



**新鴻基有限公司**

**SUN HUNG KAI & CO. LIMITED**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 86)**

***Executive Directors:***

Lee Seng Huang (*Group Executive Chairman*)  
Simon Chow Wing Charn  
Peter Anthony Curry

***Registered Office:***

42/F, Lee Garden One  
33 Hysan Avenue  
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Hong Kong

***Non-Executive Director:***

Jonathan Andrew Cimino

***Independent Non-Executive Directors:***

Evan Au Yang Chi Chun  
David Craig Bartlett  
Alan Stephen Jones  
Jacqueline Alee Leung  
Peter Wong Man Kong

Hong Kong, 25 June 2018

*To the Shareholders*

Dear Sir/Madam,

**(1) POSSIBLE OFF-MARKET SHARE BUY-BACK CONSTITUTING  
A DISCLOSEABLE AND CONNECTED TRANSACTION  
AND  
(2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

**1. INTRODUCTION**

Reference is made to the Announcement in relation to the Share Buy-back and Buy-back Contract.

On 4 May 2018, Asia Financial Services executed the Deed of Undertaking in favour of the Company conditionally undertaking to execute the Buy-back Contract if so required by the Company. For further details of the Deed of Undertaking, please refer to the section headed "DEED OF UNDERTAKING" below.

The Company is a company incorporated in Hong Kong. Under Section 240 of the Companies Ordinance, a listed company may not enter into a contingent purchase contract relating to its shares prior to obtaining the required special resolution of its shareholders. Although the form of the draft Buy-back Contract has been negotiated and finalised between the Company and Asia Financial Services, the Company will not execute the Buy-back Contract unless and until it has obtained approval by at least three-fourths of the votes cast on a poll by the Independent Shareholders present in person or by proxies at the EGM. It is the Company's intention to enter into the Buy-back Contract with Asia Financial Services if and when such resolution is passed.

The purpose of this circular is to provide the Shareholders with further information in respect of resolutions regarding the terms of the Buy-back Contract and details of the Share Buy-back to be proposed at the EGM to enable the Shareholders to make their informed decisions as to how to vote at the EGM.

## **2. DEED OF UNDERTAKING**

<b>Date</b>	4 May 2018
<b>Parties</b>	(a) Asia Financial Services
	(b) the Company

The Deed of Undertaking shall take effect commencing on 4 May 2018 and shall terminate upon the earlier of: (i) 31 August 2018; and (ii) by agreement of the parties.

Asia Financial Services irrevocably undertakes to the Company that, if so required by the Company, they shall execute the Buy-back Contract within three business days after the satisfaction of the following condition:

- (i) the passing of the requisite resolution by at least three-fourths of the votes cast on a poll by the Independent Shareholders present in person or by proxy at a general meeting of the Company approving the Buy-back Contract.

## **3. THE BUY-BACK CONTRACT**

<b>Parties</b>	(a) Purchaser: the Company
	(b) Vendor: Asia Financial Services

### **Number of Buy-back Shares**

The number of Buy-back Shares is 145,000,000, representing approximately 6.73% of the total number of issued Shares of the Company, and representing approximately 42.45% of the Shares currently held by Asia Financial Services in the Company.

The Buy-back Shares shall be bought back by the Company free from any encumbrance.

### **Consideration**

The buy-back price for each Buy-back Share is HK\$4.75, representing:

- (i) a premium of approximately 2.4% to the closing price of HK\$4.50 per Share as quoted on the Stock Exchange on the Latest Practicable Date, after adjusting the HK\$4.75 to HK\$4.61 for the HK14 cents second interim dividend as the Shares have been trading ex-dividend since 19 June 2018;

- (ii) a discount of approximately 1.7% under the average closing price of HK\$4.83 per Share based on the daily closing prices of the Shares as quoted on the Stock Exchange for the five (5) consecutive trading days immediately prior to and including the Last Trading Day;
- (iii) a discount of approximately 1.7% under the average closing price of HK\$4.83 per Share based on the daily closing prices of the Shares as quoted on the Stock Exchange for the ten (10) consecutive trading days immediately prior to and including the Last Trading Day;
- (iv) a discount of approximately 2.9% under the average closing price of HK\$4.89 per Share based on the daily closing prices of the Shares as quoted on the Stock Exchange for the 20 consecutive trading days immediately prior to and including the Last Trading Day;
- (v) a discount of approximately 3.4% under the average closing price of HK\$4.92 per Share based on the daily closing prices of the Shares as quoted on the Stock Exchange for the 30 consecutive trading days immediately prior to and including the Last Trading Day; and
- (vi) a discount of approximately 47% to the audited net asset value per Share attributable to Shareholders as at 31 December 2017 of approximately HK\$9.02 per Share.

The total consideration for the Share Buy-back shall not exceed HK\$688,750,000, as may be reduced in accordance with the paragraph headed “Completion and set off” below. The consideration for the Share Buy-back was determined following commercial and arms’ length negotiations between the parties taking into account the movements in the price of the Shares over a period of time and prevailing market conditions. The consideration will be settled in cash by the Company out of its available distributable profits.

The original purchase cost of the Buy-back Shares to Asia Financial Services was HK\$5.00 per Share.

### **Conditions**

The Company will enter into the Buy-back Contract only if it is approved by at least three-fourths of the votes cast on a poll by the Independent Shareholders in attendance in person or by proxy at a general meeting of the Company duly convened and held to consider the Buy-back Contract and the Share Buy-back thereunder in accordance with the Buy-backs Code and the Companies Ordinance.

The completion of the Share Buy-back is conditional upon the following condition:

- (i) the Executive approving the purchase of the Buy-back Shares by the Company contemplated under the Buy-back Contract pursuant to the Buy-backs Code (and such approval not having been withdrawn) and the condition(s) of such approval, if any, having been satisfied.

In the event that the above condition shall not have been fulfilled by 31 August 2018 (or such other date as may be agreed by the parties), any party may terminate the Buy-back Contract by serving a written notice on the other parties, whereupon the parties shall not be bound to proceed with the proposed Share Buy-back and the Buy-back Contract shall cease to be of any effect (save for certain specific clauses).

### **Completion and set off**

The completion of the Share Buy-back shall take place on the fifth business day following the day on which all the conditions to the Share Buy-back are satisfied or such other day as the Purchaser and Vendor may agree.

As at the Latest Practicable Date, Asia Financial Services holds 341,600,000 Shares in issue, representing approximately 15.87% of the total number of issued Shares of the Company. Upon completion of the Share Buy-back, the Buy-back Shares will be transferred to the Company and cancelled. The percentage interest of all other Shareholders in the issued Shares of the Company will be proportionally increased following the cancellation of the Buy-back Shares and the resulting reduction in the number of issued Shares.

Asia Financial Services undertakes to the Company not to offer, sell, contract to sell, grant any option to purchase or otherwise dispose of, directly or indirectly, any Shares during the period from the date of the Buy-back Contract until the date falling three (3) months after the completion of the Share Buy-back.

If the Company declares, pays, or makes a dividend or distribution before Completion and Asia Financial Services is entitled to receive such dividend or distribution, an amount corresponding to such dividend or distribution shall be deducted from the total consideration for the Buy-back Shares payable by the Company to Asia Financial Services. As the Directors declared a second interim dividend of HK14 cents per Share for the year ended 31 December 2017 to the Shareholders whose names appear on the register of members of the Company on 22 June 2018, Asia Financial Services is entitled to receive such second interim dividend of HK14 cents per Buy-back Share. Accordingly, the buy-back price per Buy-back Share of HK\$4.75 shall be reduced by HK14 cents to HK\$4.61 and an aggregate amount of HK\$20,300,000 shall be deducted from the total consideration for the Buy-back Shares payable by the Company to Asia Financial Services.

#### 4. EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The following table illustrates the shareholding structures of the Company (i) as at the Latest Practicable Date; and (ii) immediately after the completion of the Share Buy-back (assuming that there is no change in the number of issued Shares of the Company since the Latest Practicable Date and up to the date of completion of the Share Buy-back):

	As at the Latest Practicable Date		Immediately after completion of the Share Buy-back	
	Number of Shares	%	Number of Shares	%
AP Emerald Limited (Note 1)	1,233,578,575	57.29	1,233,578,575	61.43
Asia Financial Services (Note 2)	341,600,000	15.87	196,600,000	9.79
Simon Chow Wing Charn (Note 3)	533,000	0.02	533,000	0.03
Peter Anthony Curry (Note 4)	1,241,141	0.06	1,241,141	0.06
Public	576,106,777	26.76	576,106,777	28.69
<b>Total</b>	<b>2,153,059,493</b>	<b>100</b>	<b>2,008,059,493</b>	<b>100</b>

The percentage figures above have been rounded off to the nearest second decimal place.

Note 1: Mr. Lee Seng Huang, an executive Director is deemed to be interested in the 1,233,578,575 Shares held by AP Emerald Limited as he is one of the trustees of Lee and Lee Trust, being a discretionary trust which indirectly controls Allied Group Limited which in turn is the ultimate holding company of AP Emerald Limited.

Note 2: Following the completion of the Share Buy-back, the 196,600,000 Shares then held by Asia Financial Services, representing approximately 9.79% of the issued Shares of the Company, will form part of the public float of the Company.

Note 3: Mr. Simon Chow Wing Charn is an executive Director.

Note 4: Mr. Peter Anthony Curry is an executive Director.

Save as disclosed above, no other Directors and any persons acting in concert with them are interested in, or have borrowed or lent, any Shares.

#### Public Float

The Company intends to maintain its listing on the Stock Exchange and to continue to meet the public float requirements under Rule 8.08 of the Listing Rules. It is expected that the Company will meet the said public float requirement after the completion of the Share Buy-back.

## **5. REASONS FOR AND BENEFITS OF THE SHARE BUY-BACK**

To proceed with the Share Buy-back, the Company has taken into consideration that:

- (i) the Share Buy-back is a good opportunity for the Company to enhance the earnings per Share and the rate of return on capital;
- (ii) the Share Buy-back will result in an approximately 3.4% enhancement in the net asset value per Share attributable to Shareholders based on the audited balance sheet of the Group as at 31 December 2017, creating greater shareholder value, which is in the interests of all Shareholders;
- (iii) the Share Buy-back will result in an increase in the public float of the Company from 26.76% to 38.48% of the issued Shares of the Company;
- (iv) the buy-back price for each Buy-back Share represents a discount of approximately 5.5% under the average closing price of HK\$5.03 per Share based on the daily closing prices of the Shares as quoted on the Stock Exchange for the 60 consecutive trading days immediately prior to and including the Last Trading Day; and
- (v) the average daily trading volume of the Shares for the 12 months up to and including the Last Trading Day was approximately 970,000 Shares per day, representing only approximately 0.05% of the issued Shares as at the Latest Practicable Date. Given the thin trading volume in the Shares and the large volume of the Buy-back Shares, it is a good opportunity for the Company to buy-back a significant block of Shares without affecting the normal trading of the Shares in terms of price and volume.

In light of the foregoing, the Directors (other than members of the Listing Rules IBC and the Takeovers Code IBC) believe that the terms and conditions of the Buy-back Contract are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

Having taken into account the principal factors and reasons set out above and in the section headed “PRINCIPAL FACTORS AND REASONS CONSIDERED” of the letter from Centurion, the Listing Rules IBC, the Takeovers Code IBC and Centurion are of the view that the terms of the Buy-back Contract and the Share Buy-back are fair and reasonable so far as the Independent Shareholders are concerned and the Buy-back Contract and the Share Buy-back are in the interests of the Company and the Shareholders as a whole.

## **6. FINANCIAL EFFECTS OF THE PROPOSED SHARE BUY-BACK**

### **Net assets per Share attributable to the Shareholders**

Assuming that the Share Buy-back had taken place on 31 December 2017, the Group's net assets per Share attributable to the Shareholders as at that date would have increased by approximately 3.4% from approximately HK\$9.02 per Share to approximately HK\$9.33 per Share.

### **Basic earnings per Share**

Assuming that the Share Buy-back had taken place on 1 January 2017 and the Buy-back Shares have been bought back in full and cancelled, the Group's basic earnings per Share for the year ended 31 December 2017 would have increased by approximately 7.1% from approximately HK84.0 cents per Share to approximately HK90.0 cents per Share.

### **Total liabilities**

The consideration of the Share Buy-back will be settled in cash and the Share Buy-back is not expected to affect or have any material adverse impact on the liabilities of the Group.

### **Working capital**

The working capital (expressed as net current assets) as at 31 December 2017 would decrease by approximately 4.5% from approximately HK\$15,326,400,000 to approximately HK\$14,633,450,000 (assuming approximately HK\$688,750,000 cash used for settlement of the Share Buy-back and the estimated expenses of approximately HK\$4,200,000 directly attributable to the Share Buy-back).

Based on the above, the Company considers that the Share Buy-back will have no material adverse effect on the Group's net assets per Share, basic earnings per Share, total liabilities or working capital.

## **7. LISTING RULES AND BUY-BACKS CODE IMPLICATIONS**

### **Listing Rules implications**

As at the Latest Practicable Date, Asia Financial Services holds 341,600,000 Shares, representing approximately 15.87% of the total number of issued Shares of the Company, and is a substantial shareholder of the Company. As a substantial shareholder of the Company, Asia Financial Services is a connected person of the Company pursuant to the Listing Rules. Accordingly, the Share Buy-back constitutes a connected transaction of the Company and will be subject to reporting and announcement requirements and independent shareholders' approval requirement under Chapter 14A of the Listing Rules. Having further considered the relevant size test results, the Share Buy-back also constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

By reason of the Listing Rules and the Buy-backs Code, Asia Financial Services and its concert parties will abstain from voting at the EGM.

None of the Directors has a material interest in the Share Buy-back and hence no Director has abstained from voting on such Board resolutions.

## **Buy-backs Code implications**

The Share Buy-back constitutes an off-market share buy-back by the Company under the Buy-backs Code. The Company has made an application to the Executive for approval of the Share Buy-back pursuant to Rule 2 of the Buy-backs Code. The Executive's approval, if granted, will normally be conditional upon, amongst other things, approval of the Share Buy-back by at least three-fourths of the votes cast on a poll by the Independent Shareholders present in person or by proxy at a general meeting of the Company.

Completion of the Share Buy-back is subject to the condition that the Share Buy-back has been approved by the Executive. Therefore, the Company will not proceed with the Share Buy-back unless the Executive approves the Share Buy-back pursuant to Rule 2 of the Buy-backs Code. However, there is no assurance that such approval will be granted or that all other conditions precedent to the Share Buy-back will be fulfilled.

As required by the Buy-backs Code, as at the Latest Practicable Date, Asia Financial Services (which beneficially holds 341,600,000 Shares, representing approximately 15.87% of the total number of issued Shares of the Company) and the parties acting in concert with it will abstain from voting on the resolutions to be proposed at the EGM for approving the Buy-back Contract and the Share Buy-back.

As at the Latest Practicable Date, other than the 15.87% interest in the total number of issued Shares of the Company owned by Asia Financial Services and the parties acting in concert with it and the Share Buy-back contemplated under the Buy-back Contract as disclosed in this circular, neither Asia Financial Services nor any party acting in concert with it:

- (i) holds, owns, controls or directs any Shares, convertible securities, warrants, options or derivatives in respect of the Shares;
- (ii) has secured an irrevocable commitment to vote in favour of or against the Buy-back Contract and/or the Share Buy-back;
- (iii) holds outstanding warrants, options or securities convertible into Shares or derivatives in respect of the Shares;
- (iv) has any arrangement (whether by way of option, indemnity or otherwise) or contracts in relation to the Shares or shares of Asia Financial Services which might be material to the Buy-back Contract and/or the Share Buy-back;
- (v) has any agreement or arrangement to which Asia Financial Services and parties acting in concert with it is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Buy-back Contract and/or the Share Buy-back; or
- (vi) has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company.

Neither Asia Financial Services nor any party acting in concert with it has acquired or disposed of any voting rights of the Company or has dealt for value in any Shares, convertible securities, warrants, options or derivatives in respect of the securities in the Company in the six-month period prior to and including 4 May 2018, being the date of the Announcement and ending with the Latest Practicable Date.

## **8. GENERAL**

The principal business activity of the Company is investment holding. The principal business activities of its major subsidiaries are consumer finance, principal investments, mortgage loans and financial services.

For the two years ended 31 December 2016 and 2017, the audited net profits of the Group before taxation and non-controlling interests were approximately HK\$1,501,600,000 and HK\$2,608,500,000 respectively and the audited net profits of the Group after taxation and non-controlling interests were approximately HK\$1,109,600,000 and HK\$1,824,300,000 respectively.

Asia Financial Services is an investment holding company which currently holds 341,600,000 Shares, representing approximately 15.87% of the existing total number of issued Shares of the Company as at the Latest Practicable Date and is principally engaged in investment holding. Asia Financial Services is ultimately beneficially owned by funds which are advised by CVC Capital Partners.

The Listing Rules IBC (comprising all the independent non-executive Directors who have no direct or indirect interest in the Share Buy-back, namely, Evan Au Yang Chi Chun, David Craig Bartlett, Alan Stephen Jones, Jacqueline Alee Leung and Peter Wong Man Kong) has been formed in accordance with the Listing Rules to advise the Independent Shareholders on the Share Buy-back and the Buy-back Contract. In this connection, Centurion has been appointed to advise the Listing Rules IBC and the Independent Shareholders as to whether the Buy-back Contract is fair and reasonable and make recommendation on voting. Such appointment has been approved by the Listing Rules IBC formed to advise the Independent Shareholders on such matter.

The Takeovers Code IBC (comprising all the non-executive Directors who have no direct or indirect interest in the Share Buy-back, namely, Jonathan Andrew Cimino, Evan Au Yang Chi Chun, David Craig Bartlett, Alan Stephen Jones, Jacqueline Alee Leung and Peter Wong Man Kong) has been formed in accordance with the Buy-backs Code to advise the Independent Shareholders on the Share Buy-back and the Buy-back Contract. In this connection, Centurion has been appointed to advise the Takeovers Code IBC and the Independent Shareholders as to whether the Buy-back Contract is fair and reasonable and make recommendation on voting. Such appointment has been approved by the Takeovers Code IBC formed to advise the Independent Shareholders on such matter in accordance with Rule 2 of the Takeovers Code.

## **9. CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Thursday, 12 July 2018 to Tuesday, 17 July 2018, both days inclusive, on which no transfer of Shares will be registered. Shareholders are reminded that, in order to qualify for attendance of the EGM, they must lodge completed transfer forms together with the certificates for the relevant Shares with the Registrar not later than 4:30 p.m. on Wednesday, 11 July 2018.

## **10. EGM**

The notice of the EGM of the Company is set out on pages VI-1 to VI-2 of this circular. Asia Financial Services (which beneficially holds 341,600,000 Shares representing approximately 15.87% of the existing total number of issued Shares of the Company) and its concert parties will abstain from voting on the resolution to be proposed at the EGM for approving the Buy-back Contract and the Share Buy-back.

## **11. VOTING BY WAY OF POLL**

All votes at the EGM will be taken by poll pursuant to Rule 2 of the Buy-backs Code.

## **12. RECOMMENDATIONS**

The Directors are of the opinion that the terms of the Buy-back Contract and the Share Buy-back are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Directors recommend the Shareholders to vote in favour of the relevant resolution to be proposed at the EGM.

Having taken into account the advice of the Independent Financial Adviser, the Listing Rules IBC recommends the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the EGM to approve the Buy-back Contract and the Share Buy-back contemplated thereunder. Your attention is drawn to the letter from the Listing Rules IBC as set out on page 15 of this circular and the letter from Centurion as set out on pages 17 to 46 of this circular which contain their recommendations to the Independent Shareholders regarding the Buy-back Contract and the Share Buy-back. The Independent Shareholders are advised to read the aforesaid letters before deciding as to how to vote on the relevant resolution to be proposed at the EGM.

Having taken into account the advice of the Independent Financial Adviser, the Takeovers Code IBC recommends the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the EGM to approve the Buy-back Contract and the Share Buy-back contemplated thereunder. Your attention is drawn to the letter from the Takeovers Code IBC as set out on page 16 of this circular and the letter from Centurion as set out on pages 17 to 46 of this circular which contain their recommendations to the Independent Shareholders regarding the Buy-back Contract and the Share Buy-back. The Independent Shareholders are advised to read the aforesaid letters before deciding as to how to vote on the relevant resolution to be proposed at the EGM.

### 13. FURTHER INFORMATION

Your attention is also drawn to the financial information of the Group as set out in Appendix I to this circular, the report from Deloitte on the profit forecast statement as set out in Appendix II to this circular, the report from Centurion on the profit forecast statement as set out in Appendix III to this circular, the other general information as set out in Appendix IV to this circular, the form of Buy-back Contract as set out in Appendix V to this circular and the notice of the EGM as set out in Appendix VI to this circular.

Yours faithfully  
**Sun Hung Kai & Co. Limited**



**Peter Anthony Curry**  
*Executive Director*