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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 SHARES IN SHK HONG KONG INDUSTRIES LIMITED**

On 10th December, 2010, after trading hours, Bright Clear, an indirect wholly-owned subsidiary of the Company, entered into the Agreement with the Purchaser, under which, among other things, Bright Clear has agreed to sell and the Purchaser has agreed to purchase the Sale Shares at the Consideration of HK\$469,450,000 (HK\$0.41 per SHK HK IND Share). The Sale Shares represent approximately 27.97% of the issued share capital of SHK HK IND and after the Disposal, the indirect shareholding of the Company in SHK HK IND will decrease from approximately 72.14% to approximately 44.17%.

As a result of the Disposal, SHK HK IND will cease to be an indirect non wholly-owned subsidiary of the Company.

As the relevant Percentage Ratios in respect of the Disposal are more than 5% but less than 25%, the Disposal constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

**Shareholders and potential investors should be aware that the Disposal may or may not proceed as the completion of the Agreement will take place only if and after the condition to which it is subject is satisfied. The Agreement may or may not become unconditional. Shareholders and potential investors should therefore exercise caution when dealing in the Shares.**

## **INTRODUCTION**

On 10th December, 2010, after trading hours, Bright Clear, an indirect wholly-owned subsidiary of the Company, entered into the Agreement with the Purchaser, under which, among other things, Bright Clear has agreed to sell and the Purchaser has agreed to purchase the Sale Shares at the Consideration of HK\$469,450,000 (HK\$0.41 per SHK HK IND Share).

The Purchaser was procured by the Placing Agent pursuant to the Placing Agreement dated 10th December, 2010 entered into between the Company and the Placing Agent, under which, among other things, the Placing Agent has agreed to place, on a best efforts basis, SHK HK IND Shares held by Bright Clear to third parties which (including their ultimate beneficial owners, where applicable) are independent of the Company and its connected persons at the price of HK\$0.41 per SHK HK IND Share. The Placing Agent is entitled to a fixed commission of HK\$1,000,000.

## **THE AGREEMENT**

- Date:** 10th December, 2010
- Parties:**
- (1) Bright Clear as the vendor
  - (2) Rising Fortune as the purchaser

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Purchaser and its ultimate beneficial owner(s) is independent of the Company and the connected persons of the Company.

### **Assets to be disposed of**

Pursuant to the Agreement, Bright Clear has agreed to sell and the Purchaser has agreed to purchase the Sale Shares, being approximately 27.97% of the issued share capital of SHK HK IND and after the Disposal, the indirect shareholding of the Company in SHK HK IND will decrease from approximately 72.14% to approximately 44.17%.

### **Consideration and terms of payment**

The Consideration for the Sale Shares is HK\$469,450,000 and payable by the Purchaser to Bright Clear as follows:

- (a) as to HK\$23,472,500 being 5% of the Consideration was paid on signing of the Agreement by way of cashier order drawn on a licensed bank in Hong Kong as Deposit to the stakeholder, being a firm of solicitors in Hong Kong, who shall pay the same to Bright Clear on Completion; and
- (b) as to the balance of HK\$445,977,500 at Completion by way of cashier order drawn on a licensed bank in Hong Kong or to be paid in such other manner as shall be agreed between Bright Clear and the Purchaser.

The Deposit shall on Completion be applied in and towards the satisfaction of the Consideration.

The Consideration was determined after arm's length negotiations between Bright Clear and the Purchaser, taking into account the market price of the SHK HK IND Shares, the net asset value of SHK HK IND and the size of the stake constituted by the Sale Shares.

### **Conditions Precedent**

Completion will be conditional upon the Net Assets as at 30th November, 2010 being no less than 30 cents per SHK HK IND Share. The Purchaser will be entitled to carry out a review to ascertain the Net Assets.

If the Purchaser notifies Bright Clear on or before the Long Stop Date that the Net Assets is less than 30 cents per SHK HK IND Share with proof in that regard, the Agreement shall lapse and be terminated.

### **Completion**

If the Purchaser does not both notify Bright Clear in writing on or before the Long Stop Date that the Net Assets as at 30th November, 2010 is less than 30 cents per SHK HK IND Share and include in that notification proof that the Net Assets is less than 30 cents per SHK HK IND Share, Completion will take place on the Business Day that is the earlier of (a) the third Business Day after the Long Stop Date; or (b) the third Business Day after notice to Bright Clear is given by the Purchaser that it has established that the Net Assets is 30 cents or more per SHK HK IND Share.

The parties will procure the stakeholder to refund the Deposit, without interest, to the Purchaser on demand within 5 Business Days if Completion does not proceed. If, however, the Purchaser defaults in completing the purchase of the Sale Shares (otherwise than as a result of non-fulfilment of the condition precedent set out above), the Purchaser shall pay a sum of HK\$5,000,000 to Bright Clear as liquidated damages. In this connection, the stakeholder shall on receipt of instructions to do so from Bright Clear pay the said sum of HK\$5,000,000 out of the Deposit held by it as stakeholder to Bright Clear.

## **INFORMATION ON THE PARTIES**

### **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 elderly care homes, the provision of financial services, and investments in listed and unlisted securities.

## **Bright Clear**

Bright Clear is a company incorporated under the laws of the BVI with limited liability and is an indirect wholly-owned subsidiary of the Company. The principal business activity of Bright Clear is investment holding.

## **The Purchaser**

The Purchaser has confirmed that it is a company incorporated under the laws of the BVI with limited liability. The principal business activity of the Purchaser is investment holding.

## **The Placing Agent**

The Placing Agent is a company incorporated under the laws of Hong Kong with limited liability. The principal business activities of the Placing Agent are investment holding, share broking and margin financing.

The Placing Agent is an indirect non wholly-owned subsidiary of the Company. None of the connected persons of the Company (other than at the level of its subsidiaries) is entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of the Placing Agent.

## **INFORMATION ON SHK HK IND**

SHK HK IND 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 activities of the SHK HK IND Group are investments in listed and unlisted financial instruments. Further information on SHK HK IND can be found on the website of the Stock Exchange. Based on the interim report of SHK HK IND for the six months ended 30th June, 2010, the consolidated net asset value of SHK HK IND as at 30th June, 2010 was approximately HK\$1,136.5 million. According to the annual report of SHK HK IND for the year ended 31st December, 2008, its consolidated net loss from ordinary activities both before and after taxation were approximately HK\$376.4 million. According to the annual report of SHK HK IND for the year ended 31st December, 2009, its consolidated net profit from ordinary activities both before and after taxation were approximately HK\$295.6 million.

The following table sets out the audited financial information for the two years ended 31st December, 2008 and 2009 attributable to the Sale Shares:

	<b>For the year ended 31st December,</b>	
	<b>2008</b>	<b>2009</b>
	<i>HK\$</i>	<i>HK\$</i>
	<i>million</i>	<i>million</i>
Consolidated profit (loss) before taxation and extraordinary items	(105.3)	82.7
Consolidated profit (loss) after taxation and extraordinary items	(105.3)	82.7

The unaudited consolidated net asset value of SHK HK IND as at 30th June, 2010 attributable to the Sale Shares was HK\$317.9 million.

## **REASONS FOR AND BENEFITS OF THE DISPOSAL**

The Board has taken the view that the consideration represents a substantial premium to the net asset value of the shares and the average market price over the last three months. Accordingly, the Directors are of the view that the terms of the Agreement are fair and reasonable and are on normal commercial terms and the Disposal is in the interests of the Company and the Shareholders as a whole.

Based on the amount of the Consideration, the fair value of the remaining interests in SHK HK IND held by the Group and the carrying value of the net assets of SHK HK IND attributable to the Group based on the unaudited consolidated net asset value per SHK HK IND share as at 31st October, 2010 as announced by SHK HK IND on 15th November, 2010, the estimated gain to be recognised by the Group will be approximately HK\$266.1 million. The final gain or loss after the Disposal is subject to the fair value of the remaining interests in SHK HK IND held by the Group and the carrying value of the net assets of SHK HK IND disposed of by the Group on the date of Completion.

As a result of the Disposal, the Company's indirect shareholding interest in SHK HK IND will decrease from approximately 72.14% to approximately 44.17%. Accordingly, SHK HK IND will cease to be an indirect non wholly-owned subsidiary of the Company and its financial results, assets and liabilities will no longer be consolidated into the Group's financial statements.

## **USE OF PROCEEDS**

The gross proceeds from the Disposal are estimated to be approximately HK\$469,450,000. The net proceeds from the Disposal (after deducting the commission payable to the Placing Agent and stamp duty) are estimated to be approximately HK\$467,981,000. The Group intends to apply the net proceeds for general working capital purpose.

## **GENERAL**

As the relevant Percentage Ratios in respect of the Disposal are more than 5% but less than 25%, the Disposal constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

**Shareholders and potential investors should be aware that the Disposal may or may not proceed as the completion of the Agreement will take place only if and after the condition to which it is subject is satisfied. The Agreement may or may not become unconditional. Shareholders and potential investors should therefore exercise caution when dealing in the Shares.**

## DEFINITIONS

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

“Agreement”	an agreement dated 10th December, 2010 entered into between Bright Clear and the Purchaser in relation to the Disposal
“Board”	the board of Directors
“Bright Clear”	Bright Clear Limited, a company incorporated under the laws of the BVI with limited liability and an indirect wholly-owned subsidiary of the Company
“Business Day”	any day on which licensed banks in Hong Kong carry on ordinary business but always excluding Saturdays and Sundays
“BVI”	British Virgin Islands
“Company”	Allied Group Limited, a company incorporated under the laws of Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 373)
“Completion”	the completion of the sale and purchase of the Sale Shares pursuant to the Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the sum of HK\$469,450,000 payable by the Purchaser to Bright Clear in respect of the Disposal
“Deposit”	the deposit payable by the Purchaser to Bright Clear pursuant to the Agreement
“Directors”	the directors of the Company
“Disposal”	the disposal of the Sale Shares by Bright Clear to the Purchaser pursuant to the Agreement
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

“Long Stop Date”	20th January, 2011 or such later date as shall be agreed by the parties to the Agreement in writing
“Net Assets”	the consolidated net asset value per SHK HK IND Share as at 30th November, 2010 next published by SHK HK IND after the date of the Agreement (which is expected to be published on or about 15th December, 2010)
“Percentage Ratio(s)”	percentage ratio(s) as set out in Rule 14.07 of the Listing Rules to be applied for determining the classification of a transaction
“Placing Agent”	Sun Hung Kai Investment Services Limited, a company incorporated under the laws of Hong Kong with limited liability and an indirect non wholly-owned subsidiary of the Company
“Placing Agreement”	a placing agreement dated 10th December, 2010 entered into between the Company and the Placing Agent in relation to placing of the Sale Shares
“Purchaser” or “Rising Fortune”	Rising Fortune Group Limited, a company incorporated under the laws of the BVI with limited liability
“Sale Shares”	1,145,000,000 shares in SHK HK IND representing approximately 27.97% of the issued share capital of SHK HK IND
“SHK HK IND”	SHK Hong Kong Industries Limited, a company incorporated under the laws of Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 666)
“SHK HK IND Group”	SHK HK IND and its subsidiaries
“SHK HK IND Share(s)”	ordinary share(s) of HK0.10 each in the issued share capital of SHK HK IND
“Share(s)”	ordinary share(s) of HK\$2.00 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)

“Stock Exchange”

The Stock Exchange of Hong Kong Limited

“%”

per cent.

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

Hong Kong, 10th December, 2010

*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 Messrs. Wong Po Yan, David Craig Bartlett, John Douglas Mackie and Alan Stephen Jones being the Independent Non-Executive Directors.*