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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

SERVICES AGREEMENT

Reference is made to the Previous Announcement. On 25 March 2019, San Pack (a non wholly-owned subsidiary of the Company) and San Tai entered into the Services Agreement, pursuant to which, the term of the 2017 Services Agreement shall be extended for three months from 1 July 2019 to 30 September 2019 (both days inclusive) at a service fee of HK\$36,000 per month. All other terms and conditions as stipulated in the 2017 Services Agreement shall remain in full force and effect.

TENANCY AGREEMENTS

Reference is made to the Previous Announcement. On 25 March 2019, San Pack entered into (i) Tenancy Agreement I with San Tai to extend the term of the 2016 Tenancy Agreement I for three months from 1 July 2019 to 30 September 2019 (both days inclusive) at a monthly rental of HK\$1,156,960 (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) Tenancy Agreement II with China Pacific to extend the term of the 2016 Tenancy Agreement II for six months from 1 April 2019 to 30 September 2019 (both days inclusive) at a monthly rental of HK\$105,144 (including of management fee but exclusive of rates). All other terms and conditions as stipulated in the 2016 Tenancy Agreement I and the 2016 Tenancy Agreement II shall remain in full force and effect.

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 target 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 Services Agreement and the 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 year ending 31 December 2019 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.

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The above amount of services fee under the Services Agreement was arrived at after arm's length negotiation between San Pack and San Tai with reference to the prevailing market conditions and costs of providing such services.

TENANCY AGREEMENTS

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HISTORICAL AMOUNT AND REVISED ANNUAL CAP

The historical amount relating to the 2017 Services Agreement, 2016 Tenancy Agreement I and 2016 Tenancy Agreement II are set out below:

	For the period from 1 April 2016 to 31 December 2016 (HK\$)	For the year ended 31 December 2017 (HK\$)	For the year ended 31 December 2018 (HK\$)	For the six months ending 30 June 2019 (HK\$)
2017 Services Agreement	–	324,000	432,000	216,000
2016 Tenancy Agreement I	6,428,080	12,856,160	12,856,160	6,428,080
2016 Tenancy Agreement II	946,296	1,261,728	1,261,728	315,432
Total	<u>7,374,376</u>	<u>14,441,888</u>	<u>14,549,888</u>	<u>6,959,512</u>

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

	Annual cap for the year ending 31 December 2019 (HK\$)
2017 Services Agreement	216,000
2016 Tenancy Agreement I	6,428,080
2016 Tenancy Agreement II	315,432
Services Agreement	108,000
Tenancy Agreement I	3,503,280
Tenancy Agreement II	630,864
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Total	<u>11,201,656</u>

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

San Tai is a well-established logistics service provider and has been a long term tenant of Allied Cargo Centre for over 20 years, and San Pack needs to engage an experienced logistics service provider to enhance the storage and logistics service of the warehouse owned by it. Therefore, the appointment of San Tai as service provider for the Logistics and Warehouse Services will provide value-added service for the storage facilities of the warehouse owned by San Pack and the efficiency and effectiveness for the usage of the storage facilities shall be enhanced.

It is also noted that the above amounts of monthly rental under the Tenancy Agreement I and 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 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 Tenancy Agreements and the Services Agreement 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.

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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)
“2016 Tenancy Agreement II”	a leasing agreement dated 4 November 2016 entered into between San Pack and China Pacific

“2017 Services Agreement”	the 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
“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
“Logistics and Warehouse Services”	the provision of (i) logistics services in Hong Kong; and (ii) warehouse management services at San Pack’s warehouse at Allied Cargo Centre by San Tai to San Pack as stipulated in the 2017 Services Agreement and the Services Agreement
“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 27 March 2017 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 and the 2017 Services Agreement
“Revised Annual Cap”	the aggregate annual cap amount in respect of the Previous Transactions and the Transactions for the year ending 31 December 2019
“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
“Services Agreement”	the agreement dated 25 March 2019 entered into between San Pack and San Tai to extend the term of the 2017 Services Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tenancy Agreement I”	the agreement dated 25 March 2019 entered into between San Pack and San Tai to extend the term of the 2016 Tenancy Agreement I
“Tenancy Agreement II”	the agreement dated 25 March 2019 entered into between San Pack and China Pacific to extend the term of the 2016 Tenancy Agreement II
“Tenancy Agreements”	Tenancy Agreement I and Tenancy Agreement II

“Transactions” the transactions contemplated under the Tenancy Agreements and the Services Agreement

“%” per cent

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

Hong Kong, 25 March 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.