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SHK 新工投資有限公司
Hong Kong Industries Limited

*(Incorporated in Hong Kong with limited liability)
(Stock Code : 666)*

**CONNECTED TRANSACTION
IN RELATION TO THE SUBSCRIPTION OF
THE FIVE-YEAR 4.75% GUARANTEED NOTE DUE 2021**

On 24th May, 2016, the Subscriber has subscribed for and the Issuer has confirmed the allocation amount to the Subscriber of the First Tranche Note in the principal amount of US\$4 million (equivalent to approximately HK\$31 million) to be issued under the Note Programme.

As AGL is a substantial shareholder of the Company and SHK is a subsidiary of AGL, SHK and its subsidiaries (including the Issuer) are connected persons of the Company within the meaning of the Listing Rules. As a result, the Subscription constitutes a connected transaction of the Company.

As the applicable Percentage Ratio(s) for the Company in respect of the Subscription exceed 0.1% but are less than 5%, the Subscription is only subject to the reporting and announcement requirements but exempt from the circular and the shareholders' approval requirements under Chapter 14A of the Listing Rules.

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THE SUBSCRIPTION

Allocation date

24th May, 2016

Parties

Issuer: Sun Hung Kai & Co. (BVI) Limited

Subscriber: Long Set Investments Limited

Subscription amount

The total principal amount of the First Tranche Note allocated to the Subscriber is US\$4 million (equivalent to approximately HK\$31 million) out of the total issue of an aggregate principal amount of US\$361,639,000 First Tranche Note, being part of the Note Programme. The subscription amount will be satisfied by the Group's internal resources.

Principal terms of the Subscription Note

Issue date	:	31st May, 2016
Issuer	:	Sun Hung Kai & Co. (BVI) Limited
Guarantor	:	SHK
Issue price	:	100% of the aggregate principal amount
Principal amount	:	Subscription by the Subscriber for US\$4 million out of the total issue amount of US\$361,639,000 First Tranche Note under the Note Programme
Interest rate	:	4.75% per annum
Interest payment date(s)	:	31st May and 30th November in each year commencing 30th November, 2016
Managers	:	UBS AG Hong Kong Branch, AMTD Asset Management Limited, J.P. Morgan Securities plc, Standard Chartered Bank, China Everbright Securities (HK) Limited and Sun Hung Kai Investment Services Limited
Maturity date	:	31st May, 2021
Listing	:	Application will be made for the listing of and permission to deal in the First Tranche Note on the Stock Exchange
Status	:	The First Tranche Note and the guarantee by the Guarantor will constitute unsubordinated and unsecured obligations of the Issuer and the Guarantor respectively
Voting rights	:	The holder of the First Tranche Note will not be entitled to attend or vote at any shareholder meeting of SHK by reason only of it being a holder of the First Tranche Note

Early redemption : Following the occurrence of a Change of Control, each holder of the First Tranche Note will have the right, at such holder's option, to require the Issuer (failing whom the Guarantor) to redeem all, or some only, of that holder's First Tranche Note at 101% of the aggregate principal amount of the First Tranche Note outstanding together with interest accrued.

The First Tranche Note may be redeemed at the option of the Issuer in whole, but not in part, at 100% of the outstanding principal amount (together with any interest accrued) if the Issuer (or, if the guarantee were called, the Guarantor) has or will become obliged to pay additional amounts of taxation as a result of any change in or amendment to the laws or regulations of the British Virgin Islands or Hong Kong or any other authority having power to tax additional amount to the Issuer and such obligation cannot be avoided by the Issuer.

Early redemption of the First Tranche Note on event of default or any other reasons other than Change of Control will be at 100% of the aggregate principal amount of the First Tranche Note outstanding together with interest accrued.

Final redemption : Unless previously redeemed and cancelled, the Issuer will redeem the First Tranche Note at its outstanding principal amount on the maturity date, i.e. 31st May, 2021

Completion

Completion of the Subscription is expected to take place on 31st May, 2016.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION

The Group has not participated in the negotiation of the terms of the issue of the First Tranche Note. The terms of the First Tranche Note were arrived at after arm's length negotiation between the Issuer and the arrangers of the Subscription Note. The terms of the Subscription Note subscribed by the Subscriber are the same as those generally applicable to other First Tranche Note.

The Directors consider that the Subscription can provide the Subscriber with a satisfactory and stable return.

The Directors (including the independent non-executive directors) are of the view that the terms of the Subscription are fair and reasonable and on normal commercial terms and in the ordinary and usual course of business of the Group and in the interests of the Company and its Shareholders taken as a whole.

INFORMATION ON THE SUBSCRIBER, THE COMPANY, THE ISSUER AND SHK

The Subscriber

The Subscriber is a wholly-owned subsidiary of the Company incorporated in Hong Kong with limited liability. The principal business of the Subscriber is investment holding.

The Company

The Company is incorporated in Hong Kong with limited liability and the shares of which are listed on the Main Board under Chapter 21 of the Listing Rules and is owned as to approximately 74.97% by AGL.

The principal business activity of the Company is investment holding. The Company and its subsidiaries are engaged principally in the investments in listed and unlisted financial instruments.

The Issuer

The Issuer is a company incorporated under the laws of the British Virgin Islands with limited liability and is a wholly-owned subsidiary of SHK established for the purpose of issuing the Note Programme.

SHK

SHK is incorporated in Hong Kong with limited liability and the shares of which are listed on the Main Board and is a non wholly-owned subsidiary of AGL.

The principal business activity of SHK is investment holding. The principal business activities of its major subsidiaries are structured finance, consumer finance, mortgage loans and principal investments.

LISTING RULES IMPLICATIONS

As AGL is a substantial shareholder of the Company and SHK is a subsidiary of AGL, SHK and its subsidiaries (including the Issuer) are connected persons of the Company within the meaning of the Listing Rules. As a result, the Subscription constitutes a connected transaction of the Company.

As the applicable Percentage Ratio(s) for the Company in respect of the Subscription exceed 0.1% but are less than 5%, the Subscription is only subject to the reporting and announcement requirements but exempt from the circular and the shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Lee Seng Hui is one of the trustees of Lee and Lee Trust, being a discretionary trust which, together with his personal interests, indirectly owns approximately 73.91% interests in the total issued shares of AGL, and which in turn indirectly owns approximately 74.97% of the total issued shares of the Company. Since AGL indirectly owns approximately 55.74% interests in the total issued shares of SHK, Mr. Lee Seng Hui is deemed to be interested in the connected transaction in respect of the Subscription.

None of the Directors has any material interest in the Subscription and is required to abstain from voting on the board resolutions approving the Subscription and the transactions contemplated thereunder.

DEFINITIONS

“AGL”	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) and is a substantial shareholder of the Company and SHK
“Board”	the board of Directors
“Change of Control”	occurs when: (i) the Controlling Shareholder ceases to have Control of the Guarantor; or (ii) the Guarantor consolidates with or merges into or sells or transfers all or substantially all of the Guarantor’s assets to any person or persons other than the Controlling Shareholder (collectively or individually), unless the consolidation, merger, sale or transfer will not result in the Controlling Shareholder (collectively or individually) ceasing to have Control over the Guarantor or the successor entity
“Control”	the direct or indirect ownership of, or the power to control directly or indirectly, at least 35% of the voting rights of the issued share capital of the Guarantor
“Controlling Shareholder”	the trustees of the Lee and Lee Trust
“Company”	SHK Hong Kong Industries Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Main Board
“Connected person(s)”	having the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“First Tranche Note”	the first tranche of the notes in the principal amount of US\$361,639,000 to be issued under the Note Programme
“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
“Issuer”	Sun Hung Kai & Co. (BVI) Limited, a company incorporated in the British Virgin Islands with limited liability and is a wholly-owned subsidiary of SHK
“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 the Growth Enterprise Market of the Stock Exchange
“Note Programme”	the guaranteed medium term note programme under which medium term notes for an aggregate principal amount of not exceeding US\$2 billion (equivalent to approximately HK\$15.6 billion) may be issued from time to time by the Issuer and guaranteed by SHK unconditionally and irrevocably
“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
“Shareholder(s)”	holder(s) of the shares of the Company
“Share(s)”	ordinary share(s) of the Company
“SHK” or “Guarantor”	Sun Hung Kai & Co. Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board (Stock Code: 86) and an indirect non wholly-owned subsidiary of AGL
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Long Set Investments Limited, a company incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of the Company
“Subscription”	the subscription of the Subscription Note by the Subscriber in the principal amount of US\$4 million pursuant to the terms and conditions of the First Tranche Note

“Subscription Note”	US\$4 million principal amount of the First Tranche Note allocated to the Subscriber
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

On behalf of the Board
SHK Hong Kong Industries Limited
Warren Lee Wa Lun
Chairman

Hong Kong, 24th May, 2016

For the purpose of this announcement, translations of United States dollars into Hong Kong dollars or vice versa have been calculated by using an exchange rate of US\$1.00 equal to HK\$7.80. 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 composition of the Board is as follows: Mr. Warren Lee Wa Lun (Chairman) and Mr. Mark Wong Tai Chun are Executive Directors; Mr. Arthur George Dew is Non-Executive Director; and Mr. Albert Ho, Mr. Peter Lee Yip Wah and Mr. Louie Chun Kit are Independent Non-Executive Directors.