
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your securities in Allied Properties (H.K.) Limited, you should at once hand this circular and accompanying form of proxy to the purchaser or transferee, or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)

CONNECTED TRANSACTION

CONDITIONAL SALE AND PURCHASE OF APPROXIMATELY 22.428% OF THE ISSUED SHARE CAPITAL OF YU MING INVESTMENTS LIMITED

**Independent financial adviser
to the Independent Board Committee and the Independent Shareholders**



KGI Capital Asia Limited

A letter from the board of directors of Allied Properties (H.K.) Limited is set out on pages 4 to 14 of this circular.

A letter from the independent board committee containing its recommendation to the independent shareholders of Allied Properties (H.K.) Limited is set out on page 15 of this circular. A letter from KGI Capital Asia Limited, the independent financial adviser, containing its advice to the independent board committee and the independent shareholders of Allied Properties (H.K.) Limited is set out on pages 16 to 25 of this circular.

A notice convening the extraordinary general meeting of Allied Properties (H.K.) Limited to be held at Falcon Room I, Luk Kwok Hotel, 72 Gloucester Road, Wanchai, Hong Kong on Friday, 20th July, 2007 at 11:00 a.m. is set out on pages 33 to 34 of this circular. Whether or not you are able to attend the meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the registered office of Allied Properties (H.K.) Limited at 22nd Floor, Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong as soon as possible, and in any event not less than 48 hours before the time appointed for holding of the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude thereof you from attending and voting in person at the meeting or any adjournment thereof if you so wish.

3rd July, 2007

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“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, and the holding company of the Company
“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
“associates”	having the meaning ascribed to it under the Listing Rules
“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
“Board”	board of Directors
“Bright Clear”	Bright Clear Limited, a company incorporated in the B.V.I. with limited liability, and an indirect wholly-owned subsidiary of AGL
“B.V.I.”	British Virgin Islands
“Company” or “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
“connected person”	having the meaning ascribed to it under the Listing Rules
“Convertible Bonds”	convertible bonds of the Company entitle the holders thereof to convert all or any of the convertible bonds into fully paid Shares at any time during the period from 1st July, 2009 and ending on the business day falling ten business days immediately preceding 9th November, 2011 at an initial conversion price of HK\$10 per convertible bond (subject to adjustments)

DEFINITIONS

“Directors”	directors of the Company
“EGM”	an extraordinary general meeting of the Company to be convened at Falcon Room I, Luk Kwok Hotel, 72 Gloucester Road, Wanchai, Hong Kong on Friday, 20th July, 2007 at 11:00 a.m. for the purpose of considering and, if thought fit, approving the Agreement and the transactions contemplated therein
“Group” or “APL 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
“Independent Board Committee”	the committee comprising Mr. Steven Samuel Zoellner, being an independent non-executive Director appointed by the Board under the Listing Rules to advise the Independent Shareholders in respect of the terms of the Agreement
“Independent Shareholders”	Shareholders (other than AGL and its respective associates) who are not required under the Listing Rules to abstain from voting at the EGM to approve the Agreement
“Joint Announcement”	joint announcement of AGL, the Company and SHK dated 11th June, 2007 in relation to the sale and purchase of the Sale Shares and the Agreement
“KGI”	KGI Capital Asia Limited, a licensed corporation under the SFO permitted to carry on Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities, and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Agreement
“Latest Practicable Date”	28th June, 2007, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Sale Shares”	379,291,800 Yu Ming Shares

DEFINITIONS

“SFC”	Securities and Futures Commission
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“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 the Company
“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
“Shareholders”	holders of the Shares
“Shares”	ordinary shares of nominal value of HK\$2 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	having the meaning ascribed to it under the Listing Rules
“Warrants”	warrants of the Company entitle the holders thereof to subscribe at any time during the period from 7th June, 2006 up to and including 6th June, 2009 (both days inclusive) for fully paid Shares at an initial subscription price of HK\$10 per Share (subject to adjustments)
“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 with its shares listed on the Main Board of the Stock Exchange (Stock Code: 666)
“Yu Ming Group”	Yu Ming and its subsidiaries
“Yu Ming Shares”	ordinary shares of HK\$0.10 each in the issued share capital of Yu Ming
“%”	per cent.

LETTER FROM THE BOARD



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)

Executive Directors:

Patrick Lee Seng Wei (*Chief Executive*)

Li Chi Kong

Non-executive Directors:

Arthur George Dew (*Chairman*)

Henry Lai Hin Wing

Steven Lee Siu Chung

Registered Office:

22nd Floor

Allied Kajima Building

138 Gloucester Road

Wanchai

Hong Kong

Independent non-executive Directors:

John Douglas Mackie

Steven Samuel Zoellner

Alan Stephen Jones

3rd July, 2007

*To the Shareholders and, for information only,
the holders of Warrants*

Dear Sir or Madam,

CONNECTED TRANSACTION

CONDITIONAL SALE AND PURCHASE OF APPROXIMATELY 22.428% OF THE ISSUED SHARE CAPITAL OF YU MING INVESTMENTS LIMITED

INTRODUCTION

Reference is made to the Joint Announcement in which AGL, the Company and SHK jointly announced that, 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% of the issued share capital of Yu Ming), and Bright Clear has conditionally agreed to purchase the Sale Shares, at an aggregate consideration of

LETTER FROM THE BOARD

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

The Independent Board Committee has been constituted to consider the terms of the Agreement and make recommendation to the Independent Shareholders as to how to vote at the EGM on the ordinary resolution regarding the Agreement. As Messrs. Alan Stephen Jones and John Douglas Mackie, independent non-executive Directors, are also independent non-executive directors of AGL, they were not appointed as members of the Independent Board Committee. Mr. Steven Samuel Zoellner, being the remaining independent non-executive Director, has been appointed by the Board to form the Independent Board Committee.

KGI has been appointed as the independent financial adviser to advise the Independent Board Committee on the fairness and reasonableness of the transactions contemplated in the Agreement and in accordance with the Listing Rules.

The purpose of this circular is (i) to provide the Shareholders with details of the terms of the Agreement; (ii) to set out the advice of KGI and the recommendation of the Independent Board Committee in respect of the terms of the Agreement; and (iii) to give the Shareholders notice of the EGM and other information in accordance with the requirements of the Listing Rules.

LETTER FROM THE BOARD

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) represented approximately 22.428% of the issued share capital of Yu Ming as at the Latest Practicable Date.

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 represented:

- (i) a discount of 12% 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 the Joint Announcement;

LETTER FROM THE BOARD

- (ii) a discount of approximately 9.09% 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 the Joint Announcement;
- (iii) a discount of approximately 7.56% to the average closing price of approximately 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 the Joint Announcement;
- (iv) a discount of approximately 1.79% to the average closing price of approximately 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 suspension of trading in the Yu Ming Shares prior to the issue of the Joint Announcement; and
- (v) a premium of approximately 2.33% over the consolidated 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

LETTER FROM THE BOARD

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 the Company 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 SFC), and, where applicable, compliance by Yu Ming with all applicable disclosure and shareholders' approval requirements under the Listing Rules. (The AGL Directors, the Directors and the SHK Directors were advised that on 22nd June, 2007, (i) YMIM (as a connected person of Yu Ming) entered into a conditional investment management agreement (the "Management Agreement") with Yu Ming in relation to the appointment of YMIM as the investment manager of Yu Ming for a period which shall commence from the earlier of 30th September, 2007, or the date on which the Management Agreement is approved by the independent shareholders of Yu Ming (the "Commencement Date") and end on 31st December, 2009; and (ii) YMIM entered into an interim investment management agreement with Yu Ming, pursuant to which Yu Ming has appointed YMIM as its investment manager for the interim period from 1st July, 2007 (following the expiry of the last investment management agreement on 30th June, 2007) to the Commencement Date, pending the approval of the Management Agreement by the independent shareholders of Yu Ming. For further details, please refer to the announcement issued by Yu Ming on 26th June, 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

LETTER FROM THE BOARD

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, the Company, 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 office 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, THE COMPANY, 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.

The Company

The Company 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 the Company 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 Latest Practicable Date, the Company was beneficially owned as to approximately 74.93% by AGL.

LETTER FROM THE BOARD

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 Latest Practicable Date, SHK was beneficially owned as to approximately 65.16% by the Company.

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 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 Latest Practicable Date, Yu Ming was beneficially owned as to approximately 22.428% by SHK.

LETTER FROM THE BOARD

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
	<i>HK\$'000</i>	<i>HK\$'000</i>
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 proceeds 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 Directors believe that the terms of the sale and purchase of the Sale Shares are fair and reasonable and in the interests of the Independent Shareholders taken as a whole.

LETTER FROM THE BOARD

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.

FINANCIAL EFFECT OF THE TRANSACTION

The Group would recognise a gain on disposal of the Sale Shares of approximately HK\$4,400,000 (after deduction of minority interests) upon completion of the disposal of the Sale Shares and the consolidated net asset value of the Group would also be increased by such approximate amount as a result. The disposal of the Sale Shares would have no impact on the liabilities of the Group.

LISTING RULES IMPLICATIONS

The transactions contemplated in the Agreement do not constitute any notifiable transaction under Chapter 14 of the Listing Rules for the Company, on the basis that none of the calculation of the relevant ratios exceeds 5%.

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

EGM

A notice convening the EGM is set out on pages 33 to 34 of this circular. Ordinary resolution in respect of the Agreement will be proposed at the EGM.

LETTER FROM THE BOARD

A form of proxy for use at the EGM is also enclosed. Whether or not you are able to attend the meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the registered office of the Company at 22nd Floor, Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong as soon as possible, and in any event not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude the Shareholders from attending and voting in person at the meeting or any adjournment of the meeting if they so wish.

PROCEDURES FOR DEMANDING A POLL

Pursuant to Article 75 of the Articles of Association of the Company, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) is demanded:

- (i) by the chairman of the meeting; or
- (ii) by at least three Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy for the time being entitled to vote at the meeting; or
- (iii) by any Shareholder or Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy and representing not less than one-tenth of the total voting rights of all the Shareholders having the right to vote at the meeting; or
- (iv) by a Shareholder or Shareholders present in person (or, in the case of a Shareholder being a corporation, by its authorised representative) or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

Under the Listing Rules, the ordinary resolution to be proposed at the EGM to approve the Agreement is required to be voted on by poll. AGL and its associates will abstain from voting on the resolution at the EGM.

LETTER FROM THE BOARD

RECOMMENDATION

The Directors consider that the Agreement is in the interests of the Company and the Shareholders as a whole and the terms of which are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, the Directors recommend all the Independent Shareholders to vote in favour of the ordinary resolution set out in the notice of the EGM.

ADDITIONAL INFORMATION

Your attention is also drawn to the letter from the Independent Board Committee, the letter from KGI and the additional information set out in the Appendix to this circular.

Yours faithfully,
On behalf of the Board
Allied Properties (H.K.) Limited
Arthur George Dew
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of a letter from the Independent Board Committee to the Independent Shareholders in connection with the Agreement for inclusion in this circular.



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)

3rd July, 2007

To the Independent Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTION

CONDITIONAL SALE AND PURCHASE OF APPROXIMATELY 22.428% OF THE ISSUED SHARE CAPITAL OF YU MING INVESTMENTS LIMITED

I have been appointed to form this Independent Board Committee to consider and advise you on the terms of the Agreement, details of which are set out in the circular issued by the Company to the Shareholders dated 3rd July, 2007 (the “Circular”), of which this letter forms part. Terms defined in the Circular will have the same meanings when used herein unless the context otherwise requires.

I wish to draw your attention to the letter from the Board and letter of advice from KGI set out on pages 4 to 14 and pages 16 to 25 of the Circular respectively.

Having taken into account the principal factors and reasons considered by KGI, its conclusion and advice, I concur with the view of KGI and consider that the terms of the Agreement are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

Accordingly, I recommend you to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Agreement and the transactions contemplated in it.

Yours faithfully,

For and on behalf of the Independent Board Committee of

Allied Properties (H.K.) Limited

Steven Samuel Zoellner

Independent non-executive Director

LETTER FROM KGI

Set out below is the text of the letter of advice from KGI Capital Asia Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, prepared for inclusion in this circular.



KGI Capital Asia Limited

27/F ICBC Tower
Citibank Plaza
3 Garden Road
Central
Hong Kong

Tel: 2878 6888

Fax: 2970 0080

3rd July, 2007

To the Independent Board Committee and the Independent Shareholders
Allied Properties (H.K.) Limited
22nd Floor, Allied Kajima Building
138 Gloucester Road
Wan Chai
Hong Kong

Dear Sirs,

CONNECTED TRANSACTION

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the connected transaction regarding the Agreement, particulars of which are set out in the “Letter from the Board” (the “Letter”) contained in the circular to the Shareholders dated 3rd July, 2007 (the “Circular”) and in which this letter is reproduced. Unless the context requires otherwise, terms used in this letter shall have the same meanings as given to them under the definitions section of the Circular.

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 % 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.

LETTER FROM KGI

The transactions contemplated in the Agreement constitute a connected transaction for APL, on the basis that 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, and the calculation of the consideration ratio for APL is over 2.5%. Such transactions are therefore subject to the approval of the Independent Shareholders. AGL and its associates will abstain from voting on the ordinary resolution at the EGM for approving the Agreement. As at the Latest Practicable Date, APL is beneficially owned as to approximately 74.93% by AGL.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee has been constituted to consider the terms of the Agreement and make recommendation to the Independent Shareholders as to how to vote at the EGM on the ordinary resolution regarding the Agreement. As Messrs. Alan Stephen Jones and John Douglas Mackie, independent non-executive Directors, are also independent non-executive directors of AGL, they were not appointed as members of the Independent Board Committee. Mr. Steven Samuel Zoellner, being the remaining independent non-executive Director, has been appointed by the Board to form the Independent Board Committee.

We have been appointed to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the transactions contemplated in the Agreement and whether it is in the interests of APL and the Independent Shareholders as a whole.

KGI Asia Limited, a fellow subsidiary of KGI whose principal business is securities broking, maintains securities accounts with Excalibur Securities Limited, Shun Loong Securities Company Limited and Sun Hung Kai Investment Services Limited, which are subsidiaries of APL. Global Treasure Investments Limited, a fellow subsidiary of KGI, maintains securities account with Sun Hung Kai Investment Services Limited. The percentage of the total commission expenses paid by KGI Asia Limited to Excalibur Securities Limited, Shun Loong Securities Company Limited and Sun Hung Kai Investment Services Limited over total commission expenses paid by KGI Asia Limited for the period from 1st June, 2005 to 31st May, 2007 was not more than 0.50%. In addition, no commission expense was paid to Sun Hung Kai Investment Services Limited by Global Treasure Investments Limited for the period from 1st June, 2005 to 31st May, 2007.

Sun Hung Kai Investment Services Limited maintains securities account with KGI Asia Limited. Sun Hung Kai International Commodities Limited and Sun Hung Kai Commodities Limited, which are subsidiaries of APL, maintain futures and options accounts with KGI Futures (Hong Kong) Limited, a fellow subsidiary of KGI. Poly (Hong Kong) Investments Limited, HSBC International Trustee Limited and Argyle Street Management Limited, which are shareholders holding more than 5% of the issued share capital of Yu Ming (based on the disclosure in the annual report of Yu Ming for the year ended 31st December, 2006), maintain securities accounts with KGI Asia Limited. HSBC International Trustee Limited and Argyle Street Management Limited maintain futures and options accounts with KGI Futures (Hong

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Kong) Limited. The percentage of the total commission income earned from Sun Hung Kai Investment Services Limited, Poly (Hong Kong) Investments Limited, HSBC International Trustee Limited and Argyle Street Management Limited over total commission income earned by KGI Asia Limited for the period from 1st June, 2005 to 31st May, 2007 was not more than 0.01%. In addition, the percentage of the total commission income earned from Sun Hung Kai International Commodities Limited and Sun Hung Kai Commodities Limited, HSBC International Trustee Limited and Argyle Street Management Limited over total commission income earned by KGI Futures (Hong Kong) Limited for the period from 1st June, 2005 to 31st May, 2007 was not more than 0.01%.

In view of the immaterial percentages as shown above, it is considered that such relationships as mentioned above would not affect the independence of KGI in performing its duties as the independent financial adviser under the Listing Rules.

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have relied on the accuracy of the information and facts supplied, and the opinions and representations expressed to us by APL, the Directors and management of APL. We have also assumed that all statements of belief, opinion and intention made by the Directors in the Circular were reasonably made after due and careful enquiry and are based on honestly-held opinions. We have no reason to doubt the truth, accuracy and completeness of the information and representations referred to in the Circular and provided to us by APL, the Directors and management of APL. We have been advised by the Directors that no material facts have been omitted from the information provided to us and referred to in the Circular. We have also assumed that all statement of intention of APL, the Directors and management of APL as set out in the Circular will be implemented. We have assumed that all information and representations made or referred to in the Circular and provided to us by APL, the Directors and management of APL, for which they were solely and wholly responsible, were true, complete and accurate at the time they were made and shall continue to be true, complete and accurate at the date of the EGM.

In formulating our opinion, we have obtained and reviewed relevant information and documents provided by APL and the Directors and management of APL in connection with the transactions and discussed with the management of APL so as to assess the fairness and reasonableness of the terms of the Agreement. Relevant information and documents included, among other things, the Agreement, the annual reports of APL, SHK and Yu Ming for the year ended 31st December, 2006. We believe that we have reviewed sufficient information to enable us to reach an informed view, to justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our opinion regarding the terms of the Agreement. We have not, however, carried out any independent verification of the information and representations provided to us by the management of APL and the Directors nor have we conducted any form of independent investigation into the businesses and affairs, financial position or the future prospects of APL or SHK or AGL or Yu Ming or their respective subsidiaries or associated companies. We have not studied, investigated nor verified the validity of all the legal aspects of, and procedural aspects for, the transactions contemplated in the Agreement.

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Our opinion is necessarily based upon the financial, economic, market, regulatory and other conditions as they existed on, and the facts, information, representations and opinions made available to us as of, the Latest Practicable Date. Our opinion does not in any manner address APL's own decision to proceed with the entering into the Agreement. We disclaim any undertaking or obligation to advise any person of any change in any fact or matter affecting the opinion expressed herein, which may come or be brought to our attention after the Latest Practicable Date. Except for its inclusion in the Circular, this letter is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purpose, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation to the Independent Board Committee and the Independent Shareholders, we have taken the following principal factors and reasons into consideration:

1. Background of the Agreement

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 % 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.

2. Reasons for, and benefits of entering into the Agreement

Business review of the Group

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. The provision of financial services is mainly conducted through APL's interests in SHK. As at the Latest Practicable Date, SHK is beneficially owned as to approximately 65.16 % by APL.

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.

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The Sale Shares and the business review of Yu Ming

The Sale Shares (being 379,291,800 Yu Ming Shares) represent approximately 22.428% of the issued share capital of Yu Ming as at the Latest Practicable Date.

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. According to APL and the annual report of Yu Ming for the year ended 31st December, 2006, the principal investments held by the Yu Ming Group as at 31st December, 2006 were interests in Asia World-Expo (an exhibition facility in Hong Kong), retail shops in Mongkok and Causeway Bay, Grand China Air Company Limited (a holding company of airlines in Hong Kong and China) and a portfolio of debt securities and equities investments.

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

	Year ended 31st December	
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
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

According to the annual report of Yu Ming for the year ended 31st December, 2006, the loss attributable to the equity holders of Yu Ming for the year ended 31st December, 2006 of approximately HK\$155.7 million was primarily due to the derecognition of its investment in CR Airways Limited (a passenger airline in Hong Kong) as well as receivables originally held in an aggregate amount of approximately HK\$190.2 million.

The audited consolidated net asset value of Yu Ming as at 31st December, 2006 was approximately HK\$732,331,000, representing approximately HK\$0.43 per Yu Ming Share. The latest announced unaudited consolidated net asset value per Yu Ming Share as at 31st May, 2007 was HK\$0.45.

Reasons for, and benefits of entering into the Agreement

According to the Letter, 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), 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.

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According to the Letter, 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 realize the capital investment of the SHK Group in Yu Ming. The sale of the Sale Shares will generate sale proceeds (before expenses) of approximately HK\$166.9 million for SHK. The net sale proceeds will be applied by the SHK Group to reduce its overall corporate indebtedness and for general working capital purposes.

The Directors confirmed that the book value of the Sale Shares in the accounts of the SHK Group as at 31st December, 2006 was approximately HK\$164.2 million. By referencing to the consolidated audited net assets of approximately HK\$8,113.2 million of SHK as at 31st December 2006, the net book value of the Sale Shares represents a relatively insignificant portion (approximately 2%) to the consolidated net assets of the SHK Group. Having been enquired with the directors of SHK, due to the relatively insignificant amount, we are of the view that the disposal of the Sale Shares would not have a significant impact to the existing businesses and asset mix of the SHK Group.

On the same token, by referencing to the consolidated audited net assets of approximately HK\$8,368.4 million of APL as at 31st December, 2006, the net book value of the Sale Shares of approximately HK\$164.2 million represents a relatively insignificant portion (approximately 2%) to the consolidated net assets of the APL Group. Having been enquired with the Directors, due to the relatively insignificant amount, we are of the view that the disposal of the Sale Shares would not have a significant impact to the existing businesses and asset mix of the APL Group.

Conclusively, we are of the view that the disposal of the Sale Shares will realize the investment in Yu Ming by the SHK Group and the APL Group and the sale of the Sale Shares will generate net sale proceeds for the SHK Group (and the APL Group, through its interests in SHK). As mentioned above, we are of the view that the disposal of the Sale Shares would not have a significant impact to the existing businesses and asset mix of the both the SHK Group and the APL Group. According to the Directors, the net sale proceeds from the disposal of the Sale Shares would be applied to reduce the overall corporate indebtedness of the SHK Group and for general working capital purposes. As referred to our analysis in the section headed “Financial effects of the disposal of the Sale Shares” below, the gearing of the SHK Group would be decreased while the working capital of the SHK Group would be improved upon the completion of the disposal of the Sale Shares.

3. Principal terms of the Agreement

Pursuant to the Agreement, SHK, SHKVC and Best Delta have conditionally agreed to sell the Sale Shares (being 379,291,800 Yu Ming Shares, representing approximately 22.428 % 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), 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;

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- (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.

Basis of the consideration

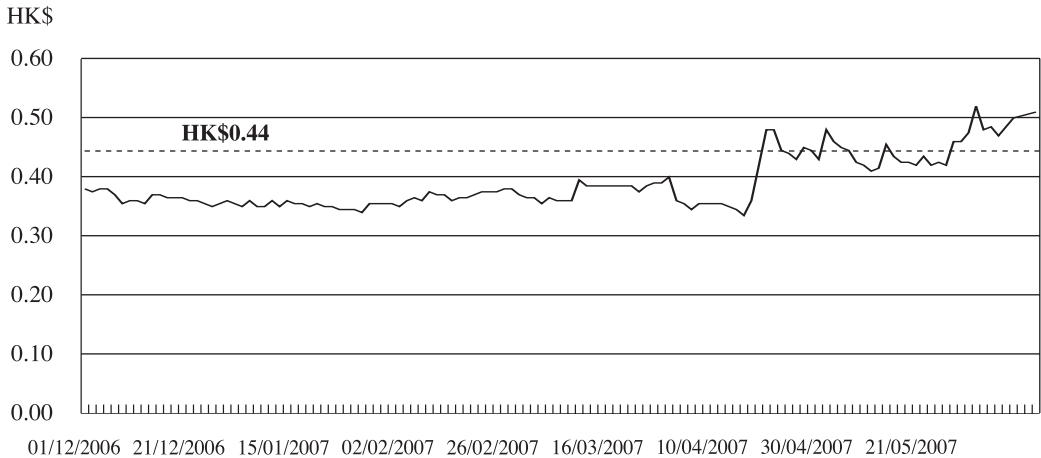
As referred to the Letter, the Directors confirmed that the consideration of HK\$0.44 per Yu Ming Share was arrived at after arm's length negotiations between SHK, SHKVC, Best Delta and Bright Clear, having regard to the audited consolidated net asset value of Yu Ming as at 31st December, 2006 and represents:

- (i) a discount of 12% 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 the Joint Announcement;
- (ii) a discount of approximately 9.09% 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 the Joint Announcement;
- (iii) a discount of approximately 7.56% to the average closing price of approximately 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 the Joint Announcement;
- (iv) a discount of approximately 1.79% to the average closing price of approximately 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 suspension of trading in the Yu Ming Shares prior to the issue of the Joint Announcement; and
- (v) a premium of approximately 2.33% over the consolidated net asset value of approximately HK\$0.43 per Yu Ming Share as stated in the audited consolidated accounts of Yu Ming for the year ended 31st December, 2006.

Set out below is the graph showing the historical closing prices of the Yu Ming Shares as quoted on the Stock Exchange during the last 6 months prior to the date of the Joint Announcement (the "Review Period").

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Stock price of Yu Ming Shares for the 6-month period immediately before the date of the Joint Announcement



Source: HKEx website

As set out in the chart above, the Yu Ming Shares were trading generally in the range of HK\$0.34 to HK\$0.40 from January 2007 up to early April 2007 and in the range of HK\$0.40 to HK\$0.52 thereafter up to the date of the Joint Announcement. During the Review Period, the highest and lowest closing prices per Yu Ming Share were HK\$0.52 (recorded on 31st May, 2007) and HK\$0.34 (recorded on 26th January, 2007), respectively. Based on the foregoing, during the Review Period, we note that the consideration of HK\$0.44 per Yu Ming Share was generally higher than the market prices of the Yu Ming Shares traded before early-April 2007, largely in-line with the average market trading prices of the Yu Ming Shares over the last one month immediately before the date of the Joint Announcement, and generally below the trading prices of the Yu Ming Shares over the last 10 days immediately before the date of the Joint Announcement. The consideration of HK\$0.44 per Yu Ming Share represents a discount of approximately 15.4% to the highest closing price per Yu Ming Share of HK\$0.52 during the Review Period.

However, we noted that the average daily trading volume of the Yu Ming Shares for the 6-month period immediately before the date of the Joint Announcement was approximately 3 million shares, or approximately 0.18% of the number of total issued shares of Yu Ming. Therefore, we are of the view that the trading of the Yu Ming Shares were generally thin and may limit the indicative nature of the market trading price to the underlying fair value of Yu Ming.

One of the most commonly used references for valuing an entity is the price/earnings multiple. It provides a meaningful comparison among listed companies in respect of valuation provided that earnings of these companies are positive and derived from a relatively more stable business(es) such as trading and manufacturing companies. However, due to the fact that (i) the Yu Ming Group has recorded audited consolidated net losses for the year ended 31st December, 2006; and (ii) the revenue and profits of the Yu Ming Group is mainly in the form of the sales proceeds from the disposal of investments and dividends, interest income and rental

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income from the investments, and therefore, Yu Ming's performance is largely dependent upon the ever-changing stock market conditions and investment environment from time to time which is beyond the control of the Yu Ming Group, we consider that the price/earnings multiple is not appropriate for valuing Yu Ming in this case.

Given that the Yu Ming Group's investments are mainly properties and listed and unlisted securities, coupled with the extremely low liquidity of the Yu Ming Shares as discussed above, we are of the view that the use of the net asset value is a better indication of the value of Yu Ming.

The consideration of HK\$0.44 per Yu Ming Share represents a premium of approximately 2.33 % over the consolidated net asset value of approximately HK\$0.43 per Yu Ming Share as stated in the audited consolidated accounts of Yu Ming for the year ended 31st December, 2006 and represents a discount of approximately 2.22% to the latest announced unaudited consolidated net asset value of HK\$0.45 per Yu Ming Share as at 31st May, 2007.

In view of the consideration of HK\$0.44 per Yu Ming Share are generally in line with the latest audited consolidated net asset value per Yu Ming Share as at 31st December, 2006 and the latest announced unaudited consolidated net asset value per Yu Ming Share as at 31st May, 2007, we are of the view that the consideration of HK\$0.44 per Yu Ming Share is fair and reasonable in so far as APL as a whole and the Independent Shareholders are concerned.

4. Financial effects of the disposal of the Sale Shares

Effect on net asset value

The audited consolidated net asset value of the APL Group as at 31st December, 2006 was approximately HK\$8,368.4 million. As discussed under the sub-section "Effect on earnings" below, the APL Group would recognize a gain on disposal of the Sale Shares of approximately HK\$4.4 million (after deduction of minority interests) upon completion of the disposal of the Sale Shares and the consolidated net asset value of the APL Group would also be increased by such approximate amount as a result.

Effect on earnings

According to the annual report of Yu Ming for the year ended 31st December, 2006, the loss attributable to equity holders of Yu Ming for the year ended 31st December, 2006 amounted to approximately HK\$155.7 million. Immediately before the disposal of the Sale Shares, the SHK Group is interested in approximately 22.428 % equity interests in Yu Ming and the results of the Yu Ming Group are equity-accounted for in the financial statements of the SHK Group. Upon completion of the disposal of the Sale Shares, the SHK Group (and the APL Group, through its interests in the SHK Group) would cease to hold any equity interest in Yu Ming and the results of the Yu Ming Group will not be accounted for in the accounts of the SHK Group and the APL Group. Accordingly, future possible earnings or losses of the Yu Ming Group would have no impact on both the SHK Group and the APL Group.

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The Directors confirmed that the APL Group would recognize a gain of disposal of the Sale Shares of approximately HK\$4.4 million (after deduction of minority interests) upon completion of the disposal.

Effect on gearing and working capital

According to the Directors, the net proceeds from the disposal of the Sale Shares would be applied to reduce the overall corporate indebtedness of the SHK Group and for general working capital purposes. As a result, the gearing of the SHK Group (and the APL Group, through its interests in SHK) would be decreased while the working capital of the SHK Group (and the APL Group, through its interests in SHK) would be improved upon the completion of the disposal of the Sale Shares.

RECOMMENDATION

Having considered the above principal factors and reasons, we consider that the terms of the Agreement are fair and reasonable and in the interests of APL and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders, and recommend the Independent Shareholders, to vote in favour of the ordinary resolution to approve the Agreement which will be proposed at the EGM.

Yours faithfully,

For and on behalf of

KGI Capital Asia Limited

Laurent Leung

Director

Jimmy Chan

Senior Vice President

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts the omission of which would make any statement in this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' interests

Save as disclosed below, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions, if any, which they were taken or deemed to have under such provisions of the SFO); (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to in such provisions of the SFO; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules to be notified to the Company and the Stock Exchange:

Name of Director	Name of company	Number of shares and underlying shares held	Approximate percentage of relevant issued share capital	Nature of interests
Patrick Lee Seng Wei	The Company	337,500 <i>(Note 1)</i>	0.06%	Personal interests (held as beneficial owner)
	AGL <i>(Note 2)</i>	550,000 <i>(Note 3)</i>	0.22%	Personal interests (held as beneficial owner)
Steven Samuel Zoellner	SHK <i>(Note 2)</i>	49,200 <i>(Note 4)</i>	0.00%	Personal interests (held as beneficial owner)
	Quality HealthCare Asia Limited ("QHA") <i>(Note 2)</i>	102,000 <i>(Note 5)</i>	0.048%	Personal interests (held as beneficial owner)

Notes:

1. The interest includes the holding of (i) 270,000 Shares; and (ii) 54,000 units of Warrants and 13,500 units of Convertible Bonds giving rise to an interest in 67,500 underlying Shares.
2. AGL is the ultimate holding company of the Company. SHK is an indirect non wholly-owned subsidiary of the Company, and QHA is an indirect non wholly-owned subsidiary of SHK. Therefore, AGL, QHA and SHK are associated corporations of the Company within the meaning of Part XV of the SFO.
3. This represents an interest in 550,000 shares of AGL.
4. This represents an interest in 49,200 shares of SHK.
5. This represents an interest in 102,000 shares of QHA.
6. All interests stated above represent long positions.

(b) Substantial shareholders' and other persons' interests

Save as disclosed below and in paragraph (a) above, the Directors and the chief executive of the Company were not aware that there was any person who, as at the Latest Practicable Date, had an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO, or who, as at the Latest Practicable Date, was directly and indirectly interested in 10 % or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Group.

- (i) *Interests in the Shares and the underlying Shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO*

Name of Shareholder	Number of Shares and underlying Shares held	Approximate percentage of the issued share capital of the Company	Notes
AGL	508,097,789	94.55%	1
Lee and Lee Trust	508,097,789	94.55%	2, 3
Penta Investment Advisers Ltd ("Penta")	27,383,600	5.10%	4
John Zwaanstra	27,383,600	5.10%	5

Notes:

1. The interest includes the holding of: (i) an interest in 167,061,619 Shares, 33,412,323 units of Warrants and 8,353,080 units of Convertible Bonds held by Capscore Limited ("Capscore"); (ii) an interest in 4,186,632 Shares, 837,324 units of Warrants and 5,022,057 units of Convertible Bonds held by Citiwealth Investment Limited ("Citiwealth"); (iii) an interest in 135,063,783 Shares, 26,990,756 units of Warrants and 6,747,688 units of Convertible Bonds held by Sunhill Investments Limited ("Sunhill"); and (iv) an interest in 96,338,025 Shares, 19,267,603 units of Warrants and 4,816,899 units of Convertible Bonds held by AGL. The Warrants and the Convertible Bonds held by Capscore, Citiwealth,

Sunhill and AGL giving rise to an interest in an aggregate of 105,447,730 underlying Shares. Capscore, Citiwealth and Sunhill are all wholly-owned subsidiaries of AGL. AGL is therefore deemed to have an interest in the Shares and the underlying Shares in which Capscore, Citiwealth and Sunhill were interested.

2. This represents the same interest of AGL in 402,650,059 Shares, an interest in 80,508,006 units of Warrants and an interest in 24,939,724 units of Convertible Bonds.
3. Mr. Lee Seng Hui, Ms. Lee Su Hwei and Mr. Lee Seng Huang are the trustees of Lee and Lee Trust, being a discretionary trust. They together own approximately 42.11% interest in the issued share capital of AGL and are therefore deemed to have an interest in the Shares in which AGL was interested.
4. These include (i) an interest in 19,428,000 Shares; (ii) an interest in unlisted cash settled derivatives of the Company, giving rise to an interest in 4,916,000 underlying Shares; (iii) and an interest in 3,039,600 units of the Warrants, giving rise to an interest in 3,039,600 underlying Shares.
5. Mr. John Zwaanstra is deemed to have interests in the Shares and underlying Shares through his 100% interest in Penta.
6. The interest stated above represents a long position. As at the Latest Practicable Date, no short positions were recorded in the register required to be kept under Section 336 of the SFO.

(ii) *Interests in the shares of other members of the Group*

Name of non wholly-owned subsidiaries of the Company	Name of shareholder	Number of shares held	Approximate percentage of the relevant issued share capital
Best Decision Investments Limited	Christophe Lee Kin Ping	17,500	35.00%
Dalian Allied First Financial Centre Co. Ltd.	大連商業集團總公司	N/A	30.00%
Dalian Lianhua Plaza Development Co. Ltd.	大連民興房地產發展有限公司	N/A	20.00%
GFIA – SHK Managers Ltd. (“GFIA”)	LOTE Limited (“LOTE”)	49	49.00% (Note)
Hardy Wall Limited	Betterhuge Limited	35	35.00%
SHK Financial Data Limited	Unison Information Limited	49	49.00%
United Asia Finance Limited	ITOCHU Hong Kong Limited	25,625,000	18.64%

Note: Although the Group holds 51% interest in GFIA, it is jointly controlled by the Group and LOTE. Its profit and loss are split 50/50 between the Group and LOTE.

3. SERVICE CONTRACTS OF THE DIRECTORS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which does not expire or is not terminable by such member of the Group within one year without payment of compensation (other than statutory compensation).

4. DIRECTORS' INTERESTS IN COMPETING BUSINESSES

Save as disclosed below, as at the Latest Practicable Date, none of the Directors (not being the independent non-executive Directors) or their respective associates was considered to have interests in any competing businesses pursuant to the Listing Rules:

- (a) Mr. Arthur George Dew is a director of AGL which, through a subsidiary, is partly engaged in the business of money lending;
- (b) Mr. Patrick Lee Seng Wei is a director of SHK which, through certain of its subsidiaries, is partly engaged in the businesses of money lending and property investment;
- (c) Mr. Li Chi Kong is a director of AG Capital Limited, a subsidiary of AGL, which is partly engaged in the business of money lending;
- (d) Messrs. Patrick Lee Seng Wei and Li Chi Kong are directors of Tian An China Investments Company Limited which, through a subsidiary, is partly engaged in the business of money lending; and
- (e) Messrs. Patrick Lee Seng Wei and Li Chi Kong are directors of Allied Kajima Limited which, through certain of its subsidiaries, is partly engaged in the businesses of property rental, management services and hospitality related activities.

As the Board is independent from the boards of the abovementioned companies and none of the above Directors can control the Board, the Group is capable of carrying on its businesses independently of, and at arm's length from, the businesses of such companies.

5. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, there was no contract or arrangement subsisting in which any Director was materially interested and which was significant in relation to the business of the Group.

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which had been acquired or disposed of by, or leased to, or which were proposed to be acquired or disposed of by or leased to any members of the Group since 31st December, 2006, being the date to which the latest published audited consolidated financial statements of the Company were made up.

6. LITIGATION

Save as disclosed below, as at the Latest Practicable Date, no member of the Group was engaged in any litigation or claims of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Group:

- (a) On 10th July, 2006, the Court of Final Appeal upheld the judgment (as amended by the Court of Appeal) of the Hong Kong Court of First Instance of 1st April, 2004, that Sun Hung Kai Securities Limited (“SHKS”), a wholly-owned subsidiary of SHK, holds a 12.5% interest in a 50/50 joint venture entered into between New World Development Company Limited (“NWDC”) and IGB Corporation Berhad to purchase land and build two international hotels plus a 200-unit service apartment in Kuala Lumpur, Malaysia (the “Joint Venture”), and that accordingly SHKS was liable to pay to NWDC the sums which NWDC had advanced to the joint venture company Great Union Properties Sdn. Bhd (“GUP”) on behalf of SHKS, together with interest on such monies (the “Judgment Sum”) and costs of the First Instance hearing and of the two appeals. SHKS has duly paid the Judgment Sum. The final amount of NWDC’s costs and disbursements that SHKS is liable to pay has yet to be determined. SHKS received further claims from NWDC for amounts advanced to GUP on behalf of SHKS with respect to the Joint Venture and these claims have been paid.
- (b) In June 2006, SHK received notice of a 2001 order made by the Hubei Province Higher Peoples Court in China freezing US\$3 million (or assets of equivalent value) of SHKS’s funds pursuant to which SHKS’s shares in Chang Zhou Power Development Company Limited in China (the “Chang Zhou Shares”) (worth US\$3 million) were frozen. SHKS had sold the Chang Zhou Shares in 1998. SHK continues to investigate the matter.

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31st December, 2006, the date to which the latest published audited financial statements of the Company were made up.

8. EXPERT AND CONSENT

The following is the qualification of the expert who has given opinion or advice which is contained in this circular:

Name	Qualification
KGI	a corporation licensed to carry on Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, KGI did not have:

- (a) any direct or indirect interest in any assets which have since 31st December, 2006 (being the date to which the latest published audited financial statements of the Group were made up) been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group; and
- (b) any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

KGI has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its report or letter, as the case may be, and reference to its name in the form and context in which it respectively appear.

9. GENERAL

- (a) The registered office of the Company is 22nd Floor, Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong.
- (b) The company secretary of the Company is Mr. Li Chi Kong. Mr. Li is a member of the Institute of Chartered Accountants of Scotland and a fellow of the Hong Kong Institute of Certified Public Accountants. He is also an Executive Director of the Company.
- (c) The qualified accountant of the Company is Mr. Wu Kwan Yet. He obtained a Master's Degree in Professional Accounting from The Hong Kong Polytechnic University in 2001 and is an associate member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants.

- (d) The share registrar of the Company is Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (e) This circular is prepared in both English and Chinese. In the event of inconsistency, the English text shall prevail.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of following documents will be available for inspection at the office of P. C. Woo & Co. at 12th Floor, Prince's Building, 10 Chater Road, Central, Hong Kong during normal business hours on any business day from the date of this circular up to and including the date of the EGM:

- (a) the Agreement;
- (b) the letter from KGI, the text of which is set out in this circular; and
- (c) the written consent referred to under section headed "Expert and Consent" in this Appendix.

NOTICE OF THE EGM



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)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “Meeting”) of Allied Properties (H.K.) Limited (the “Company”) will be held at Falcon Room I, Luk Kwok Hotel, 72 Gloucester Road, Wanchai, Hong Kong on Friday, 20th July, 2007 at 11:00 a.m. for the purpose of considering and, if thought fit, passing with or without modifications, the following resolution of the Company as an ordinary resolution:

ORDINARY RESOLUTION

“**THAT** the sale and purchase agreement (the “Agreement”) dated 7th June, 2007 made between (i) Sun Hung Kai & Co. Limited (“SHK”), Sun Hung Kai Venture Capital Limited (an indirect wholly-owned subsidiary of SHK) and Best Delta International Limited (an indirect wholly-owned subsidiary of SHK) as vendors; (ii) Allied Group Limited (“AGL”) as guarantor; and (iii) Bright Clear Limited (an indirect wholly-owned subsidiary of AGL) as purchaser, relating to the sale and purchase of a total of 379,291,800 shares of Yu Ming Investments Limited (“Yu Ming”) representing approximately 22.428% of the issued share capital of Yu Ming at an aggregate consideration of HK\$166,888,932, a copy of which has been produced at the Meeting marked “A” and signed by the chairman of the Meeting for identification purpose, be and is hereby approved, confirmed and ratified; the transactions contemplated in the Agreement be and are hereby approved; and the directors of the Company be and are hereby authorised to do such acts and execute such other documents as they may consider necessary, desirable or expedient to carry out or give effect to or otherwise in connection with or in relation to the Agreement.”

By order of the Board
Allied Properties (H.K.) Limited
Li Chi Kong
Company Secretary

Hong Kong, 3rd July, 2007

Registered Office:
22nd Floor
Allied Kajima Building
138 Gloucester Road
Wanchai
Hong Kong

NOTICE OF THE EGM

Notes:

1. A member entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and, on a poll, vote in his or her stead. A proxy need not be a member of the Company.
2. A form of proxy in respect of the Meeting is enclosed. Whether or not you intend to attend the Meeting in person, you are urged to complete and return the form of proxy in accordance with the instructions printed thereon.
3. To be valid, the form of proxy, together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority, must be deposited at the Company's registered office at 22nd Floor, Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong, not less than 48 hours before the time fixed for the Meeting or any adjournment thereof.
4. Where there are joint holders of any share, any one of such joint holders may vote at the Meeting either personally or by proxy in respect of such share as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the Meeting personally or by proxy, that one of such joint holders so present whose name stands first on the register of members of the Company shall alone be entitled to vote in respect of such share.