

*The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



**ALLIED GROUP LIMITED**

**(聯合集團有限公司)**

*(Incorporated in Hong Kong with limited liability)*  
**(Stock Code: 373)**



**新鴻基有限公司**

**SUN HUNG KAI & CO. LIMITED**

*(Incorporated in Hong Kong with limited liability)*  
**(Stock Code: 86)**

**CONTINUING CONNECTED TRANSACTIONS  
– SHARING OF MANAGEMENT SERVICES AGREEMENT**

This joint announcement is issued pursuant to Rule 13.09 of the Listing Rules for the information of the respective shareholders of AGL and SHK.

AGL and SHK have entered into the Sharing of Management Services Agreement on 31 October 2005 pursuant to which SHK agreed to reimburse AGL the costs incurred in respect of the Management Services provided by AGL to the SHK Group.

In view of the fact that SHK is held as to approximately 74.99% by APL, which is in turn held as to approximately 74.82% by AGL, AGL is a connected person of SHK and the entering into of the Sharing of Management Services Agreement and the transactions contemplated thereunder will constitute continuing connected transactions for SHK under Rule 14A.14 of the Listing Rules.

As it is anticipated that the relevant applicable percentage ratios (other than the profit ratio) set out in Rule 14.07 of the Listing Rules in respect of the fees payable by the SHK Group to AGL under the Sharing of Management Services Agreement will, on an annual basis, be less than 0.1%, the entering into of the Sharing of Management Services Agreement by SHK, which is on normal commercial terms, and the Continuing Connected Transactions contemplated thereunder, will fall within the de minimis threshold under Rule 14A.33(3) of the Listing Rules and will be exempted from the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

**Background**

This joint announcement is issued pursuant to Rule 13.09 of the Listing Rules for the information of the respective shareholders of AGL and SHK.

AGL and SHK have entered into the Sharing of Management Services Agreement on 31 October 2005 pursuant to which SHK agreed to reimburse AGL the costs incurred in respect of the Management Services provided by AGL to the SHK Group. Details of the Sharing of Management Services Agreement are set out below.

## **Sharing of Management Services Agreement**

- Date: 31 October 2005
- Effective period: Three years commencing from 1 January 2005
- Party A: SHK
- Party B: AGL
- Nature of transaction: SHK agreed to reimburse AGL the costs incurred in respect of the Management Services provided by AGL to the SHK Group.
- Terms: SHK agreed to reimburse a portion of the actual costs of the services incurred by AGL by reference to a specified percentage of the remuneration of members of the senior management of AGL providing the Management Services to the SHK Group, which will be payable by the SHK Group on a quarterly basis. Such percentage varies between each member of the senior management of AGL and the percentage of remuneration of the individual members of the senior management of AGL payable by the SHK Group was determined by reference to the percentage of the time devoted by the individual members of the senior management of AGL on the affairs of the SHK Group against the amount of time they would otherwise devote on the affairs of AGL.
- Annual cap: HK\$2,220,000, HK\$2,350,000 and HK\$2,500,000 for each of the three financial years ending 31 December 2007.
- Historical figures: Prior to the signing of the Sharing of Management Services Agreement, the aggregate amount of fees paid by the SHK Group to AGL for the Management Services provided by AGL for each of the two financial years ended 31 December 2004 were approximately HK\$5,000,000 and HK\$2,200,000 respectively. The historical service charge paid by the SHK Group reflected the actual level of requirement for Management Services that were provided by AGL.
- Basis of the annual cap: In determining the annual cap, besides taking into account the aforementioned service fees paid by the SHK Group during the period between 1 January 2003 and 31 December 2004, the directors of SHK have also taken into consideration the existing scales of the SHK Group's operations and, for the purpose of determining the annual cap only, the anticipated growth of the SHK Group, the anticipated increase in the remuneration of those senior management personnel of AGL who are involved in providing the management, consultancy, strategic and business advice to the SHK Group, and having done so, for the three financial years ending on 31 December 2007, the aggregate annual amount payable by the SHK Group in respect of the Management Services under the Sharing of Management Services Agreement is expected not to exceed HK\$2,220,000, HK\$2,350,000 and HK\$2,500,000 respectively and accordingly, the above figures have been adopted as the annual cap for the Continuing Connected Transactions in respect of the same period.

Reasons for and benefits of the Continuing Connected Transactions: Since members of the senior management of AGL will devote part of their time on the affairs of the SHK Group in the course of performance of the Management Services to the SHK Group, both the directors of SHK and the directors of AGL consider that it is reasonable for the SHK Group to be charged for the Management Services so as to allocate the costs borne by AGL in this respect.

### **Continuing Connected Transactions**

In view of the fact that SHK is held as to approximately 74.99% by APL, which is in turn held as to approximately 74.82% by AGL, AGL is a connected person of SHK and accordingly the Sharing of Management Services Agreement and the transactions contemplated thereunder regarding the sharing of the Management Services will constitute continuing connected transactions for SHK under Rule 14A.14 of the Listing Rules.

As it is anticipated that the relevant applicable percentage ratios (other than the profit ratio) set out in Rule 14.07 of the Listing Rules in respect of the fees payable by the SHK Group to AGL under the Sharing of Management Services Agreement will, on an annual basis, be less than 0.1%, the entering into of the Sharing of Management Services Agreement by SHK, which is on normal commercial terms, and the Continuing Connected Transactions contemplated thereunder, will fall within the de minimis threshold under Rule 14A.33(3) of the Listing Rules and will be exempted from the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

### **General**

The principal activity of SHK is investment holding. The principal activities of SHK's major subsidiaries are securities, leveraged forex, bullion, commodities and futures broking, provision of online financial services and online financial information distribution, money lending including the provision of term loans, share margin financing, financial planning and wealth management, fund management, corporate finance, property investment and insurance consultancy.

The principal activity of AGL is investment holding. The principal activities of AGL's major subsidiaries are property investment and development, hospitality related activities and the provision of financial services.

The directors (including the independent non-executive directors) of AGL and SHK are of the view that the terms of the Sharing of Management Services Agreement were entered into after arm's length negotiations and reflect normal commercial terms and that the terms of the Sharing of Management Services Agreement are fair and reasonable so far as the shareholders of AGL and SHK are concerned.

### **Definitions**

For the purposes of this announcement, capitalised terms appearing herein shall, unless the context otherwise admits, have the meanings set out below:

“AGL” Allied Group Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Stock Exchange

“APL” Allied Properties (H.K.) Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Stock Exchange

“Continuing Connected Transactions”	the transactions regarding the sharing of Management Services under the Sharing of Management Services Agreement
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Management Services”	the management, consultancy, strategic and business advice provided by the senior management of AGL to the SHK Group
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“SHK”	Sun Hung Kai & Co. Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Stock Exchange
“SHK Group”	SHK and its subsidiaries
“Sharing of Management Services Agreement”	the agreement dated 31 October 2005 between SHK and AGL in respect of sharing of the Management Services
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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

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

Hong Kong, 31 October 2005

**Directors of AGL**

*As at the date of this announcement, the board of directors of AGL comprises Messrs. Lee Seng Hui (Chief Executive) and Edwin Lo King Yau being the executive directors, Ms. Lee Su Hwei and Mr. Arthur George Dew being the non-executive directors, Sir Gordon Macwhinnie (non-executive Chairman), Messrs. Wong Po Yan, David Craig Bartlett and John Douglas Mackie being the independent non-executive directors.*

**Directors of SHK**

*As at the date of this announcement, the board of directors of SHK comprises Messrs. Patrick Lee Seng Wei and Joseph Tong Tang being the executive directors, Mr. Arthur George Dew (Chairman) being a non-executive director, Sir Gordon Macwhinnie, Messrs. David Craig Bartlett, Carlisle Caldwor Procter and Peter Wong Man Kong being the independent non-executive directors.*