



JOINT ANNOUNCEMENT  
CONNECTED TRANSACTION

The AGL Board, APL Board and SHK Board jointly announce that Upper Selection, which is an indirect wholly-owned subsidiary of SHK which in turn is an indirect subsidiary of APL, has entered into the Sale and Purchase Agreement with Easy Capital, a wholly-owned subsidiary of UAF, pursuant to which Upper Selection agrees to sell to Easy Capital its entire shareholding in Earnest Finance, a joint venture company set up by Upper Selection and Easy Capital, being an investment holding company, at the aggregate consideration of HK\$87,500,000.

The terms of the Sale and Purchase Agreement were determined after arm’s length negotiations and were concluded on normal commercial terms.

AGL, which is interested in approximately 73.57% and 61.67% equity interest in APL and in SHK (through APL) respectively, is the controlling shareholder of APL and SHK under the Listing Rules and, through its subsidiaries, currently holds approximately 54.21% of the issued share capital of UAF which holds the entire issued share capital of Easy Capital.

Upper Selection, a wholly-owned subsidiary of Ranbridge, is an indirect wholly-owned subsidiary of SHK and Easy Capital is a subsidiary of AGL. Easy Capital is, therefore, a connected person for both of SHK and APL and the Sale and Purchase Agreement constitutes a connected transaction for each of SHK and APL under the Listing Rules.

Further, each of Easy Capital and Upper Selection is a substantial shareholder of Earnest Finance and both are non-wholly owned subsidiaries of AGL. Earnest Finance, in which each of Easy Capital and Upper Selection is interested in 50%, is a subsidiary of AGL. Therefore, the transaction in question also constitutes a connected transaction for AGL under the Listing Rules.

As the consideration of the transaction falls within the limit specified in Rule 14.25(1) of the Listing Rules, no shareholders’ approval is required for each of AGL, APL and SHK and details of the transaction will be included in the next published annual report and accounts of AGL, APL and SHK.

DETAILS OF THE SALE AND PURCHASE AGREEMENT

Date : 19th December, 2002

Parties : Upper Selection as vendor  
Easy Capital as purchaser

Assets : Sale Shares, the First Loan and the Second Loan (The First Loan and the Second Loan were loans made by SHK (via Upper Selection and Ranbridge respectively) to Earnest Finance and Top Progress respectively upon normal commercial terms without any guarantees nor securities attached. UAF have also made loans to Earnest Finance and Top Progress for the same respective amounts (in the same proportion of equity interests of UAF and SHK in Earnest Finance, namely 50:50) as SHK in the First Loan and the Second Loan.)

Conditions

The Sale and Purchase Agreement is conditional upon satisfaction of all of the following conditions by the Long Stop Date:

- (i) execution and delivery of the deed of assignment of the First Loan and the deed of assignment of the Second Loan; and
- (ii) full and absolute release and discharge of SHK’s Corporate Guarantees on or before 28th January, 2003, being the 25th Business Day after the date of the Sale and Purchase Agreement unless otherwise as may be agreed by Upper Selection and Easy Capital or, failing to obtain such release and discharge, respective independent shareholders’ approvals from AGL, APL and SHK in compliance with the Listing Rules.

The parties shall use their respective best endeavours to procure the fulfillment of the conditions as soon as reasonably practicable and in any event before the Long Stop Date.

Consideration

The aggregate consideration for the acquisition of the Sale Shares and the assignments of the First Loan and the Second Loan will be HK\$87,500,000, comprising the Shares Sale Price, the First Loan Sale Price and the Second Loan Sale Price, to be settled in cash on completion of the Sale and Purchase Agreement.

The aggregate consideration for the Sale Shares and the assignments of the First Loan and the Second Loan has been determined after arm’s length negotiations and were concluded on normal commercial terms by the UAF Board and SHK Board. Such consideration was determined by reference to the net asset value of Earnest Finance Group before deducting the First Loan and the Second Loan.

The consideration will be funded by internal resources of Easy Capital and UAF.

Completion

Completion of the Sale and Purchase Agreement will take place on the Business Day upon which all the conditions of the Sale and Purchase Agreement are satisfied. Upon completion of the Sale and Purchase Agreement, Earnest Finance will become a wholly-owned subsidiary of Easy Capital and hence UAF.

Reasons for the acquisition of Earnest Finance

UAF is a licensed money lender and engaged in the business of consumer financing. Upon acquisition of Earnest Finance, UAF will become an indirect holding company of SHK Finance which will allow UAF to acquire the goodwill and customer base of SHK Finance and thus enhance expansion of its market share in the consumer finance business.

The AGL Board considers that the purchase of the additional interest in Earnest Finance by Easy Capital will enable UAF to further expand its business. Further, the AGL Board, the APL Board and the SHK Board consider the terms of the Sale and Purchase Agreement and the aggregate consideration of HK\$87,500,000 payable as aforesaid for the acquisition of the Sale Shares and the assignments of the First Loan and the Second Loan, which were determined after arm’s length negotiations, are fair, on normal commercial terms and reasonable.

Reason for the disposal of Earnest Finance by SHK

SHK Finance is a wholly-owned indirect subsidiary of Earnest Finance and a licensed money lender, and is engaged in personal and consumer loan business. SHK has decided to dispose of its consumer finance business in order to concentrate on its other lending activities and the business of Quality HealthCare Asia Limited following its acquisition of an approximately 28.53% interest in Quality HealthCare Asia Limited as announced by SHK on 19th November, 2002.

Reason for the disposal of Earnest Finance by APL

APL, being the holding company of SHK, considers the disposal of Earnest Finance and therefore SHK Finance, which is a licensed money lender and engaged in personal and consumer loan business can enable SHK to concentrate on its other lending activities and the business of Quality HealthCare Asia Limited following its acquisition of an approximately 28.53% interest in Quality HealthCare Asia Limited as announced by SHK on 19th November, 2002.

Intended application of the sale proceeds from the disposal of Earnest Finance by SHK

At present, it is the intention of the SHK Board that all the sale proceeds from the disposal of Earnest Finance will be applied as additional general working capital of SHK and its subsidiaries.

Information on Earnest Finance

Earnest Finance indirectly holds 100% equity interest in SHK Finance which is its principal asset. As Earnest Finance is an investment holding company incorporated under the laws of the British Virgin Islands, no audited consolidated financial statements are available.

Based on the unaudited consolidated management accounts of Earnest Finance Group for the year ended 31st December, 2001, the net profits before and after taxation amounted to HK\$13,328,436 and HK\$10,056,333 respectively. The unaudited net profits before and after taxation of Earnest Finance Group amounted to HK\$14,928,628 and HK\$12,158,429 respectively for the period from 12th April, 2000 (date of incorporation of Earnest Finance) to 31st December, 2000.

As at 31st December, 2000, the unaudited consolidated net liabilities of Earnest Finance Group amounted to HK\$14,979,731; whereas as at 31st December, 2001, the corresponding amount of Earnest Finance Group was HK\$4,923,398.

Information on SHK

The principal activities of SHK and its subsidiaries are securities, forex, bullion, commodities and future broking, provision of online financial services and online financial information distribution, money lending including the provision of term loans, share margin financing, corporate finance, financial planning and wealth management, property investment and insurance consultancy.

Information on AGL

AGL is primarily an investment holding company and mainly engaged in the businesses of property investment and development and financial services through its subsidiaries and associates.

Information on APL

The core businesses of APL and its subsidiaries and associates consist of property investment, property development, hospitality related activities and financial services. SHK is an indirect subsidiary of APL.

GENERAL

AGL, which is interested in approximately 73.57% and 61.67% equity interest in APL and in SHK (through APL) respectively, is the controlling shareholder of APL and SHK under the Listing Rules and, through its subsidiaries, currently holds approximately 54.21% of the issued share capital of UAF which holds the entire issued share capital of Easy Capital.

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Further, each of Easy Capital and Upper Selection is a substantial shareholder of Earnest Finance and both are non-wholly owned subsidiaries of AGL. Earnest Finance, in which each of Easy Capital and Upper Selection is interested in 50%, is a subsidiary of AGL. Therefore, the transaction in question also constitutes a connected transaction for AGL under the Listing Rules.

As the consideration of the transaction falls within the limit specified in Rule 14.25(1) of the Listing Rules, no shareholders’ approval is required for each of AGL, APL and SHK and details of the transaction will be included in the next published annual report and accounts of AGL, APL and SHK.

DEFINITIONS

“AGL”

Allied Group Limited, a company incorporated under the laws of Hong Kong with limited liability, the shares of which are listed on the Stock Exchange

“AGL Board”

the board of AGL directors, including the independent non-executive directors of AGL Allied Properties (H.K.) Limited, a company incorporated under the laws of Hong Kong with limited liability, the shares of which are listed on the Stock Exchange, and a subsidiary of AGL

“APL”

the board of APL directors, including the independent non-executive directors of APL a day (other than Saturday) on which banks in Hong Kong are open for business Earnest Finance Limited, a company incorporated under the laws of the British Virgin Islands with limited liability, which is owned as to 50% by Easy Capital and 50% by Upper Selection

“Earnest Finance Group”

Earnest Finance and its subsidiaries

“Easy Capital”

Easy Capital Investments Limited, a company incorporated under the laws of the British Virgin Islands with limited liability and a wholly-owned subsidiary of UAF the interest free loan in the principal amount of HK\$64,999,950 provided by Upper Selection to Earnest Finance

“First Loan”

HK\$62,499,950, being the purchase price of the First Loan

“First Loan Sale Price”

Hong Kong dollars, the lawful currency of Hong Kong

“HK\$”

Hong Kong Special Administrative Region of the People’s Republic of China

“Hong Kong”

19th March, 2003, being 3 calendar months after the date of the Sale and Purchase Agreement or such later date as Upper Selection and Easy Capital may agree Rules Governing the Listing of Securities on the Stock Exchange

“Long Stop Date”

Ranbridge Finance Limited, a company incorporated under the laws of Hong Kong with limited liability which is the holding company of Upper Selection and a wholly-owned subsidiary of SHK

“Listing Rules”

the sale and purchase agreement dated 19th December, 2002 pursuant to which Upper Selection agrees to sell its entire shareholding in Earnest Finance to Easy Capital

“Ranbridge”

50 Shares, representing 50% of the issued share capital of Earnest Finance, being the entire shareholding of Upper Selection held in Earnest Finance the interest free loan in the principal amount of HK\$25,000,000 provided by Ranbridge to Top Progress which is a wholly-owned subsidiary of Earnest Finance

“Second Loan”

HK\$25,000,000, being the purchase price of the Second Loan

“Share(s)”

share(s) of HK\$1 each in the capital of Earnest Finance

“Shares Sale Price”

HK\$50, being the purchase price of the Sale Shares

“SHK”

Sun Hung Kai & Co. Limited, a company incorporated under the laws of Hong Kong with limited liability, the securities of which are listed on the Stock Exchange, and a subsidiary of AGL through APL

“SHK Board”

the board of SHK directors, including the independent non-executive directors of SHK the corporate guarantees of an aggregate value of HK\$100,615,300 given by SHK or its subsidiaries to certain banks, finance company and a landlord of SHK Finance as securities under certain banking/credit facilities and lease respectively for the liabilities and obligations of SHK Finance

“SHK’s Corporate Guarantees”

SHK Finance Limited, a company incorporated under the laws of Hong Kong with limited liability, and an indirect wholly-owned subsidiary of Earnest Finance

“SHK Finance”

The Stock Exchange of Hong Kong Limited

“Stock Exchange”

Top Progress Investments Limited, a company incorporated under the laws of the British Virgin Islands with limited liability and a wholly-owned subsidiary of Earnest Finance United Asia Finance Limited, a company incorporated under the laws of Hong Kong with limited liability which holds the entire issued share capital of Easy Capital, and a subsidiary of AGL

“Top Progress”

the board of UAF directors

“UAF”

Upper Selection Investments Limited, a company incorporated under the laws of the British Virgin Islands with limited liability and a wholly-owned subsidiary of Ranbridge

“UAF Board”

“Upper Selection”

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

By Order of the Board of  
Allied Properties (H.K.) Limited  
Cindy Yung Yee Mei  
Company Secretary

By Order of the Board of  
Sun Hung Kai & Co. Limited  
Hester Wong Lam Chun  
Company Secretary

Hong Kong, 19th December, 2002