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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)



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)



新鴻基有限公司

SUN HUNG KAI & CO. LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 86)

CONNECTED TRANSACTION

CONNECTED TRANSACTION

JOINT ANNOUNCEMENT

**(1) Conditional sale and purchase of approximately 22.428 per cent.
of the issued share capital of Yu Ming Investments Limited**

(2) Resumption of trading

Conditional sale and purchase of approximately 22.428 per cent. of the issued share capital of Yu Ming

On 7th June, 2007, SHK, SHKVC (an indirect wholly-owned subsidiary of SHK), Best Delta (a direct wholly-owned subsidiary of SHKVC and hence an indirect wholly-owned subsidiary of SHK), AGL and Bright Clear (an indirect wholly-owned subsidiary of AGL) entered into the Agreement, pursuant to which SHK, SHKVC and Best Delta have conditionally agreed to sell the Sale Shares (being 379,291,800 Yu Ming Shares, representing approximately 22.428 per cent. of the issued share capital of Yu Ming), and Bright Clear has conditionally agreed to purchase the Sale Shares, at an aggregate consideration of HK\$166,888,392 (being HK\$0.44 per Yu Ming Share). AGL has agreed to guarantee the payment obligation of Bright Clear under the Agreement.

An initial deposit of HK\$16,688,839.20 was paid by Bright Clear to SHK, SHKVC and Best Delta upon the signing of the Agreement. The balance of the aggregate consideration in the sum of HK\$150,199,552.80 will be settled in cash on completion of the sale and purchase of the Sale Shares.

Completion of the sale and purchase of the Sale Shares is conditional upon fulfilment of a number of conditions.

The sale and purchase of the Sale Shares is conditional and may or may not proceed. Accordingly, shareholders and prospective investors are reminded to exercise extreme caution when trading in the securities of AGL, APL, SHK and Yu Ming.

The transactions contemplated in the Agreement do not constitute any notifiable transaction under Chapter 14 of the Listing Rules on the part of AGL, APL or SHK, on the basis that none of the calculation of the ratios for AGL, APL or SHK exceed five per cent.

AGL issues this announcement pursuant to Rule 13.09 of the Listing Rules. The transactions contemplated in the Agreement do not constitute a connected transaction for AGL under Chapter 14A of the Listing Rules, on the basis that both APL and SHK are non wholly-owned subsidiaries of AGL and no connected person of AGL (other than at the level of its subsidiaries) is entitled to exercise, or control the exercise of, ten per cent. or more of the voting power at any general meeting of APL and SHK.

The transactions contemplated in the Agreement constitute a connected transaction for APL, on the basis that the calculation of the consideration ratio is over 2.5 per cent. and Bright Clear is an indirect wholly-owned subsidiary of AGL (which in turn is a substantial shareholder of APL) and hence a connected person of APL, and SHK is a subsidiary of APL. Such transactions are therefore subject to the approval of the independent shareholders of APL. AGL and its associates will abstain from voting on the resolution for approving the Agreement.

The transactions contemplated in the Agreement constitute a connected transaction for SHK, on the basis that the calculation of the assets ratio is over 2.5 per cent. and Bright Clear is an indirect wholly-owned subsidiary of AGL (which in turn, through its interests in APL, is a substantial shareholder of SHK), and hence a connected person of SHK. Such transactions are therefore subject to the approval of the independent shareholders of SHK. APL and its associates will abstain from voting on the resolution for approving the Agreement.

An independent board committee of each of APL and SHK will be constituted to consider the terms of the Agreement and to make a recommendation to their respective shareholders. Independent financial adviser will be appointed to advise the independent board committee of each of APL and SHK on the fairness and reasonableness of the transactions contemplated in the Agreement.

APL and SHK will each despatch a circular to their respective shareholders as soon as practicable. The circular to be despatched by each of APL and SHK will contain, amongst other things, details of the terms of the Agreement, a letter from its independent board committee, a letter from the independent financial adviser to its independent board committee and a notice to convene an extraordinary general meeting to approve the Agreement.

Resumption of trading

Trading in the securities of AGL, APL and SHK on the Stock Exchange was suspended at their respective requests with effect from 9:30 a.m. on 8th June, 2007 pending the release of this announcement. AGL, APL and SHK have each applied for a resumption of trading in their respective securities with effect from 9:30 a.m. on 12th June, 2007.

THE CONDITIONAL SALE AND PURCHASE

On 7th June, 2007, SHK, SHKVC (an indirect wholly-owned subsidiary of SHK), Best Delta (a direct wholly-owned subsidiary of SHKVC and hence an indirect wholly-owned subsidiary of SHK), AGL and Bright Clear (an indirect wholly-owned subsidiary of AGL) entered into the Agreement, pursuant to which SHK, SHKVC and Best Delta have conditionally agreed to sell the Sale Shares (being 379,291,800 Yu Ming Shares, representing approximately 22.428 per cent. of the issued share capital of Yu Ming), and Bright Clear has conditionally agreed to purchase the Sale Shares, at an aggregate consideration of HK\$166,888,392 (being HK\$0.44 per Yu Ming Share). AGL has agreed to guarantee the payment obligation of Bright Clear under the Agreement.

THE AGREEMENT

Date

7th June, 2007

Parties

- (1) SHK, SHKVC and Best Delta as vendors
- (2) AGL as guarantor
- (3) Bright Clear as purchaser

The Sale Shares

The Sale Shares (being 379,291,800 Yu Ming Shares) represent approximately 22.428 per cent. of the issued share capital of Yu Ming as at the date of this announcement.

The Sale Shares will be acquired free from any encumbrance as of completion of the sale and purchase of the Sale Shares.

AGL has agreed to guarantee the payment of the consideration by Bright Clear.

Consideration

The aggregate consideration for the sale and purchase of the Sale Shares shall be HK\$166,888,392 (being HK\$0.44 per Yu Ming Share), comprising:

- (i) HK\$46,831,752 for the 106,435,800 Yu Ming Shares to be sold by SHK to Bright Clear pursuant to the Agreement;
- (ii) HK\$93,085,520 for the 211,558,000 Yu Ming Shares to be sold by SHKVC to Bright Clear pursuant to the Agreement; and
- (iii) HK\$26,971,120 for the 61,298,000 Yu Ming Shares to be sold by Best Delta to Bright Clear pursuant to the Agreement.

The consideration was arrived at after arm's length negotiations between SHK, SHKVC, Best Delta and Bright Clear, having regard to the audited consolidated net asset value of Yu Ming as at 31st December, 2006 and represents:

- (i) a discount of approximately 12 per cent. to the closing price of HK\$0.50 per Yu Ming Share as quoted on the Stock Exchange on the last trading day of the Yu Ming Shares immediately before the date of this announcement;
- (ii) a discount of approximately 9.09 per cent. to the average closing price of HK\$0.484 per Yu Ming Share as quoted on the Stock Exchange for the last five trading days of the Yu Ming Shares immediately before the date of this announcement;
- (iii) a discount of approximately 7.56 per cent. to the average closing price of HK\$0.476 per Yu Ming Share as quoted on the Stock Exchange for the last ten trading days of the Yu Ming Shares immediately before the date of this announcement;
- (iv) a discount of approximately 1.79 per cent. to the average closing price of HK\$0.448 per Yu Ming Share as quoted on the Stock Exchange for the last one month of the Yu Ming Shares immediately before the date of this announcement; and
- (v) a premium of approximately 2.33 per cent. over the net asset value of HK\$0.43 per Yu Ming Share as stated in the audited consolidated accounts of Yu Ming for the year ended 31st December, 2006.

An initial deposit of HK\$16,688,839.20 was paid by Bright Clear to SHK, SHKVC and Best Delta upon the signing of the Agreement. The balance of the aggregate consideration in the sum of HK\$150,199,552.80 will be settled in cash on completion of the sale and purchase of the Sale Shares.

Payment of the aggregate consideration for the sale and purchase of the Sale Shares will be funded by internal resources of AGL.

Conditions

Completion of the sale and purchase of the Sale Shares is conditional upon fulfilment of a number of conditions, in particular:

- (i) the Sale Shares being free from any encumbrance as of completion of the sale and purchase of the Sale Shares;
- (ii) the representations and warranties under the Agreement remaining true and accurate and not misleading in any material respect as given as of the date of the Agreement and as of completion of the sale and purchase of the Sale Shares, and as if given at all times between the date of the Agreement and completion of the sale and purchase of the Sale Shares;
- (iii) SHK, SHKVC and Best Delta having complied in full with the obligations under the Agreement and otherwise having duly performed and observed all of the obligations, undertakings and covenants required to be performed and observed by them under the Agreement on or prior to completion of the sale and purchase of the Sale Shares;
- (iv) all approval, authorisation, consent, licence, certificate, permit, concession, agreement or other permission of any kind of, from or by any governmental authority, regulatory body or any other third party necessary or desirable for the consummation of the transactions contemplated in the Agreement having been obtained by SHK, SHKVC, Best Delta and Yu Ming and remaining in full force and effect;
- (v) no matter, event, circumstance or change having occurred which has caused, causes or is likely to cause any material adverse effect on:
 - (a) the business, operations, prospects or financial condition, or a material portion of the properties or assets, of Yu Ming or of its subsidiaries; or

- (b) the ability of SHK, SHKVC and Best Delta to perform or observe any of their obligations, undertakings or covenants under the Agreement;
- (vi) Yu Ming retaining its listed status, with the trading in its shares not having been suspended from listing, other than for suspensions of a routine nature, including (without limitation) any suspension relating to the transactions and matters contemplated referred to in the Agreement;
- (vii) compliance by APL and SHK with all applicable disclosure and shareholders' approval requirements under the Listing Rules; and
- (viii) successful completion of the acquisition by Fine Era Limited (an indirect wholly-owned subsidiary of AGL) of the entire interests in YMIM in accordance with the terms of the agreement governing such acquisition (in particular, without limitation, having obtained all necessary approvals from the Securities and Futures Commission), and, where applicable, compliance by Yu Ming with all applicable disclosure and shareholders' approval requirements under the Listing Rules. (The AGL Directors, the APL Directors and the SHK Directors were advised that on 31st March, 2007, YMIM (as a connected person of Yu Ming) entered into an investment management agreement with Yu Ming, pursuant to which Yu Ming has appointed YMIM as its investment manager for the period from 1st April to 30th June, 2007. For further details, please refer to the announcement issued by Yu Ming on 3rd April, 2007.)

SHK, SHKVC and Best Delta will use their best endeavours to procure the fulfilment of the above conditions. If any of the conditions is not fulfilled (or waived by Bright Clear, except for conditions (vi) and (vii) which cannot be waived) on or before 30th September, 2007 (or such later date as may be agreed by SHK, SHKVC, Best Delta and Bright Clear in writing), no party will be obliged to proceed to completion of the sale and purchase of the Sale Shares, and SHK, SHKVC, Best Delta shall each forthwith refund to Bright Clear the full amount of that part of the deposit previously received by it.

The sale and purchase of the Sale Shares is conditional and may or may not proceed. Accordingly, shareholders and prospective investors are reminded to exercise extreme caution when trading in the securities of AGL, APL, SHK and Yu Ming.

Completion

Subject to fulfilment of the conditions set out in the Agreement, completion of the sale and purchase of the Sale Shares will take place on the fifth business day after the day on which the last of the conditions is fulfilled (or otherwise waived) (or such other date as may be agreed by SHK, SHKVC, Best Delta and Bright Clear in writing) at the offices of the solicitors for Bright Clear in Hong Kong (or such other place as may be agreed by SHK, SHKVC, Best Delta and Bright Clear in writing).

On completion of the sale and purchase of the Sale Shares, the balance of the consideration in the total sum of HK\$150,199,552.80 will be paid by Bright Clear to SHK, SHKVC and Best Delta, respectively.

INFORMATION ABOUT AGL, APL, SHK, SHKVC, BEST DELTA AND BRIGHT CLEAR

AGL

AGL is a company incorporated in Hong Kong with limited liability. Its shares 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 and the provision of financial services.

APL

APL is a company incorporated in Hong Kong with limited liability. Its securities are listed on the Main Board of the Stock Exchange.

The principal business activity of APL is investment holding. The principal business activities of its major subsidiaries are property investment and development, hospitality related activities and the provision of financial services.

As at the date of this announcement, APL is beneficially owned as to approximately 74.93 per cent. by AGL.

SHK

SHK is a company incorporated in Hong Kong with limited liability. Its securities are listed on the Main Board of the Stock Exchange.

The principal business activity of SHK is investment holding. The principal business activities of its major subsidiaries are wealth management and brokerage, asset management, corporate finance, consumer finance as well as principal investments.

As at the date of this announcement, SHK is beneficially owned as to approximately 65.16 per cent. by APL.

SHKVC

SHKVC is a company incorporated in Hong Kong with limited liability. It is an indirect wholly-owned subsidiary of SHK.

The principal business activity of SHKVC is investment holding.

Best Delta

Best Delta is a company incorporated in the B.V.I. with limited liability. It is an indirect wholly-owned subsidiary of SHK.

The principal business activity of Best Delta is investment holding.

Bright Clear

Bright Clear is a company incorporated in the B.V.I. with limited liability. It is an indirect wholly-owned subsidiary of AGL.

The principal business activity of Bright Clear is investment holding.

INFORMATION ABOUT YU MING

Yu Ming

Yu Ming is a company incorporated in Hong Kong with limited liability. Its shares are listed on the Main Board of the Stock Exchange.

The principal business activity of Yu Ming and its subsidiaries includes investment in listed and unlisted securities and properties.

As at the date of this announcement, Yu Ming is beneficially owned as to approximately 22.428 per cent. by SHK.

SUMMARY OF FINANCIAL RESULTS OF YU MING

A summary of the audited results of Yu Ming for the two years ended 31st December, 2005 and 31st December, 2006 are as follows:

	Year ended 31st December,	
	2006	2005
	HK\$'000	HK\$'000
Revenue	158,036	35,473
(Loss) profit before tax	(113,097)	149,929
(Loss) profit after tax	(115,596)	146,705
(Loss) profit attributable to the equity holders of Yu Ming	(155,693)	144,662

The audited consolidated net asset value of Yu Ming as at 31st December, 2006 was approximately HK\$732,331,000.

REASONS FOR AND BENEFITS OF THE SALE AND PURCHASE OF THE SALE SHARES

The principal business activity of Yu Ming and its subsidiaries is strategic investment in listed and unlisted securities and properties. A plan has been formulated to effect an overall reorganisation of the strategic investment businesses of the Allied group of companies. This involves the sale and purchase of the Sale Shares (currently held by the SHK Group as one of its principal investments), which is intended to consolidate the strategic investment businesses of the Allied group of companies into AGL. It is expected to achieve ongoing operational economies and other benefits.

The SHK Group will continue to focus on its core business activities of wealth management and brokerage, asset management, corporate finance and consumer finance. The disposal of the Sale Shares will realise the capital investment of the SHK Group in Yu Ming. The sale of the Sale Shares will generate net sale proceeds (before expenses) of HK\$166,888,392 for SHK. The consideration will be applied by SHK to reduce its overall corporate indebtedness and for general working capital purposes.

Following completion of the sale and purchase of the Sale Shares, strategic investments will form part of the core business activities of AGL.

Having regard to the nature of and the benefits resulting from such reorganisation, the AGL Directors, the APL Directors and the SHK Directors all believe that the terms of the sale and purchase of the Sale Shares are fair and reasonable and in the interests of the shareholders of each of AGL, APL and SHK taken as a whole.

Audited consolidated net profits (losses) attributable to the Sale Shares (before minority interests) for the two financial years ended 31st December, 2006 were:

- (i) a profit of approximately HK\$33,626,000 (before taxation) or a profit of approximately HK\$32,903,000 (after taxation) for the financial year ended 31st December, 2005; and
- (ii) a loss of approximately HK\$25,365,000 (before taxation) or a loss of approximately HK\$25,926,000 (after taxation) for the financial year ended 31st December, 2006.

As at 31st December, 2006, the audited consolidated net book value of the Sale Shares was approximately HK\$164,247,000.

Immediately following completion of the sale and purchase of the Sale Shares, SHK, SHKVC and Best Delta will each cease to hold any interests in Yu Ming.

LISTING RULES IMPLICATIONS

The transactions contemplated in the Agreement do not constitute any notifiable transaction under Chapter 14 of the Listing Rules on the part of AGL, APL or SHK, on the basis that none of the calculation of the ratios for AGL, APL or SHK exceed five per cent.

AGL issues this announcement pursuant to Rule 13.09 of the Listing Rules. The transactions contemplated in the Agreement do not constitute a connected transaction for AGL under Chapter 14A of the Listing Rules, on the basis that both APL and SHK are non wholly-owned subsidiaries of AGL and no connected person of AGL (other than at the level of its subsidiaries) is entitled to exercise, or control the exercise of, ten per cent. or more of the voting power at any general meeting of APL and SHK.

The transactions contemplated in the Agreement constitute a connected transaction for APL, on the basis that the calculation of the consideration ratio is over 2.5 per cent. and Bright Clear is an indirect wholly-owned subsidiary of AGL (which in turn is a substantial shareholder of APL) and hence a connected person of APL, and SHK is a subsidiary of APL. Such transactions are therefore subject to the approval of the independent shareholders of APL. AGL and its associates will abstain from voting on the resolution for approving the Agreement.

The transactions contemplated in the Agreement constitute a connected transaction for SHK, on the basis that the calculation of the assets ratio is over 2.5 per cent. and Bright Clear is an indirect wholly-owned subsidiary of AGL (which in turn, through its interests in APL, is a substantial shareholder of SHK), and hence a connected person of SHK. Such transactions are therefore subject to the approval of the independent shareholders of SHK. APL and its associates will abstain from voting on the resolution for approving the Agreement.

An independent board committee of each of APL and SHK will be constituted to consider the terms of the Agreement and to make a recommendation to their respective shareholders. Independent financial adviser will be appointed to advise the independent board committee of each of APL and SHK on the fairness and reasonableness of the transactions contemplated in the Agreement.

APL and SHK will each despatch a circular to their respective shareholders as soon as practicable. The circular to be despatched by each of APL and SHK will contain, amongst other things, details of the terms of the Agreement, a letter from its independent board committee, a letter from the independent financial adviser to its independent board committee and a notice to convene an extraordinary general meeting to approve the Agreement.

RESUMPTION OF TRADING

Trading in the securities of AGL, APL and SHK on the Stock Exchange was suspended at their respective requests with effect from 9:30 a.m. on 8th June, 2007 pending the release of this announcement. AGL, APL and SHK have each applied for a resumption of trading in their respective securities with effect from 9:30 a.m. on 12th June, 2007.

DIRECTORS

AGL Directors

As at the date of this announcement, the AGL Directors are:

Executive Directors:

Mr. Lee Seng Hui (*Chief Executive*), Mr. Edwin Lo King Yau, Mr. Mak Pak Hung

Non-executive Directors:

Mr. Arthur George Dew (*Chairman*), Ms. Lee Su Hwei

Independent non-executive Directors:

Mr. Wong Po Yan, Mr. David Craig Bartlett, Mr. John Douglas Mackie, Mr. Alan Stephen Jones

APL Directors

As at the date of this announcement, the APL Directors are:

Executive Directors:

Mr. Patrick Lee Seng Wei (*Chief Executive*), Mr. Li Chi Kong

Non-executive Directors:

Mr. Arthur George Dew (*Chairman*), Mr. Henry Lai Hin Wing, Mr. Steven Lee Siu Chung

Independent non-executive Directors:

Mr. John Douglas Mackie, Mr. Steven Samuel Zoellner, Mr. Alan Stephen Jones

SHK Directors

As at the date of this announcement, the SHK Directors are:

Executive Directors:

Mr. Lee Seng Huang (*Chairman*), Mr. Joseph Tong Tang

Non-executive Director:

Mr. Patrick Lee Seng Wei

Independent non-executive Directors:

Mr. David Craig Bartlett, Mr. Alan Stephen Jones, Mr. Carlisle Caldw Procter, Mr. Peter Wong Man Kong

DEFINITIONS

“AGL”	Allied Group Limited, a company incorporated in Hong Kong with limited liability, with its shares listed on the Main Board of the Stock Exchange
“AGL Directors”	directors of AGL
“Agreement”	the sale and purchase agreement dated 7th June, 2007 made between SHK, SHKVC, Best Delta, AGL and Bright Clear, relating to the sale and purchase of the Sale Shares
“APL”	Allied Properties (H.K.) Limited, a company incorporated in Hong Kong with limited liability, with its securities listed on the Main Board of the Stock Exchange, and a non wholly-owned subsidiary of AGL
“APL Directors”	directors of APL
“associates”	having the meaning ascribed to it under the Listing Rules
“B.V.I.”	British Virgin Islands
“Best Delta”	Best Delta International Limited, a company incorporated in the B.V.I. with limited liability, and an indirect wholly-owned subsidiary of SHK
“Bright Clear”	Bright Clear Limited, a company incorporated in the B.V.I. with limited liability, and an indirect wholly-owned subsidiary of AGL

“connected person”	having the meaning ascribed to it under the Listing Rules
“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 of Hong Kong Limited
“Sale Shares”	379,291,800 Yu Ming Shares
“SHK”	Sun Hung Kai & Co. Limited, a company incorporated in Hong Kong with limited liability, with its securities listed on the Main Board of the Stock Exchange, and a non wholly-owned subsidiary of APL
“SHKVC”	Sun Hung Kai Venture Capital Limited, a company incorporated in Hong Kong with limited liability, and an indirect wholly-owned subsidiary of SHK
“SHK Directors”	directors of SHK
“SHK Group”	SHK and its subsidiaries
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	having the meaning ascribed to it under the Listing Rules
“YMIM”	Yu Ming Investment Management Limited, a company incorporated in Hong Kong with limited liability, and the investment manager of Yu Ming
“Yu Ming”	Yu Ming Investments 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: 666)
“Yu Ming Shares”	ordinary shares of HK\$0.10 each in the issued share capital of Yu Ming

On behalf of the Board
Allied Group Limited
Edwin Lo King Yau
Executive Director

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

On behalf of the Board
Sun Hung Kai & Co. Limited
Joseph Tong Tang
Executive Director

Hong Kong, 11th June, 2007

The directors of Allied Group Limited jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration, and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.

The directors of Allied Properties (H.K.) Limited jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration, and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.

The directors of Sun Hung Kai & Co. Limited jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration, and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.