant board resolutions of the Company.

None of the Directors, except for Mr. Lee Seng Hui as disclosed above, has any material interest in the Sale and Purchase Agreement and is required to abstain from voting on the board resolutions approving the Sale and Purchase Agreement and the transactions contemplated thereunder.

The Independent Board Committee, comprising Mr. Steven Samuel Zoellner, being the remaining independent non-executive Director, has been established to advise the Independent Shareholders in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder. In addition, the Independent Financial Adviser has also been appointed to advise the Independent Board Committee and the Independent Shareholders in the same regard.

The Directors (excluding Messrs. Alan Stephen Jones, David Craig Bartlett and Lee Seng Hui who have abstained from voting on the relevant board resolutions and Mr. Steven Samuel Zoellner, being the remaining independent non-executive Director whose opinion will be provided after reviewing the advice of the Independent Financial Adviser) are of the view that the terms of the Sale and Purchase Agreement were entered into after arm's length negotiations and reflect normal commercial terms and that the terms of the Sale and Purchase Agreement are fair and reasonable so far as the Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

GENERAL

The EGM will be convened by the Company for the Independent Shareholders to consider and, if thought fit, approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

To the best of the knowledge and belief of the Directors having made all reasonable enquiries, save as and except for AGL and its associates (including the Purchaser), no other shareholder of the Company has a material interest in the transactions contemplated under the Sale and Purchase Agreement such that he or she or it shall abstain from voting at the EGM on the resolution to approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

A circular containing, among other things, (i) further information on the Disposal; (ii) the advice and recommendation from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iii) the recommendation of the Independent Board Committee to the Independent Shareholders; and (iv) a notice of the EGM, is expected to be despatched to the Shareholders on or before 8th November, 2019.

Completion is subject to a number of Conditions being satisfied, including but not limited to the necessary approval of the Disposal having been obtained from the Independent Shareholders. As such, the Disposal may or may not materialise. Shareholders and potential investors of the Company should exercise caution when dealing in the shares of the Company.

THE DISPOSAL

On 18th October, 2019, the Company (as vendor) and the Purchaser (an indirect wholly-owned subsidiary of AGL) entered into the Sale and Purchase Agreement in respect of the Disposal.

The Sale and Purchase Agreement

Date

18th October, 2019

Parties

- (1) The Company (as vendor)
- (2) The Purchaser (an indirect wholly-owned subsidiary of AGL)

Subject matter

Pursuant to the Sale and Purchase Agreement, the Purchaser has conditionally agreed to acquire and the Company has conditionally agreed to sell the Sale Shares. The Sale Shares, representing the entire issued share capital of the Target Company, will be sold free from all encumbrances together with all rights to any dividend or other distribution declared, made or paid on or after the Completion Date.

Consideration

The Consideration for the sale and purchase of the Sale Shares shall be HK\$260,000,000, and shall be payable by the Purchaser to the Company in cash upon Completion.

The Consideration was determined based on arm's length negotiations between the Company and the Purchaser on normal commercial terms with reference to the preliminary valuation of the Target Group amounting to HK\$260,000,000 as at 31st August, 2019 prepared by the Valuer using the income approach.

Conditions

Completion is conditional upon the satisfaction or, where applicable, waiver by the Purchaser or the Company (as the case may be), of the following Conditions:

- (i) the passing by the Independent Shareholders at the EGM of resolutions approving the Sale and Purchase Agreement and the transactions contemplated thereunder in accordance with the Listing Rules;
- (ii) all other necessary governmental and regulatory approvals, consents, waivers, authorisation, registrations, filings and compliance with all the requirements under the Listing Rules and other applicable laws and regulations in connection with the transactions contemplated under the Sale and Purchase Agreement having been obtained and not revoked prior to Completion;
- (iii) all necessary consents, waivers and/or authorisations from any relevant third parties (where applicable) in connection with the transactions contemplated under the Sale and Purchase Agreement having been obtained and not revoked prior to Completion;

- (iv) the representations, warranties and undertakings given or made by the Company in the Sale and Purchase Agreement remaining true and accurate and not misleading in any material respect as if repeated at Completion and at all times between the date of the Sale and Purchase Agreement and the Completion Date; and
- (v) the representations, warranties and undertakings given or made by the Purchaser in the Sale and Purchase Agreement remaining true and accurate and not misleading in any material respect as if repeated at Completion and at all times between the date of the Sale and Purchase Agreement and the Completion Date.

The Conditions set out in (i), (ii) and (iii) cannot be waived by the Company and the Purchaser. The Purchaser may in its absolute discretion at any time waive Condition (iv), while the Company may in its absolute discretion at any time waive Condition (v).

If any of the Conditions is not satisfied or waived by the Purchaser or the Company (as the case maybe) by the Long Stop Date, (i) the Sale and Purchase Agreement will be terminated immediately; (ii) all the rights, obligations and liabilities of the Company and the Purchaser will cease and determine save for any antecedent rights and obligations already accrued before the termination; and (iii) none of the Company and the Purchaser shall have any claim against each other, except in respect of claims arising out of any antecedent breach of the Sale and Purchase Agreement.

As at the date of this announcement, none of the Conditions have been fulfilled.

Completion

Completion shall take place on the fifth Business Day after fulfillment (or waiver where applicable) of all Conditions, or such later date as may be agreed by the Company and the Purchaser in writing.

FINANCIAL INFORMATION OF THE TARGET GROUP

Set out below are summaries of certain financial information of the Target Group for the years ended 31st December, 2017 and 2018. Certain subsidiaries and an associate of the Target Group were acquired by the Target Company in 2019. Therefore, the financial information provided below represents the unaudited pro forma consolidated financial information of the Target Group for the years ended 31st December, 2017 and 2018 as if all the subsidiaries and associates of the Target Group had been acquired by the Target Company before 1st January, 2017.

	For the year ended 31st December, 2018 <i>HK\$ Million</i> (unaudited)	For the year ended 31st December, 2017 <i>HK\$ Million</i> (unaudited)
Revenue	329.5	274.1
Net profit before taxation	28.5	21.3
Net profit after taxation	24.9	18.8

According to the unaudited pro forma consolidated financial information of Target Group as at 30th June, 2019, the Target Group had a net asset value of approximately HK\$159,600,000.

VALUATION

Since the income approach was adopted by the Valuer for preparing the valuation report in respect of the valuation of the Target Group, such valuation constitutes a profit forecast under Rule 14.61 of the Listing Rules. The details of the preliminary principal assumptions, including commercial assumptions, upon which the profit forecast is based are set out below:

- all relevant legal approvals and business certificates or licenses to operate the business in the localities in which the Target Group operates or intends to operate would be officially obtained and renewable upon expiry;
- there will be sufficient supply of technical staff in the industry in which the Target Group operates, and the Target Group will retain competent management, key personnel and technical staff to support its ongoing operations and developments;
- there will be no major change in the current taxation laws in the localities in which the Target Group operates or intends to operate and that the rates of tax payable shall remain unchanged and that all applicable laws and regulations will be complied with;

- there will be no major change in the political, legal, economic or financial conditions in the localities in which the Target Group operates or intends to operate, which would adversely affect the revenues attributable to and profitability of the Target Group; and
- interest rates and exchange rates in the localities for the operation of the Target Group will not differ materially from those presently prevailing.

The Company will make a further announcement within 15 Business Days after the publication of this announcement in accordance with Rule 14.60A and Rule 14.62 and Rule 14.62(3) of the Listing Rules.

REASONS FOR AND BENEFIT OF THE DISPOSAL

The Group is principally engaged in property investment and financial services. In addition, a minor part of the Group's business consists of the provision of elderly care services, cleaning services and property management services.

The Directors are of the view that the disposal of the minor part of the Group's business will better enable it to focus executive and management effort on management and development of the Group's principal business sectors and the Disposal will also enhance the Group's working capital by the disposal of non-core assets. The Disposal will not have a material effect on the core business and operations of the Group.

FINANCIAL EFFECT OF THE DISPOSAL AND USE OF PROCEEDS

It is expected that, subject to audit, the Group will recognise a gain of approximately HK\$100,400,000 before transaction costs from the Disposal, which is calculated by reference to the Consideration of HK\$260,000,000 and the unaudited pro forma consolidated net asset value of approximately HK\$159,600,000 of the Target Group as at 30th June, 2019.

Upon completion of the Disposal, members of the Target Group will cease to be subsidiaries of the Company and their financial statements will no longer be consolidated into the Group's financial statements.

The Company intends to use the proceeds from the Disposal as the general working capital of the Group.

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The Purchaser is an indirect wholly-owned subsidiary of AGL, the controlling shareholder of the Company which is beneficially interested in approximately 74.99% of the total number of shares in issue of the Company as at the date of this announcement, and hence is a connected person of the Company. As such, the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one of the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the Disposal exceeds 5%, the Disposal is, in addition to the reporting and announcement requirements, subject to the circular and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Messrs. Alan Stephen Jones and David Craig Bartlett, being independent non-executive Directors, are also independent non-executive directors of AGL. They were not appointed as members of the Independent Board Committee and have voluntarily abstained from voting on the relevant board resolutions of the Company although they were not considered by the Board to be materially interested in the Sale and Purchase Agreement and the transactions contemplated thereunder.

Mr. Lee Seng Hui (being the chief executive and an executive Director of the Company) is also the chief executive and an executive director of AGL and also one of the trustees of Lee and Lee Trust, being a discretionary trust which, together with his personal interest, controls approximately 74.95% interest in the total number of shares in issue of AGL. AGL is directly and indirectly interested in an aggregate of approximately 74.99% of the total number of shares in issue of the Company. As such, Mr. Lee Seng Hui is deemed to be interested in the Sale and Purchase Agreement and has abstained from voting on the relevant board resolutions of the Company.

None of the Directors, except for Mr. Lee Seng Hui as disclosed above, has any material interest in the Sale and Purchase Agreement and is required to abstain from voting on the board resolutions approving the Sale and Purchase Agreement and the transactions contemplated thereunder.

The Independent Board Committee, comprising Mr. Steven Samuel Zoellner, being the remaining independent non-executive Director, has been established to advise the Independent Shareholders in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder. In addition, the Independent Financial Adviser has also been appointed to advise the Independent Board Committee and the Independent Shareholders in the same regard.

The Directors (excluding Messrs. Alan Stephen Jones, David Craig Bartlett and Lee Seng Hui who have abstained from voting on the relevant board resolutions and Mr. Steven Samuel Zoellner, being the remaining the independent non-executive Director whose opinion will be provided after reviewing the advice of the Independent Financial Adviser) are of the view that the terms of the Sale and Purchase Agreement were entered into after arm's length negotiations and reflect normal commercial terms and that the terms of the Sale and Purchase Agreement are fair and reasonable so far as the Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

Completion is subject to a number of Conditions being satisfied, including but not limited to the necessary approval of the Disposal having been obtained from the Independent Shareholders. As such, the Disposal may or may not materialise. Shareholders and potential investors of the Company should exercise caution when dealing in the shares of the Company.

INFORMATION ON THE COMPANY, THE PURCHASER AND THE TARGET GROUP

The Company

The Company is 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, elderly care services, the provision of finance and investments in listed and unlisted securities.

As at the date of this announcement, the Company is beneficially owned as to approximately 74.99% by AGL.

The Purchaser

The Purchaser is incorporated in Hong Kong with limited liability, and an indirect wholly-owned subsidiary of AGL.

The principal business activity of the Purchaser is investment holding. The principal business activity of AGL is investment holding, and that 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.

The Target Group

The Target Company is incorporated in the British Virgin Islands with limited liability, and a direct wholly-owned subsidiary of the Company. The principal business activity of the Target Company is investment holding.

The principal business activities of the Target Group is the provision of elderly care services, property management, cleaning and security guarding services in Hong Kong.

GENERAL

The EGM will be convened by the Company for the Independent Shareholders to consider and, if thought fit, approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

To the best of the knowledge and belief of the Directors having made all reasonable enquiries, save as and except for AGL and its associates (including the Purchaser), no other shareholder of the Company has a material interest in the transactions contemplated under the Sale and Purchase Agreement such that he or she or it shall abstain from voting at the EGM on the resolution to approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

A circular containing, among other things, (i) further information on the Disposal; (ii) the advice and recommendation from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iii) the recommendation of the Independent Board Committee to the Independent Shareholders; and (iv) a notice of the EGM, is expected to be despatched to the Shareholders on or before 8th November, 2019.

DEFINITIONS

In this 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);
“associates”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of the Directors;
“Business Day”	a day on which banks in Hong Kong are open for business in the ordinary course, other than public holidays, Saturdays and Sundays;
“Company”	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), the vendor of the Disposal and a non wholly-owned subsidiary of AGL;
“Completion”	the completion of the Disposal pursuant to the terms of the Sale and Purchase Agreement;
“Completion Date”	the date on which Completion takes place;
“Conditions”	the conditions precedent to completion of the Disposal as set out in the Sale and Purchase Agreement, which are required to be satisfied or waived (where applicable) on or before the Long Stop Date;
“connected person”	has the meaning ascribed to it under the Listing Rules;
“Consideration”	the consideration payable by the Purchaser to the Company for the Sale Shares, being HK\$260,000,000;
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules;

“Director(s)”	the director(s) of the Company;
“Disposal”	the disposal of the Sale Shares by the Company to the Purchaser pursuant to the Sale and Purchase Agreement;
“EGM”	an extraordinary general meeting to be convened by the Company for the Independent Shareholders to consider and, if thought fit, approve the Sale and Purchase Agreement and the transactions contemplated thereunder;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China;
“Independent Board Committee”	the independent board committee of the Company (comprising Mr. Steven Samuel Zoellner, being an independent non-executive Director) established for the purpose of advising the Independent Shareholders on the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder;
“Independent Financial Adviser”	the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder;
“Independent Shareholder(s)”	the Shareholders who are not required under the Listing Rules to abstain from voting at the EGM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Long Stop Date”	31st March, 2020 or such other date as may be agreed between the Company and the Purchaser in writing;

“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;
“Purchaser”	Allied Services Hong Kong Limited, a company incorporated in Hong Kong with limited liability, and an indirect wholly-owned subsidiary of AGL;
“Sale and Purchase Agreement”	the sale and purchase agreement dated 18th October, 2019 entered into between the Company and the Purchaser in relation to the Disposal;
“Sale Shares”	two shares in the Target Company, representing the entire issued share capital of the Target Company;
“Shareholders”	the holder(s) of the ordinary share(s) of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Target Company”	AP Elderly Care Limited, a company incorporated in the British Virgin Islands with limited liability, and a direct wholly-owned subsidiary of the Company as at the date of this announcement and immediately prior to Completion;
“Target Group”	the Target Company and its subsidiaries;
“Valuer”	Norton Appraisals Holdings Limited, an independent valuer engaged by the Company to evaluate the value of the Target Group; and
“%”	per cent.

On behalf of the Board
Allied Properties (H.K.) Limited
Mark Wong Tai Chun
Executive Director

Hong Kong, 18th October, 2019

As at the date of this announcement, the Board comprises Messrs. Lee Seng Hui (Chief Executive) and Mark Wong Tai Chun being the Executive Directors; Messrs. Arthur George Dew (Chairman) and Li Chi Kong being the Non-Executive Directors; and Messrs. Steven Samuel Zoellner, Alan Stephen Jones and David Craig Bartlett being the Independent Non-Executive Directors.