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**新鴻基有限公司**

**SUN HUNG KAI & CO. LIMITED**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 86)**

**CONNECTED TRANSACTION  
AND  
CONTINUING CONNECTED TRANSACTION  
IN RESPECT OF THE SUB-TENANCY AGREEMENT  
AND REVISION OF ANNUAL CAPS**

**SUB-TENANCY AGREEMENT**

The Board announces that UAF, an indirect non wholly-owned subsidiary of the Company, and AGL entered into the Sub-tenancy Agreement on 1 April 2021 pursuant to which AGL sub-leased a portion of 24/F of the Property and the rights of usage of the ancillary facilities of 23/F of the Property to UAF. The premises under the Sub-tenancy Agreement forms part of the leasing arrangement between AGL and Art View in respect of, among others, 23/F and 24/F of the Property as contemplated under the Head Tenancy Agreements.

As the Transaction has been aggregated with the transactions contemplated under the Master Lease Agreement for the Listing Rules purposes, the annual caps with respect to the Master Lease Agreement will be revised and aggregated with the annual caps with respect to the Management Fees payable under the Sub-tenancy Agreement.

**LISTING RULES IMPLICATIONS**

UAF is an indirect non wholly-owned subsidiary of the Company. The Company is indirectly held as to approximately 72.74% by AGL which, in turn, owns 50% indirect shareholding interest in Art View. Accordingly, each of AGL and Art View is regarded as a connected person of the Company under the Listing Rules and the Transaction constitutes a connected transaction and continuing connected transaction of the Company.

The Transaction, on a standalone basis, is exempted from the reporting, announcement and independent shareholders' approval requirements as all applicable percentage ratios are less than 0.1%. However, the Transaction, when aggregated with the transactions contemplated under the Master Lease Agreement, shall be subject to the announcement, reporting and annual review requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules as the applicable percentage ratios exceed 0.1% but all are less than 5%.

Details of the Master Lease Agreement, the Sub-tenancy Agreement and the transactions contemplated thereunder will be included in the next published annual report of the Company in accordance with Rule 14A.49 of the Listing Rules.

Reference is made to the announcement of the Company dated 1 December 2020 in relation to, among other things, the Master Lease Agreement.

## **SUB-TENANCY AGREEMENT**

The Board announces that UAF, an indirect non wholly-owned subsidiary of the Company, and AGL entered into the Sub-tenancy Agreement on 1 April 2021 pursuant to which AGL sub-leased a portion of 24/F of the Property and the rights of usage of the ancillary facilities of 23/F of the Property to UAF. The premises under the Sub-tenancy Agreement forms part of the leasing arrangement between AGL and Art View in respect of, among others, 23/F and 24/F of the Property as contemplated under the Head Tenancy Agreements.

The aggregate rent (which consists of Rent and Management Fees) payable by UAF to AGL during the term of the Sub-tenancy Agreement shall be HK\$126,100 per month, subject to change as mutually agreed between the parties in writing from time to time. The aggregate rent was determined with reference to the prevailing market conditions and the rental level of similar properties in the vicinity of the Property.

## **ACCOUNTING IMPLICATION AND TREATMENT UNDER THE LISTING RULES**

In accordance with the HKFRS 16 "Leases", since the payments contemplated to be made by UAF under the Sub-tenancy Agreement comprise lease (i.e. Rent) and non-lease (i.e. Management Fees) components, different accounting treatments will apply while the Group allocates the consideration in the contract to each lease component on the basis of respective standalone prices of the Rent and Management Fees.

The Rent will be recognised as an acquisition of right-of-use assets on the consolidated statement of financial position of the Group. Such acquisition of right-of-use assets will constitute a one-off connected transaction for the Company under Chapter 14A of the Listing Rules.

The Management Fees will be recognised as expenses in the consolidated statement of profit or loss of the Group, and the payment of such expenses will be regarded as a continuing connected transaction for the Company under Chapter 14A of the Listing Rules. The Company is required to set annual caps with respect to the Management Fees pursuant to Rule 14A.53 of the Listing Rules.

## **THE MASTER LEASE AGREEMENT**

As disclosed in the announcement of the Company dated 1 December 2020, prior to the entering of the Sub-tenancy Agreement, the Company as lessee and Art View as lessor entered into the Master Lease Agreement on 1 December 2020 whereby any member of the Group may continue, amend or renew the existing leases or enter into new leases in relation to the Property with Art View from time to time during the period commencing from 1 January 2021 and ending on 31 December 2023 subject to the annual caps.

The annual caps with respect to the Master Lease Agreement for each of the three years ending 31 December 2023 are HK\$78,576,000, HK\$15,865,000 and HK\$12,443,000 respectively.

## **HISTORICAL AMOUNTS, AGGREGATED AND REVISED ANNUAL CAPS**

The historical transaction amounts with respect to the management fees and air-conditioning charges paid/payable by UAF to AGL under the previous sub-tenancy agreement relating to the portion of 24/F of the Property and the rights of usage of the ancillary facilities of 23/F of the Property (for the term from 1 April 2019 to 31 March 2021) are set out below:

	<b>For the years ending</b>		
	<b>31 December 2019 (HK\$)</b>	<b>31 December 2020 (HK\$)</b>	<b>31 December 2021 (HK\$)</b>
Management fees and air-conditioning charges paid/payable under the previous sub-tenancy agreement	182,000	244,000	61,000

As the Transaction has been aggregated with the transactions contemplated under the Master Lease Agreement for the Listing Rules purposes, the annual caps with respect to the Master Lease Agreement will be revised and aggregated with the annual caps with respect to the Management Fees payable under the Sub-tenancy Agreement as set out below:

	<b>For the years ending</b>		
	<b>31 December 2021 (HK\$)</b>	<b>31 December 2022 (HK\$)</b>	<b>31 December 2023 (HK\$)</b>
Annual caps with respect to the Master Lease Agreement	78,576,000	15,865,000	12,443,000
Management Fees payable under the Sub-tenancy Agreement	<u>184,000</u>	<u>269,000</u>	<u>68,000</u>
Revised Annual Caps	<u>78,760,000</u>	<u>16,134,000</u>	<u>12,511,000</u>

## **REASONS FOR AND BENEFITS OF THE TRANSACTION AND REVISION OF ANNUAL CAPS**

The sub-lease of the portion of 24/F and the rights of usage of the ancillary facilities of 23/F of the Property is for the continuing business needs of UAF. The Directors (including the Independent Non-Executive Directors) are of the view that the Sub-tenancy Agreement was entered into in the ordinary and usual course of business of the Group and on normal commercial terms after arm's length negotiations between the parties, and the terms of the Sub-tenancy Agreement as well as the Revised Annual Caps are fair and reasonable and in the interests of the Company and its shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

UAF is an indirect non wholly-owned subsidiary of the Company. The Company is indirectly held as to approximately 72.74% by AGL which, in turn, owns 50% indirect shareholding interest in Art View. Accordingly, each of AGL and Art View is regarded as a connected person of the Company under the Listing Rules and the Transaction constitutes a connected transaction and continuing connected transaction of the Company.

Pursuant to Rule 14A.54 of the Listing Rules, if the Company proposes to revise the annual caps for its continuing connected transactions, the Company will be required to re-comply with the announcement and shareholders' approval requirements under the Listing Rules.

The Transaction, on a standalone basis, is exempted from the reporting, announcement and independent shareholders' approval requirements as all applicable percentage ratios are less than 0.1%. However, the Transaction, when aggregated with the transactions contemplated under the Master Lease Agreement, shall be subject to the announcement, reporting and annual review requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules as the applicable percentage ratios exceed 0.1% but all are less than 5%.

Details of the Master Lease Agreement, the Sub-tenancy Agreement and the transactions contemplated thereunder will be included in the next published annual report of the Company in accordance with Rule 14A.49 of the Listing Rules.

As at the date of this announcement, Mr. Lee Seng Huang (the Group Executive Chairman and an Executive Director of the Company), Mr. Lee Seng Hui and Ms. Lee Su Hwei are the trustees of Lee and Lee Trust, being a discretionary trust which together with the personal interest of Mr. Lee Seng Hui, controls approximately 74.96% interest in the total number of shares in issue of AGL. Accordingly, Mr. Lee Seng Huang is deemed to be interested in the transactions contemplated under the Sub-tenancy Agreement and has abstained from voting on the relevant board resolutions of the Company.

## **INFORMATION ABOUT THE COMPANY, UAF AND AGL**

### **The Company**

The Company is incorporated in Hong Kong with limited liability, the securities 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 financing which includes consumer finance, specialty finance & mortgage loans, and investment management & funds management.

As at the date of this announcement, the Company is beneficially owned as to approximately 72.74% by AGL.

### **UAF**

UAF is a company incorporated in Hong Kong with limited liability and an indirect non wholly-owned subsidiary of the Company. The principal business activity of UAF is money lending and consumer finance.

## **AGL**

AGL is a company 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 AGL is investment holding. The principal business activities of its major subsidiaries are property investment and development, hospitality related activities, provision of elderly care services, property management, cleaning and security guarding services in Hong Kong, the provision of finance and investments in listed and unlisted securities.

## **DEFINITIONS**

“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), being a substantial shareholder of the Company
“Art View”	Art View Properties Limited, a company incorporated in Hong Kong with limited liability, which is indirectly owned as to 50% by AGL
“Board”	the board of Directors
“Company”	Sun Hung Kai & Co. Limited, a company incorporated in Hong Kong with limited liability, the securities of which are listed on the main board of the Stock Exchange (Stock Code: 86), and a non wholly-owned subsidiary of AGL
“connected persons”	having the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries from time to time
“Head Tenancy Agreements”	(i) the tenancy agreement dated 24 March 2021 entered into between Art View as lessor and AGL as lessee for a term commencing on 1 April 2021 and expiring on 31 March 2023 (both days inclusive) in respect of the leasing of the whole of 23/F of the Property; and

(ii) the tenancy agreement dated 24 March 2021 entered into between Art View as lessor and AGL as lessee for a term commencing on 1 April 2021 and expiring on 31 March 2023 (both days inclusive) in respect of the leasing of, among others, the whole of 24/F of the Property

“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Management Fees”	management fees and air-conditioning charges payable by UAF to AGL under the Sub-tenancy Agreement
“Master Lease Agreement”	the master lease agreement dated 1 December 2020 entered into between the Company as lessee and Art View as lessor for a term from 1 January 2021 to 31 December 2023
“percentage ratio(s)”	percentage ratio(s) as set out in Rule 14.08 of the Listing Rules to be applied for determining the classification of a transaction
“Property”	Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong, which is owned as to 100% by Art View
“Rent”	rent payable by UAF to AGL under the Sub-tenancy Agreement
“Revised Annual Caps”	the aggregate of the annual caps with respect to the Master Lease Agreement and annual caps with respect to the Management Fees payable under the Sub-tenancy Agreement for each of the three years ending 31 December 2023
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Sub-tenancy Agreement”	the sub-tenancy agreement dated 1 April 2021 entered into between UAF and AGL for a term commencing on 1 April 2021 and expiring on 31 March 2023 (both days inclusive) pursuant to which a portion of 24/F of the Property and the rights of usage of the ancillary facilities of 23/F of the Property was sub-leased by AGL to UAF
“Transaction”	the transaction contemplated under the Sub-tenancy Agreement
“UAF”	United Asia Finance Limited, a company incorporated in Hong Kong with limited liability and an indirect non wholly-owned subsidiary of the Company
“%”	per cent.

By Order of the Board  
**Sun Hung Kai & Co. Limited**  
**Simon Chow Wing Charn**  
*Executive Director*

Hong Kong, 1 April 2021

As at the date of this announcement, the Board comprises:

*Executive Directors:*

Messrs. Lee Seng Huang (*Group Executive Chairman*) and Simon Chow Wing Charn

*Non-Executive Directors:*

Messrs. Peter Anthony Curry and Jonathan Andrew Cimino

*Independent Non-Executive Directors:*

Mr. Evan Au Yang Chi Chun, Mr. David Craig Bartlett, Mr. Alan Stephen Jones and Ms. Jacqueline Alee Leung