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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 TRANSACTION FORMATION OF JOINT VENTURE

FORMATION OF JOINT VENTURE UPON COMPLETION OF THE DEEMED DISPOSAL

As advised and confirmed by TACI, on 9th November, 2021, TA Prosperity (an indirect non wholly-owned subsidiary of TACI, which in turn is an indirect non wholly-owned subsidiary of the Company) entered into the Cooperation Development Agreement with the JV Partner, the Target Company (a direct wholly-owned subsidiary of TA Prosperity) and the Project Company (a direct wholly-owned subsidiary of the Target Company) in relation to the formation of the Target Company as a joint venture arising from the Deemed Disposal, pursuant to which (i) the JV Partner agreed to acquire a 40% equity interest in the Target Company by a capital injection of RMB160,000,000 (equivalent to approximately HK\$192,771,000), and TA Prosperity agreed to make a further capital injection of RMB239,000,000 (equivalent to approximately HK\$287,952,000), such total amount of the Capital Injection will be used to fund a portion of the Land Cost; and (ii) the JV Partner and TA Prosperity shall share the Land Cost of RMB798,120,000 (equivalent to approximately HK\$961,590,000) proportional to their equity interest of 40% and 60% in the Target Company, respectively. The total contribution by TA Prosperity in the Target Company, which is equivalent to 60% of the Land Cost, is RMB478,872,000 (equivalent to approximately HK\$576,954,000).

LISTING RULES IMPLICATIONS

As TA Prosperity is an indirect non wholly-owned subsidiary of TACI, which in turn is an indirect non wholly-owned subsidiary of the Company, the Transaction entered into by TA Prosperity shall be a transaction of the Company under the Listing Rules as the definition of “listed issuer” under Chapter 14 of the Listing Rules shall include the listed issuer’s subsidiaries.

As one of the Percentage Ratios in respect of the Transaction exceeds 5% but is less than 25%, the Transaction constitutes a discloseable transaction for the Company and is subject to announcement requirement but exempt from Shareholders' approval requirement under Chapter 14 of the Listing Rules.

FORMATION OF JOINT VENTURE UPON COMPLETION OF THE DEEMED DISPOSAL

As advised and confirmed by TACI, on 9th November, 2021, TA Prosperity (an indirect non wholly-owned subsidiary of TACI, which in turn is an indirect non wholly-owned subsidiary of the Company) entered into the Cooperation Development Agreement with the JV Partner, the Target Company (a direct wholly-owned subsidiary of TA Prosperity) and the Project Company (a direct wholly-owned subsidiary of the Target Company) in relation to the formation of the Target Company as a joint venture arising from the Deemed Disposal, pursuant to which (i) the JV Partner agreed to acquire a 40% equity interest in the Target Company by a capital injection of RMB160,000,000 (equivalent to approximately HK\$192,771,000), and TA Prosperity agreed to make a further capital injection of RMB239,000,000 (equivalent to approximately HK\$287,952,000), such total amount of the Capital Injection will be used to fund a portion of the Land Cost; and (ii) the JV Partner and TA Prosperity shall share the Land Cost of RMB798,120,000 (equivalent to approximately HK\$961,590,000) proportional to their equity interest of 40% and 60% in the Target Company, respectively.

As advised and confirmed by TACI, completion of the Deemed Disposal took place on the even date of the Cooperation Development Agreement and the Target Company is owned as to 60% by TA Prosperity and 40% by the JV Partner.

As advised and confirmed by TACI, the principal terms of the Cooperation Development Agreement are set out below:

Date

9th November, 2021

Parties

- (1) TA Prosperity
- (2) the JV Partner
- (3) the Target Company
- (4) the Project Company

As advised and confirmed by TACI, which has made all reasonable enquiries and based on the confirmations of the JV Partner, and to the best knowledge, information and belief of the Directors having made all reasonable enquiries, the JV Partner and its ultimate beneficial owners are all third parties independent of the Company and its connected persons.

Business of the Target Company

As advised and confirmed by TACI, the primary asset of the Target Company is its entire equity interest in the Project Company, which in turn is the sole beneficiary and developer of the Land. The Land has a site area of 26,604 m² and has been planned for residential use.

Capital Structure of the Target Company

As advised and confirmed by TACI, the formation of the Target Company as a joint venture arose from the Deemed Disposal. Immediately prior to the entering into of the Cooperation Development Agreement, the Target Company is held as to 100% by TA Prosperity with a registered capital of RMB1,000,000 (equivalent to approximately HK\$1,205,000) which is not yet paid-up by TA Prosperity. Upon the Capital Injection of RMB160,000,000 (equivalent to approximately HK\$192,771,000) by the JV Partner and RMB239,000,000 (equivalent to approximately HK\$287,952,000) by TA Prosperity, the registered capital of the Target Company would be increased to RMB400,000,000 (equivalent to approximately HK\$481,928,000) and the Target Company would be held as to 40% and 60% by the JV Partner and TA Prosperity, respectively.

As advised and confirmed by TACI, as certain key corporate matters of the Target Company require the unanimous consent from all directors of the Target Company, the Target Company is treated as a joint venture of TACI and ceases to be a subsidiary of TACI upon completion of the Transaction. As such, the Target Company will be equity accounted for in the financial statements of the Group and its financial results will not be consolidated into the financial statements of the Group.

Sharing of the Land Cost

As advised and confirmed by TACI, pursuant to the Cooperation Development Agreement, the JV Partner and TA Prosperity agreed to share the Land Cost of RMB319,248,000 (equivalent to approximately HK\$384,636,000) and RMB478,872,000 (equivalent to approximately HK\$576,954,000), respectively, representing 40% and 60% of the total Land Cost of RMB798,120,000 (equivalent to approximately HK\$961,590,000), which is proportional to their respective equity interest in the Target Company.

The Land Cost will be funded by (i) the paid up registered capital of the Target Company of RMB400,000,000 (equivalent to approximately HK\$481,928,000); and (ii) shareholders' loans to the Target Company by each of the JV Partner and TA Prosperity proportional to their respective equity interest in the Target Company.

The total capital contribution by each of the JV Partner and TA Prosperity, including the Capital Injection, was determined after arm's length negotiations with reference to (i) the proportion of equity interest in the Target Company to be held by each of the JV Partner and TA Prosperity after completion of the Capital Injection; (ii) the capital requirements of the Target Company; and (iii) the acquisition cost of the Land resulting from the successful bid of the Land by the Target Company through tender in the PRC.

TA Prosperity will fund its portion of the capital contribution with its internal resources.

Management and board composition of the Target Company

As advised and confirmed by TACI, significant matters of the Target Company (including but not limited to increase or reduction in capital, amendments to the articles, mergers, demergers and liquidation) shall be unanimously approved by all the shareholders of the Target Company.

The board of directors of the Target Company shall consist of five directors, of whom two would be nominated by the JV Partner and three would be nominated by TA Prosperity. The chairman of the board of directors of the Target Company shall be a director nominated by the JV Partner. All decisions of the board of directors of the Target Company shall be approved by unanimous consent of all directors.

Profit distribution

As advised and confirmed by TACI, the profit shall be distributed to the JV Partner and TA Prosperity in accordance with their respective equity interest in the Target Company.

Completion

As advised and confirmed by TACI, completion of the Transaction took place on the even date of the Cooperation Development Agreement and the JV Partner and TA Prosperity shall thereafter share the profit and loss of the Target Company in proportion to their respective equity interest in the Target Company.

INFORMATION ON THE TARGET COMPANY

As advised and confirmed by TACI, the Target Company is a company established in the PRC with limited liability on 6th November, 2020 and is an investment holding company which holds the entire equity interest in the Project Company.

The following is the unaudited financial information of the Target Company for the period from 6th November, 2020 (date of incorporation) to 31st December, 2020, and from 1st January, 2021 to 30th September, 2021 which has been prepared in accordance with HKGAAP:

	For the period from 6th November, 2020 to 31st December, 2020 RMB'000 (unaudited)	For the period from 1st January, 2021 to 30th September 2021 RMB'000 (unaudited)
Revenue	0	0
Net loss before taxation	7	47
Net loss after taxation	7	47

The unaudited net asset value of the Target Company as at 30th September, 2021 was approximately RMB946,000 (equivalent to approximately HK\$1,140,000).

REASONS FOR AND BENEFITS OF THE TRANSACTION

As advised and confirmed by TACI, the formation of the Target Company as a joint venture allows the TACI Group to diversify its risks in the development of the Land. The contribution of 40% of the Land Cost by the JV Partner improves the TACI Group's liquidity by reducing the TACI Group's contribution amount to the total Land Cost and allows allocation of its financial resources in other sectors. In light of the aforesaid, as advised and confirmed by TACI, the directors of TACI are of the view that the Transaction is on normal commercial terms, and is fair and reasonable and in the interests of TACI and its shareholders as a whole.

Based on the information and confirmation provided by TACI and to the best knowledge, information and belief of the Directors, the Directors consider that the Transaction is on normal commercial terms, and is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

INFORMATION ON THE COMPANY, TA PROSPERITY, THE JV PARTNER, THE TARGET COMPANY AND THE PROJECT COMPANY

(1) The Company

The Company is a company incorporated in Hong Kong with limited liability, and 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 development mainly comprising apartments, villas, office buildings and commercial properties, property investment, hospitality related activities, provision of elderly care services, property management, cleaning and security guarding services, and the provision of finance and investments in listed and unlisted securities.

(2) TA Prosperity

As advised and confirmed by TACI, TA Prosperity is a company established in the PRC with limited liability and is an indirect non wholly-owned subsidiary of TACI, which in turn is an indirect non wholly-owned subsidiary of the Company.

The principal business activity of TA Prosperity is investment holding.

(3) The JV Partner

As advised and confirmed by TACI, the JV Partner is a company established in the PRC with limited liability and is owned by the Partners.

The principal business activity of the JV Partner is investment holding.

(4) The Target Company

As advised and confirmed by TACI, the Target Company is a company established in the PRC with limited liability and is a direct wholly-owned subsidiary of TA Prosperity immediately prior to the entering into of the Cooperation Development Agreement and is owned as to 60% and 40% by TA Prosperity and the JV Partner, respectively, upon completion of the Deemed Disposal.

The principal business activity of the Target Company is investment holding.

(5) The Project Company

As advised and confirmed by TACI, the Project Company is a company established in the PRC with limited liability and is a wholly-owned subsidiary of the Target Company.

The principal business activity of the Project Company is property development.

LISTING RULES IMPLICATIONS

As TA Prosperity is an indirect non wholly-owned subsidiary of TACI, which in turn is an indirect non wholly-owned subsidiary of the Company, the Transaction entered into by TA Prosperity shall be a transaction of the Company under the Listing Rules as the definition of “listed issuer” under Chapter 14 of the Listing Rules shall include the listed issuer’s subsidiaries.

As one of the Percentage Ratios in respect of the Transaction exceeds 5% but is less than 25%, the Transaction constitutes a discloseable transaction for the Company and is subject to announcement requirement but exempt from Shareholders’ approval requirement under Chapter 14 of the Listing Rules.

As the percentage equity interest of TA Prosperity in the Target Company is reduced from 100% to 60% upon completion of the Deemed Disposal, the Deemed Disposal constitutes a deemed disposal of equity interest in the Target Company under Rule 14.29 of the Listing Rules. As all of the Percentage Ratios in respect of the Deemed Disposal is below 5%, the Deemed Disposal does not constitute a notifiable transaction for the Company under Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Board” the board of Directors;

“Capital Injection” the capital injection of RMB160,000,000 (equivalent to approximately HK\$192,771,000) by the JV Partner and RMB239,000,000 (equivalent to approximately HK\$287,952,000) by TA Prosperity pursuant to the Cooperation Development Agreement;

“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);
“connected persons”	having the meaning ascribed to it under the Listing Rules;
“Cooperation Development Agreement”	the cooperation development agreement dated 9th November, 2021 entered into among TA Prosperity, the JV Partner, the Target Company and the Project Company in relation to the cooperation arrangement on the development of the Land;
“Deemed Disposal”	the reduction of TA Prosperity’s equity interest in the Target Company from 100% to 60% pursuant to the Cooperation Development Agreement;
“Director(s)”	the director(s) of the Company;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“HKGAAP”	the Hong Kong generally accepted accounting practice;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“JV Partner”	上海同運投資有限公司 (Shanghai Tongyun Investment Co., Ltd.*), a company established in the PRC with limited liability and owned by the Partners;
“Land”	a parcel of land situated in Ningbo City, Zhejiang Province, the PRC with a site area of 26,604 m ² ;
“Land Cost”	RMB798,120,000 (equivalent to approximately HK\$961,590,000), being the acquisition cost of the Land;
“Listing Rules”	the 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 GEM of the Stock Exchange;

“Partners”	Mr. Liu Zhe, Mr. Sun Yigong and Ms. Huang Min, who own 43.5%, 43.5% and 13% of the equity interest in the JV Partner, respectively;
“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”	the People’s Republic of China, for the purpose of this announcement only, excludes Taiwan, Hong Kong and the Macau Special Administrative Region of the People’s Republic of China;
“Project Company”	寧波盛合置業有限公司 (Ningbo Shenghe Property Development Co., Ltd*), a company established in the PRC with limited liability, and a direct wholly-owned subsidiary of the Target Company;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shareholder(s)”	the shareholder(s) of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“TACI”	Tian An China Investments Company Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 28), being an indirect non wholly-owned subsidiary of the Company;
“TACI Group”	TACI and its subsidiaries;
“Target Company”	上海鷺島置業有限公司 (Shanghai Ludao Property Development Co., Ltd*), a company established in the PRC with limited liability, and a direct wholly-owned subsidiary of TA Prosperity immediately prior to the entering into of the Cooperation Development Agreement and owned as to 60% and 40% by TA Prosperity and the JV Partner, respectively, upon completion of the Deemed Disposal;
“TA Prosperity”	上海天安盛世房地產有限公司 (Shanghai Tianan Prosperity Real Estate Co., Ltd.*), a company established in the PRC with limited liability, and an indirect non wholly-owned subsidiary of TACI;
“Transaction”	the formation of the Target Company as a joint venture as a result of the Deemed Disposal;

“m²” square metres; and

“%” per cent.

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

Hong Kong, 11th November, 2021

For the purpose of this announcement, translations of Renminbi into Hong Kong dollars or vice versa have been calculated by using an exchange rate of HK\$1.00 equal to RMB0.83. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were, may have been or will be exchanged at such rate or any other rates or at all.

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, Ms. Lisa Yang Lai Sum and Mr. Kelvin Chau Kwok Wing being the Independent Non-Executive Directors.

* *The English translation of the Chinese name of the relevant entity included in this announcement is for identification and reference only, and such translation may not be accurate and such entity may not have an official English translation/version of its Chinese name.*