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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)

DISCLOSEABLE TRANSACTION DISPOSAL OF SUBSIDIARY

On 24 August 2016, the Vendor, the Purchaser and the Liquidators entered into the Agreement pursuant to which the Vendor conditionally agreed to sell and the Purchaser conditionally agreed to purchase the entire issued share capital in the Target Company at the Consideration of HK\$400,000,000.

As the Vendor is an indirect wholly-owned subsidiary of the Company, the Agreement entered into by the Vendor shall be a transaction of the Company under the Listing Rules as the definition of “listed issuer” under the Listing Rules shall include the listed issuer’s subsidiaries.

The Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules, as the relevant percentage ratio(s) pursuant to Rule 14.07 of the Listing Rules in respect of the Disposal for the Company exceeds 5% but is below 25%. The Disposal is therefore subject to the reporting and announcement requirements under the Listing Rules.

THE AGREEMENT

Date

24 August 2016

Parties

- (i) The Vendor
- (ii) The Purchaser
- (iii) The Liquidators

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser, together with its ultimate beneficial owner(s) and the Liquidators are third parties independent of the Company and its connected persons.

Asset to be disposed of

The Vendor conditionally agreed to sell, and the Purchaser conditionally agreed to purchase, the Sale Shares, being the entire issued share capital of the Target Company free from all encumbrances.

Consideration and payment terms

The Consideration is HK\$400,000,000, which shall be satisfied by the Purchaser in the following manner:-

- (i) as to HK\$50,000,000, to be satisfied by payment of the Purchaser in cash to the Vendor or its nominee(s) as it may direct within 3 days upon Completion;
- (ii) as to HK\$17,500,000, to be satisfied by issuance of the Consideration Bond in the principal sum of HK\$17,500,000 with a maturity date that falls on the first anniversary day after Completion to the Vendor or its nominee(s) as it may direct;
- (iii) as to HK\$17,500,000, to be satisfied by issuance of the Consideration Bond in the principal sum of HK\$17,500,000 with a maturity date that falls on the second anniversary day after Completion to the Vendor or its nominee(s) as it may direct;
- (iv) as to HK\$17,500,000, to be satisfied by issuance of the Consideration Bond in the principal sum of HK\$17,500,000 with a maturity date that falls on the third anniversary day after Completion to the Vendor or its nominee(s) as it may direct;
- (v) as to HK\$17,500,000, to be satisfied by issuance of the Consideration Bond in the principal sum of HK\$17,500,000 with a maturity date that falls on the fourth anniversary day after Completion to the Vendor or its nominee(s) as it may direct;

- (vi) as to HK\$17,500,000, to be satisfied by issuance of the Consideration Bond in the principal sum of HK\$17,500,000 with a maturity date that falls on the fifth anniversary day after Completion to the Vendor or its nominee(s) as it may direct; and
- (vii) as to the remaining balance of HK\$262,500,000, to be satisfied by issuance of the Consideration Bond in the principal sum of HK\$262,500,000 with a maturity date that falls on the sixth anniversary day after Completion to the Vendor or its nominee(s) as it may direct.

The Consideration was determined after arm's length negotiations between the Vendor and the Purchaser with regard to, among others, the historical financial performance and business prospects of the Target Company. The Board considers that the Consideration is fair and reasonable and in the interest of the Shareholders and the Group as a whole.

Conditions Precedent

Completion is conditional upon the satisfaction (or, if applicable, the waiver) of, among others, the following principal conditions precedent:

- (i) the Purchaser and the Liquidators being satisfied in their absolute discretion with the results of the financial, legal and/or other due diligence review on the assets, liabilities, operations and affairs of the Target Company;
- (ii) the Vendor being satisfied in its absolute discretion that the Stock Exchange will approve the transactions contemplated in the Agreement;
- (iii) all necessary consents, licences and approvals from the shareholders, bankers, financial institutions and regulators required to be obtained on the part of Vendor and the Target Company in respect of the Agreement and the transactions contemplated thereunder having been obtained and remaining in full force and effect;
- (iv) all necessary consents, licences and approvals from the shareholders, bankers, financial institutions and regulators required to be obtained on the part of the Purchaser in respect of the Agreement and the transactions contemplated thereunder having been obtained and remaining in full force and effect;
- (v) all warranties under the Agreement remaining true and correct in all respects and not misleading;

- (vi) the approval from the Licensing Department of the SFC in relation to the change of substantial shareholder (as defined in the SFO) of the Target Company having been obtained and not having been revoked, cancelled or lapsed;
- (vii) if necessary, the Target Company having employed such number of qualified responsible officer(s) for each regulated activity as required under the SFO and the relevant rules and regulations to supervise the business of regulated activities carried on by the Target Company at Completion;
- (viii) the Purchaser and the Liquidators having reasonably been satisfied that there has not been any material adverse change on the Target Company since the date of the Agreement;
- (ix) the Listing Division of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the listing of and permission to deal in the Placing Shares and the Open Offer Shares;
- (x) the necessary resolution(s) having been passed by the shareholders of the Purchaser at the extraordinary general meeting to be convened and held to approve (i) the Agreement and the transactions contemplated thereunder, including but not limited to the issuance of the Consideration Bonds; (ii) the Capital Reorganisation; (iii) the Placing and allotment and issue of the Placing Shares; (iv) the Open Offer and the allotment and issue of the Open Offer Shares; (v) the Scheme, if required; and (vi) the Whitewash Waiver, if required;
- (xi) the IPO Transactions Department of the Listing Division of the Stock Exchange and the SFC having approved the reverse takeovers contemplated under the Agreement;
- (xii) the Listing Division of the Stock Exchange having approved in principle the resumption of the trading of the Purchaser Shares;
- (xiii) the meetings of the Purchaser Creditors having been convened, whereby the Scheme is approved by the Purchaser Creditors;
- (xiv) the final sanction from the High Court of Hong Kong of the Scheme having been obtained (to the extent necessary);
- (xv) the final sanction from Grand Court of Cayman Islands of the Scheme having been obtained (to the extent necessary);

(xvi) the Executive Director of the Corporate Finance Department of the SFC or his delegate having granted the Whitewash Waiver to, if applicable, the placee(s) under the Placing and parties acting in concert with them and the satisfaction of all conditions (if any) attached to the Whitewash Waiver granted; and

(xvii) if necessary, the necessary ordinary resolution(s) having been passed by the Shareholders at a general meeting to be convened and held to approve the Agreement and the transactions contemplated thereunder.

Except for the conditions in clause (ii) above which can be waived only by the Vendor, none of the conditions precedent are capable of being waived by either the Vendor or the Purchaser. If the conditions precedent set out above have not been satisfied (or waived) on or before 12:00 noon on the Long Stop Date, the Agreement shall cease and determine (save and except certain clauses as stated in the Agreement which shall continue to have full force and effect) and thereafter none of the parties to the Agreement shall have any obligations or liabilities towards each other hereunder save for any antecedent breaches of the terms thereof.

The Vendor shall have the absolute right to terminate the Agreement at any time if the Vendor is not satisfied in its absolute discretion that the Stock Exchange will approve the transactions contemplated under the Agreement.

Completion

Completion shall take place on the date falling within ten (10) Business Days after the fulfillment (or waiver) of the conditions precedent to the Agreement, or such later date agreed to by both the Vendor and the Purchaser.

The Target Company will cease to be a subsidiary of the Company upon Completion.

Warranty in respect of the net asset value of the Target Company

Pursuant to the Agreement, the Vendor warrants that the net asset value upon Completion shall be no less than HK\$10,000,000 and the Target Company is allowed to declare and distribute dividend to its shareholder to the extent that the Target Company having its net asset value of no less than HK\$10,000,000.

INFORMATION ON THE TARGET COMPANY

The Target Company is a limited liability company incorporated in Hong Kong. It is principally engaged in regulated activities under the SFO including Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management).

Upon or before the Completion, senior executives of the Target Company will enter into service contracts with the Target Company to ensure that the Target Company would be able to maintain its licences for carrying out the Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities. While the Target Company has a long term investment management contract with SHK HK IND (an indirect 74.97% owned subsidiary of the Company) to manage the latter's investments, as informed by SHK HK IND, it is expected that the Disposal would not have any material impact on the operation of SHK HK IND.

The following sets forth a summary of the audited financial information of the Target Company for each of the two financial years ended 31 December 2014 and 2015:

	Year ended 31 December 2014 <i>HK\$'000</i>	Year ended 31 December 2015 <i>HK\$'000</i>
Profit before taxation	49,029	28,346
Profit after taxation	39,766	24,935

As at 31 December 2015, the audited net asset value of the Target Company was approximately HK\$198,748,000.

FINANCIAL EFFECTS OF THE DISPOSAL AND USE OF PROCEEDS

It is expected that, subject to audit, the Group would recognise a gain of HK\$390,000,000 from the Disposal, which is calculated by reference to the Consideration of HK\$400,000,000 and the expected net asset value of the Target Company of HK\$10,000,000 upon Completion.

The Company intends to apply the net proceeds from the Disposal as working capital of the Group.

INFORMATION ON THE COMPANY, THE VENDOR, THE PURCHASER AND THE LIQUIDATORS

(i) the Company

The Company is a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange.

The principal business activity of the Company is investment holding. The principal business activities of its major subsidiaries are property investment and development, hospitality related activities, the provision of finance and investments in listed and unlisted securities.

(ii) the Vendor

The Vendor is a company incorporated in the British Virgin Islands with limited liability, being an indirect wholly-owned subsidiary of the Company, the principal business activity of which is investment holding.

(iii) the Purchaser

As advised and confirmed by the Purchaser, the Purchaser is an investment holding company with limited liability incorporated in the Cayman Islands and is now in liquidation. The shares of the Purchaser are listed on the Main Board of the Stock Exchange but the trading of which has been suspended with effect from 18 September 2014 and remains suspended as at the date of this announcement.

(iv) the Liquidators

The Liquidators are the joint and several liquidators of the Purchaser as ordered by the High Court of Hong Kong on 17 August 2015.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Company considers the Disposal to be a good opportunity for the Company to realise its investment given that the Disposal will be made at a gain and the proceeds from the Disposal will strengthen the financial position of the Group.

The Directors consider that the terms of the Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As the Vendor is an indirect wholly-owned subsidiary of the Company, the Agreement entered into by the Vendor shall be a transaction of the Company under the Listing Rules as the definition of “listed issuer” under the Listing Rules shall include the listed issuer’s subsidiaries.

The Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules, as the relevant percentage ratio(s) pursuant to Rule 14.07 of the Listing Rules in respect of the Disposal for the Company exceeds 5% but is below 25%. The Disposal is therefore subject to the reporting and announcement requirements under the Listing Rules.

WARNING

It should be noted that the Disposal is subject to a number of conditions, which may or may not be fulfilled (or, if applicable, waived). As the Disposal may or may not proceed, Shareholders and potential investors should exercise caution when dealing or contemplating dealing in the shares of the Company.

DEFINITIONS

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

“Agreement”	the sale and purchase agreement entered into between the Vendor, the Purchaser and the Liquidators dated 24 August 2016 pursuant to which the Vendor conditionally agreed to sell and the Purchaser conditionally agreed to purchase the entire issued share capital in the Target Company;
“Board”	the board of the Directors;
“Business Day(s)”	a day (excluding Saturday, Sunday and public holidays) on which commercial banks are open for business in Hong Kong;
“Capital Reduction”	the proposed reduction of the nominal value of the issued and unissued Purchaser Shares;

“Capital Reorganisation”	the proposed reorganization of the share capital of the Purchaser comprising Capital Reduction, Share Consolidation and increase in the authorised share capital of the Purchaser;
“Company”	Allied Group Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 373);
“Completion”	completion of the sale and purchase of the Sale Shares under the Disposal;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Consideration”	HK\$400,000,000, being the consideration payable for the sale and purchase of the Sale Shares;
“Consideration Bond(s)”	collectively six zero-coupon unsecured bonds for the aggregated principal amount of HK\$350,000,000 and issued by the Purchaser in favour of the Vendor or its nominee(s) at Completion to satisfy part of the Consideration;
“Directors”	directors of the Company;
“Disposal”	the disposal of the Sale Shares by the Vendor to the Purchaser pursuant to the terms and conditions under the Agreement;
“Group”	the Company and its subsidiaries from time to time;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Liquidators”	Messrs. Stephen Liu Yiu Keung and David Yen Ching Wai, the joint and several liquidators of the Purchaser as ordered by the High Court of Hong Kong on 17 August 2015;

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Long Stop Date”	30 April 2017 or such later date as the parties to the Agreement may agree;
“Main Board”	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange;
“Open Offer”	the proposed open offer of the Purchaser for subscription of the Open Offer Shares;
“Open Offer Share(s)”	such number of new Purchaser Shares (after the Capital Reorganisation becoming effective) proposed to be issued under the Open Offer;
“Placing”	the proposed placing of the Placing Shares by the Purchaser;
“Placing Share(s)”	such number of new Purchaser Shares falling to be allotted and issued upon completion of the Placing;
“Purchaser”	China Agrotech Holdings Limited (In Liquidation), a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1073);
“Purchaser Creditors”	the creditors of the Purchaser under the Scheme;
“Purchaser Share(s)”	the share(s) of HK\$0.1 in the share capital of the Purchaser as at the date hereof and after the Capital Reorganisation having become effective (as the case may be);
“Sale Shares”	10,000,000 shares of the Target Company, being its entire issued share capital as at the date of this announcement;

“Scheme”	the proposed scheme of arrangement for the Purchaser to be made between the Purchaser and the Purchaser Creditors, subject to the approval by the High Court of Hong Kong and the Grand Court of the Cayman Islands;
“SFC”	The Securities and Futures Commission of Hong Kong;
“SFO”	Securities and Futures Ordinance (Cap 571) of the Laws of Hong Kong;
“Share Consolidation”	the proposed consolidation of issued shares of the Purchaser upon the Capital Reduction;
“Shareholders”	the shareholders of the Company;
“SHK HK IND”	SHK Hong Kong Industries Limited, a company incorporated in Hong Kong with limited liability and an indirect non wholly-owned subsidiary of the Company, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 666);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers;
“Target Company”	Yu Ming Investment Management Limited (禹銘投資管理有限公司), a company incorporated in Hong Kong with limited liability and is an indirect wholly-owned subsidiary of the Company as at the date of this announcement and before Completion;
“Vendor”	Fine Era Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company;

“Whitewash Wavier”

a waiver from the obligation of, if applicable, the placee(s) under the Placing and parties acting in concert with them to make a mandatory general offer to the shareholders of the Purchaser in respect of the Purchaser Shares and securities issued by the Purchaser not already owned or agreed to be acquired by, if applicable, the placee(s) under the Placing and parties acting in concert with them as a result of the subscription of the Placing Shares in accordance with Note 1 on dispensations from Rule 26 of the Takeovers Code; and

“%”

per cent.

By order of the Board
Allied Group Limited
Edwin Lo King Yau
Executive Director

Hong Kong, 24 August 2016

As at the date of this announcement, the Board comprises Messrs. Lee Seng Hui (Chief Executive), Edwin Lo King Yau and Mak Pak Hung being the Executive Directors; Mr. Arthur George Dew (Chairman) and Ms. Lee Su Hwei being the Non-Executive Directors; and Mr. David Craig Bartlett, Mr. Alan Stephen Jones and Ms. Lisa Yang Lai Sum being the Independent Non-Executive Directors.