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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)

TERMINATION OF CONTINUING CONNECTED TRANSACTION

Reference is made to the announcement of the Company dated 29th November, 2017 in relation to the Tenancy Agreement, being a continuing connected transaction.

The Board announces that on 13th February, 2018, Hillcrest entered into the Surrender Agreement with AGL to terminate the Tenancy Agreement.

As the continuing connected transaction under the Tenancy Agreement was terminated, the Company is subject to the announcement requirement under Rule 14A.35 of the Listing Rules.

Reference is made to the announcement of the Company dated 29th November, 2017 (the “**Announcement**”) in relation to the Tenancy Agreement and the Exempted Tenancy Agreement. Capitalised terms used herein shall have the same meanings as those defined in the Announcement unless the context requires otherwise.

SURRENDER AGREEMENT

The Board announces that on 13th February, 2018, Hillcrest entered into a surrender agreement (the “**Surrender Agreement**”) with AGL to terminate the Tenancy Agreement. Under the Surrender Agreement, (i) AGL shall hand over possession of the Property in its original state and in good repair and condition to Hillcrest on or before 14th February, 2018; (ii) neither party is required to pay any compensation or penalty to the other party in respect of the early termination of the Tenancy Agreement; and (iii) both AGL and Hillcrest shall waive the rights and remedies of either party against the other pursuant to the option of renewal clause.

The terms of the Surrender Agreement have been agreed by the parties after arm’s length negotiation and are on normal commercial terms.

EXEMPTED SURRENDER AGREEMENT

The Board announces that on 13th February, 2018, Best Melody (an indirect wholly-owned subsidiary of the Company) entered into a surrender agreement (the “**Exempted Surrender Agreement**”) with Mr. Lee Seng Hui (“**Mr. Lee**”) to terminate the Exempted Tenancy Agreement. Neither party is required to pay any compensation or penalty to the other party in respect of the early termination of the Exempted Tenancy Agreement.

EXEMPTED NEW TENANCY AGREEMENT

On 13th February, 2018, Best Melody as landlord and AGL as tenant entered into a tenancy agreement (the “**Exempted New Tenancy Agreement**”) in respect of the leasing of the Exempted Property. Pursuant to the Exempted New Tenancy Agreement, Best Melody has agreed to lease the Exempted Property to AGL for a term of two years commencing from 15th February, 2018 to 14th February, 2020 at a monthly rental of HK\$328,000 (exclusive of management fee and government rates).

As (i) AGL is a connected person of the Company; and (ii) as all applicable percentage ratio(s) as defined under Rule 14.07 of the Listing Rules for the Company in respect of the transaction contemplated under the Exempted New Tenancy Agreement fall under 0.1%, the transaction contemplated under the Exempted New Tenancy Agreement constitutes a continuing connected transaction of the Company but fully exempt from the requirements under Chapter 14A of the Listing Rules.

REASONS FOR ENTERING INTO THE SURRENDER AGREEMENT

As advised by AGL, AGL intended to (i) discontinue the provision of the Property as director’s benefit to Mr. Lee; and (ii) to rent the Exempted Property for Mr. Lee’s use instead. In view of the above, Hillcrest agreed to terminate the Tenancy Agreement pursuant to the Surrender Agreement, and Best Melody agreed to terminate the Exempted Tenancy Agreement pursuant to the Exempted Surrender Agreement. Following which, Best Melody shall enter into the Exempted New Tenancy Agreement with AGL pursuant to which the Exempted Property will continue to be used by Mr. Lee. The Board is of the view that the termination of the Tenancy Agreement will not have any material adverse impact on the business, operation or financial position of the Group and that the Property will be available for lease to any new tenant after necessary refurbishment in due course.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Surrender Agreement and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable, and are in the ordinary and usual course of business of the Group and in the interests of the Group and the shareholders of the Company as a whole.

LISTING RULES IMPLICATIONS

The transactions under the Tenancy Agreement constitute continuing connected transactions under the Listing Rules. As the Tenancy Agreement was terminated, the Company is subject to the announcement requirement under Rule 14A.35 of the Listing Rules.

Messrs. Arthur George Dew, Alan Stephen Jones and David Craig Bartlett, all being the directors of both the Company and AGL, have voluntarily abstained from voting on the Board resolutions approving the transaction contemplated under the Surrender Agreement (the “**Transaction**”) although they were not considered by the Board to be materially interested in the Transaction.

Mr. Lee Seng Hui, who is the chief executive and executive director of both the Company and AGL and has the right to use the Property, has been considered by the Board to be materially interested in the Transaction and accordingly has abstained from voting on the Board resolutions approving the Transaction.

On behalf of the Board
Allied Properties (H.K.) Limited
Li Chi Kong
Executive Director

Hong Kong, 13th February, 2018

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