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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)**

### **CONTINUING CONNECTED TRANSACTIONS**

#### **2019 RENEWED TENANCY AGREEMENTS**

Reference is made to the Previous Announcement. On 30 September 2019, San Pack (a non wholly-owned subsidiary of the Company) entered into (i) the 2019 Renewed Tenancy Agreement I with San Tai to renew the 2019 Tenancy Agreement I for three years from 1 October 2019 to 30 September 2022 (both days inclusive) at a monthly rental of HK\$1,156,960 from 1 October 2019 to 31 December 2019 and HK\$1,301,580 from 1 January 2020 to 30 September 2022 (for the 7th to 12th and 20th floor of Allied Cargo Centre) and HK\$10,800 (for 3 lorry and 3 private car parking spaces), respectively; and (ii) the 2019 Renewed Tenancy Agreement II with China Pacific to renew the 2019 Tenancy Agreement II for three years from 1 October 2019 to 30 September 2022 (both days inclusive) at a monthly rental of HK\$105,144 from 1 October 2019 to 31 December 2019 and HK\$121,320 from 1 January 2020 to 30 September 2022.

## **LISTING RULES IMPLICATIONS**

Mr. Lo, who is a Director of the Company, through a company controlled by him, is interested in 65% of the shareholding interests in a company, whereas such company indirectly holds (i) the entire shareholding interest in China Pacific; and (ii) 68% of shareholding interest in San Tai. As such, Mr. Lo can exercise more than 50% of the voting power at the general meetings of China Pacific and San Tai (through his indirect shareholding in China Pacific). As such, San Tai and China Pacific are connected persons of the Company within the meaning of the Listing Rules and the Transactions constitute continuing connected transactions of the Company.

Following the entering into of the 2019 Renewed Tenancy Agreements, there is an update on the annual cap for the year ending 31 December 2019. Pursuant to Rule 14A.54 of the Listing Rules, the Group is required to re-comply with Rule 14A.53 of the Listing Rules to set the Revised Annual Cap.

As the applicable Percentage Ratio(s) for the Company in respect of the Revised Annual Cap under the Previous Transactions and the Transactions for the years ending 31 December 2019, 2020, 2021 and 2022 exceed 0.1% but are less than 5%, the Transactions are only subject to the reporting, announcement and annual review requirements but exempt from the circular and the shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **2019 RENEWED TENANCY AGREEMENTS**

Reference is made to the Previous Announcement. On 30 September 2019, San Pack (a non wholly-owned subsidiary of the Company) entered into (i) the 2019 Renewed Tenancy Agreement I with San Tai to renew the 2019 Tenancy Agreement I; and (ii) the 2019 Renewed Tenancy Agreement II with China Pacific to renew the 2019 Tenancy Agreement II. The particulars of the 2019 Renewed Tenancy Agreements are set out as follows:-

## **2019 Renewed Tenancy Agreement I**

Date : 30 September 2019

Landlord : San Pack

Tenant : San Tai

Premises : The whole of 7th to 12th and 20th Floors together with 3 lorry and 3 private car parking spaces, Allied Cargo Centre

Usage : Cargo storage, save that the 3 lorry and 3 private car parking spaces shall be used for motor vehicles parking only

Term of the lease : 1 October 2019 to 30 September 2022 (both days inclusive)

Monthly rental : *7th to 12th and 20th floors:*  
HK\$1,156,960 (from 1 October 2019 to 31 December 2019)  
HK\$1,301,580 (from 1 January 2020 to 30 September 2022)  
(inclusive of management fees but exclusive of rates)

*3 lorry and 3 private car parking spaces:*  
HK\$10,800  
(inclusive of management fees but exclusive of rates)

## **2019 Renewed Tenancy Agreement II**

Date : 30 September 2019

Landlord : San Pack

Tenant : China Pacific

Premises : 25th Floor, Allied Cargo Centre

Usage : Cargo storage

Term of the lease : 1 October 2019 to 30 September 2022 (both days inclusive)

Monthly rental : HK\$105,144 (from 1 October 2019 to 31 December 2019)  
HK\$121,320 (from 1 January 2020 to 30 September 2022)  
(inclusive of management fees but exclusive of rates)

## HISTORICAL AMOUNT AND REVISED ANNUAL CAP

The historical figures relating to the 2019 Tenancy Agreement I for the three months ended 30 September 2019 was HK\$3,503,280 and that of the 2019 Tenancy Agreement II for the six months ended 30 September 2019 was HK\$630,864.

With reference to the agreed rental payable by San Tai or China Pacific (as the case may be) to the Group under the 2017 Services Agreement, the 2019 Services Agreement, the 2016 Tenancy Agreement I, the 2016 Tenancy Agreement II, the 2019 Tenancy Agreement I, the 2019 Tenancy Agreement II and the 2019 Renewed Tenancy Agreements, it is expected that the Revised Annual Cap is as follows:

	Annual cap for the year ending 31 December 2019 (HK\$)	Annual cap for the year ending 31 December 2020 (HK\$)	Annual cap for the year ending 31 December 2021 (HK\$)	Annual cap for the year ending 31 December 2022 (HK\$)
2017 Services Agreement	216,000	–	–	–
2019 Services Agreement	108,000	–	–	–
2016 Tenancy Agreement I	6,428,080	–	–	–
2016 Tenancy Agreement II	315,432	–	–	–
2019 Tenancy Agreement I	3,503,280	–	–	–
2019 Tenancy Agreement II	630,864	–	–	–
2019 Renewed Tenancy Agreement I	3,900,985	15,603,940	15,603,940	11,702,955
2019 Renewed Tenancy Agreement II	359,916	1,439,664	1,439,664	1,079,748
	<u>15,462,557</u>	<u>17,043,604</u>	<u>17,043,604</u>	<u>12,782,703</u>

## **REASONS FOR AND BENEFITS OF THE TRANSACTIONS**

The above amounts of monthly rental under the 2019 Renewed Tenancy Agreement I and the 2019 Renewed Tenancy Agreement II were arrived at after arm's length negotiation between San Pack and San Tai/China Pacific with reference to the prevailing market conditions and the rental levels of similar properties in the vicinity of the leased premises.

The Group engages in, among others, the business of property investment and owns industrial premises in Hong Kong and therefore leasing out certain of them under the 2019 Renewed Tenancy Agreements provides the Group with stable revenue.

Based on the information provided by San Pack, the Directors (including the independent non-executive Directors) are of the view that the transactions under the 2019 Renewed Tenancy Agreements were in the ordinary and usual course of business of the Group and on normal commercial terms, and the terms thereunder as well as the Revised Annual Cap is fair and reasonable and in the interests of the Company and its shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

Mr. Lo, who is a Director of the Company, through a company controlled by him, is interested in 65% of the shareholding interests in a company, whereas such company indirectly holds (i) the entire shareholding interest in China Pacific; and (ii) 68% of shareholding interest in San Tai. As such, Mr. Lo can exercise more than 50% of the voting power at the general meetings of China Pacific and San Tai (through his indirect shareholding in China Pacific). As such, San Tai and China Pacific are connected persons of the Company within the meaning of the Listing Rules and the Transactions constitute continuing connected transactions of the Company.

Following the entering into of the 2019 Renewed Tenancy Agreements, there is an update on the annual cap for the year ending 31 December 2019. Pursuant to Rule 14A.54 of the Listing Rules, the Group is required to re-comply with Rule 14A.53 of the Listing Rules to set the Revised Annual Cap.

As the applicable Percentage Ratio(s) for the Company in respect of the Revised Annual Cap under the Previous Transactions and the Transactions for the years ending 31 December 2019, 2020, 2021 and 2022 exceed 0.1% but are less than 5%, the Transactions are only subject to the reporting, announcement and annual review requirements but exempt from the circular and the shareholders' approval requirements under Chapter 14A of the Listing Rules.

As Mr. Lo is interested in the continuing connected transactions in respect of the Transactions, he has abstained from voting on the relevant resolutions of the Company.

Apart from the above, none of the Directors has any material interest in the Transactions and is required to abstain from voting on the board resolutions approving the Transactions.

## **INFORMATION ABOUT THE COMPANY, SAN PACK, SAN TAI AND CHINA PACIFIC**

### **The Company**

The Company is incorporated in Hong Kong with limited liability and the shares of which are listed on the Main Board.

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.

### **San Pack**

San Pack is a company incorporated in Hong Kong with limited liability. The principal business activity of San Pack is property investment.

### **San Tai**

San Tai is a company incorporated in Hong Kong with limited liability. The principal business activities of San Tai are provision of storage, devanning and freight forwarder services.

### **China Pacific**

China Pacific is a company incorporated in Hong Kong with limited liability. The principal business activities of China Pacific are trading of confectionary products and investment holding.

## **DEFINITIONS**

“2016 Tenancy Agreement I”	a leasing agreement dated 12 July 2016 entered into between San Pack and San Tai (as supplemented by its side letter dated 26 August 2016) for a term from 1 July 2016 to 30 June 2019 (both days inclusive)
“2016 Tenancy Agreement II”	a leasing agreement dated 4 November 2016 entered into between San Pack and China Pacific for a term from 1 April 2016 to 31 March 2019 (both days inclusive)
“2017 Services Agreement”	an agreement dated 27 March 2017 entered into between San Pack and San Tai in relation to the provision of the logistics and warehouse services by San Tai for a term from 1 April 2017 to 30 June 2019
“2019 Renewed Tenancy Agreement I”	a leasing agreement dated 30 September 2019 entered into between San Pack and San Tai to renew the 2019 Tenancy Agreement I
“2019 Renewed Tenancy Agreement II”	a leasing agreement dated 30 September 2019 entered into between San Pack and China Pacific to renew the 2019 Tenancy Agreement II
“2019 Renewed Tenancy Agreements”	the 2019 Renewed Tenancy Agreement I and the 2019 Renewed Tenancy Agreement II
“2019 Services Agreement”	an agreement dated 25 March 2019 entered into between San Pack and San Tai in relation to the provision of the logistics and warehouse services by San Tai for a term from 1 July 2019 to 30 September 2019
“2019 Tenancy Agreement I”	a leasing agreement dated 25 March 2019 entered into between San Pack and San Tai for a term from 1 July 2019 to 30 September 2019 (both days inclusive)
“2019 Tenancy Agreement II”	a leasing agreement dated 25 March 2019 entered into between San Pack and China Pacific for a term from 1 April 2019 to 30 September 2019 (both days inclusive)

“Board”	the board of Directors
“China Pacific”	China Pacific Group Limited, a company incorporated in Hong Kong with limited liability
“Company”	Allied Group Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board (Stock Code: 373)
“connected person(s)”	having the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“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
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Main Board”	Main Board of the Stock Exchange (excludes the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange
“Mr. Lo”	Mr. Edwin Lo King Yau, a Director of the Company
“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 Announcement”	the announcement issued by the Company on 25 March 2019 in respect of the continuing connected transactions of the Company

“Previous Transactions”	the transactions contemplated under the 2016 Tenancy Agreement I, the 2016 Tenancy Agreement II, the 2017 Services Agreement, the 2019 Services Agreement, the 2019 Tenancy Agreement I and the 2019 Tenancy Agreement II
“Revised Annual Cap”	the aggregate annual cap amount in respect of the Previous Transactions and the Transactions for the years ending 31 December 2019, 2020, 2021 and 2022
“San Pack”	San Pack Properties Limited, a company incorporated in Hong Kong with limited liability, is a non-wholly owned subsidiary of the Company, through Allied Properties (H.K.) Limited, a listed subsidiary of the Company
“San Tai”	San Tai Distribution Company Limited, a company incorporated in Hong Kong with limited liability
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transactions”	the transactions contemplated under the 2019 Renewed Tenancy Agreements
“%”	per cent

On behalf of the Board  
**Allied Group Limited**  
**Arthur George Dew**  
*Chairman*

Hong Kong, 30 September 2019

*As at the date of this announcement, the 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.*