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If you have sold or transferred all your securities in Allied Group Limited, you should at once hand this circular 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 GROUP LIMITED

(聯合集團有限公司)

(Incorporated in Hong Kong with limited liability)

(Stock Code: 373)

DISCLOSEABLE TRANSACTION

**CONDITIONAL ACQUISITION OF
APPROXIMATELY 74.8 PER CENT. OF THE ISSUED SHARE CAPITAL OF
THE HONG KONG BUILDING AND LOAN AGENCY LIMITED**

28th July, 2005

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DEFINITIONS

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

“Agreement”	the agreement for sale and purchase dated 18th June, 2005, relating to the conditional acquisition of Sale Shares
“Board”	board of Directors
“Company”	Allied Group Limited, a company incorporated in Hong Kong with limited liability, with its securities listed on the Main Board of the Stock Exchange
“Directors”	directors of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKBLA”	The Hong Kong Building and Loan Agency Limited, a company incorporated in Hong Kong with limited liability, with its securities listed on the Main Board of the Stock Exchange
“HKBLA Group”	HKBLA and its subsidiary
“HKCB”	HKCB Corporation Limited, an indirect wholly-owned subsidiary of LCR
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“INFL”	Island New Finance Limited, a company incorporated in the British Virgin Islands with limited liability and (through Onspeed Investments Limited) an indirect wholly-owned subsidiary of UAF
“Latest Practicable Date”	25th July, 2005, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular

DEFINITIONS

“LCR”	Lippo China Resources Limited, a company incorporated in Hong Kong with limited liability, with its securities listed on the Main Board of the Stock Exchange, and indirectly owned as to approximately 71.13 per cent. by Lippo
“Lippo”	Lippo Limited, a company incorporated in Hong Kong with limited liability, with its securities listed on the Main Board of the Stock Exchange
“Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Sale Shares”	168,313,038 Shares to be bought and sold pursuant to the Agreement
“Shares”	ordinary shares of nominal value of HK\$1.00 each in the share capital of HKBLA
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Sun Hung Kai”	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
“Takeovers Code”	Code on Takeovers and Mergers
“UAF”	United Asia Finance Limited, a company incorporated in Hong Kong with limited liability

LETTER FROM THE BOARD



ALLIED GROUP LIMITED

(聯合集團有限公司)

(Incorporated in Hong Kong with limited liability)

(Stock Code: 373)

Executive Directors:

Mr. Lee Seng Hui (*Chief Executive*)

Mr. Edwin Lo King Yau

Non-executive Directors:

Ms. Lee Su Hwei

Mr. Arthur George Dew

Independent non-executive Directors:

Sir Gordon Macwhinnie (*Non-executive Chairman*)

Mr. Wong Po Yan

Mr. David Craig Bartlett

Mr. John Douglas Mackie

Registered Office:

22nd Floor

Allied Kajima Building

138 Gloucester Road

Wanchai

Hong Kong

28th July, 2005

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION

**CONDITIONAL ACQUISITION OF
APPROXIMATELY 74.8 PER CENT. OF THE ISSUED SHARE CAPITAL OF
THE HONG KONG BUILDING AND LOAN AGENCY LIMITED**

INTRODUCTION

On 6th July, 2005, the Directors announced the conditional acquisition of approximately 74.8 per cent. of the issued share capital of HKBLA.

The conditional acquisition of the Sale Shares constitutes a discloseable transaction for the Company under the Listing Rules, on the basis that the calculations of the revenue ratio and the consideration ratio are within the range of 5 per cent. and 25 per cent.

The purpose of this circular is to provide the Shareholders with details of the terms of the Agreement and other information in accordance with the requirements of the Listing Rules.

LETTER FROM THE BOARD

THE CONDITIONAL ACQUISITION

On 18th June, 2005, INFL (an indirect wholly-owned subsidiary of UAF and an indirect non wholly-owned subsidiary of the Company) entered into the Agreement with HKCB (an indirect wholly-owned subsidiary of LCR), pursuant to which INFL agreed to purchase the Sale Shares from HKCB.

As at the Latest Practicable Date, the Company had an indirect interest of approximately 10.13 per cent. in Lippo. To the best of the Directors' knowledge, other than such indirect interest, Lippo, LCR, HKCB and their respective ultimate owners are independent third parties not connected with and not acting in concert with the Company, any of its subsidiaries or any of their respective associates, or any of the connected persons of the Company, any of its subsidiaries or any of their respective associates.

THE AGREEMENT FOR SALE AND PURCHASE

Date

18th June, 2005

Parties

- (1) HKCB as vendor
- (2) LCR as warrantor
- (3) INFL as purchaser
- (4) UAF as guarantor

The Sale Shares

The Sale Shares comprise 168,313,038 Shares, representing approximately 74.8 per cent. of the issued share capital of HKBLA as at the Latest Practicable Date.

The Sale Shares will be acquired free from all liens, charges, mortgages, pledges, encumbrances or security arrangements and other options, restrictions, conditions, claims or third party rights, interest or equity of any kind and together with all rights and benefits, as at or after the date of the Agreement, attaching to them.

LCR has agreed to give certain representations and warranties in relation to HKCB and the HKBLA Group and to warrant the performance and observance by HKCB of its obligations and undertakings under the Agreement.

LETTER FROM THE BOARD

Net profits attributable to the Sale Shares for the two years ended 31st December, 2003 and 31st December, 2004 were approximately HK\$3,750,000 or approximately HK\$0.0223 per Share (based on the audited consolidated profits of the HKBLA Group of approximately HK\$5,013,000 for the year ended 31st December, 2003) and approximately HK\$6,197,000 or approximately HK\$0.0368 per Share (based on the audited consolidated profits of the HKBLA Group of approximately HK\$8,285,000 for the year ended 31st December, 2004), respectively.

Consideration

HK\$184,000,000, being approximately HK\$1.0932 per Share.

The consideration was arrived at after arm's length negotiations between HKCB and INFL, having regard to the net asset value of the Shares and the acquisition of the Sale Shares as a controlling block.

The price of HK\$1.0932 per Share represents:

- a premium of approximately 7.18 per cent. over the closing price of HK\$1.02 per Share as quoted on the Stock Exchange on 17th June, 2005, being the last trading day prior to 6th July, 2005 (the day on which the Company and INFL jointly announced the conditional acquisition of the Sale Shares)
- a premium of approximately 43.46 per cent. over the average closing price of HK\$0.762 per Share, based on the daily closing prices as quoted on the Stock Exchange over the ten trading days up to and including 17th June, 2005
- a premium of approximately 52.26 per cent. over the average closing price of HK\$0.718 per Share, based on the daily closing prices as quoted on the Stock Exchange over the 20 trading days up to and including 17th June, 2005
- a premium of approximately 65.89 per cent. over the average closing price of approximately HK\$0.659 per Share, based on the daily closing prices as quoted on the Stock Exchange over the 60 trading days up to and including 17th June, 2005
- a premium of approximately 1.22 per cent. over the closing price of HK\$1.08 per Share as quoted on the Stock Exchange as at the Latest Practicable Date
- a premium of approximately 12.12 per cent. over the audited consolidated net asset value per Share of approximately HK\$0.975 as at 31st December, 2004 (being the date up to which the latest published audited consolidated accounts of the HKBLA Group were prepared)

Stamp duty in respect of the sale and purchase of the Sale Shares will be borne and paid by HKCB and INFL in equal shares.

UAF has agreed to guarantee the performance by INFL of its obligations under the Agreement.

LETTER FROM THE BOARD

Deposit

A deposit of HK\$10,000,000 was paid by INFL to HKCB upon the signing of the Agreement, held by HKCB's solicitors in escrow.

Conditions

Completion of the sale and purchase of the Sale Shares is conditional upon:

- (i) the Agreement being approved by the shareholders of Lippo and LCR;
- (ii) all necessary consents and authorisations required for the implementation of the Agreement under any existing contractual arrangement entered into by HKBLA, HKCB, Lippo and the holding companies and subsidiaries of Lippo being obtained;
- (iii) all necessary licences, authorisations, consents and approvals of all relevant governmental or regulatory authorities, agencies or bodies required for the implementation of the Agreement being obtained; and
- (iv) HKBLA retaining its listed status, with the Shares not having been suspended from listing (other than for suspensions of a routine nature).

HKCB has agreed to use its reasonable endeavours to procure that the above conditions are fulfilled as soon as practicable, and in any event no later than 5:00 p.m. on 30th November, 2005.

Currently, steps are being taken to prepare for fulfilment of the above conditions.

If any of the above conditions is not fulfilled (or, with respect to condition (ii) above only, waived by INFL) in full by such time, the deposit will be refunded with accrued interest and the Agreement will terminate.

Completion

Completion of the sale and purchase of the Sale Shares will take place on the third business day following the day on which the last of the conditions mentioned above is fulfilled (or, with respect to condition (ii) above only, waived), which will be no later than the long stop date of 30th November, 2005. Further announcements will be made when the last of the conditions is fulfilled (or, with respect to condition (ii) above only, waived) and when completion takes place, or if completion does not take place on or before 30th November, 2005.

If the above conditions are fulfilled (or with respect to condition (ii) above only, waived) but either HKCB or INFL fails to proceed to completion of the sale and purchase of the Sale Shares, the deposit will be refunded with accrued interest and the party in default will indemnify the party not in default against all reasonable costs properly incurred, whereupon the Agreement will terminate.

LETTER FROM THE BOARD

If the above conditions are fulfilled (or with respect to condition (ii) above only, waived) but INFL fails to pay the balance of the consideration, the deposit will be forfeited by HKCB and INFL will indemnify HKCB against all reasonable costs properly incurred, whereupon the Agreement will terminate.

On completion of the sale and purchase of the Sale Shares, the balance of the consideration, being HK\$174,000,000, will be paid by INFL to HKCB.

INFORMATION ABOUT THE HKBLA GROUP

HKBLA is a company incorporated in Hong Kong with limited liability, with its securities listed on the Main Board of the Stock Exchange.

The principal business activities of the HKBLA Group comprise investment holding, treasury investments and the provision of mortgage finance and other related services.

INFORMATION ABOUT INFL, UAF AND THE GROUP

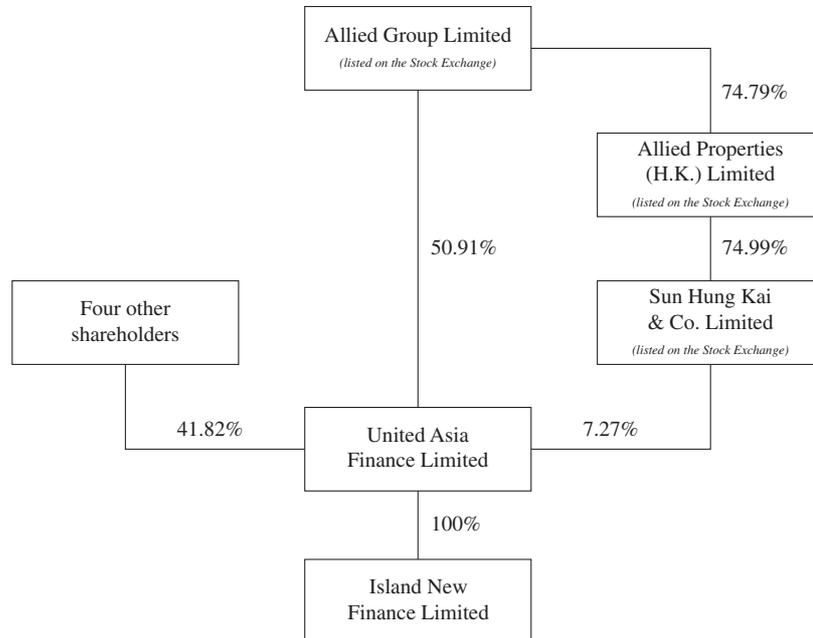
INFL is an indirect wholly-owned subsidiary of UAF. As at the Latest Practicable Date, UAF was owned:

- indirectly, as to approximately 50.91 per cent. by the Company;
- indirectly, as to approximately 7.27 per cent. by Sun Hung Kai, the securities of which are listed on the Stock Exchange and is indirectly owned as to approximately 74.99 per cent. by the Company; and
- by four other shareholders, none of whom had a controlling interest in UAF.

The four other shareholders and their respective ultimate owners are all independent third parties who are, other than at the level of UAF, not connected with the Company, any of its subsidiaries or any of their respective associates, or any of the connected persons of the Company, any of its subsidiaries or any of their respective associates. As at the Latest Practicable Date, none of such four shareholders or their respective ultimate owners owned any Share.

LETTER FROM THE BOARD

An overview of the shareholding structure of INFL as at the Latest Practicable Date is set out below:



Note: Wholly-owned intermediate holding companies are not shown in the above chart.

The principal business activities of the Group comprise property development and investment, hospitality related activities, and the provision of financial services (including consumer financing).

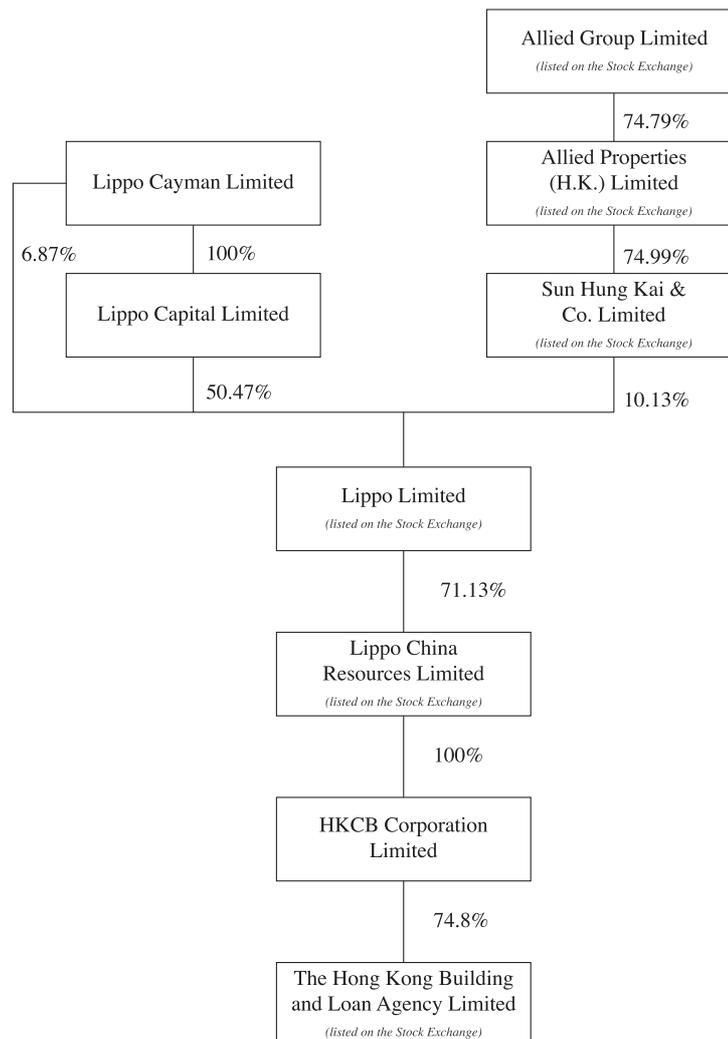
Following completion of the acquisition of the Sale Shares, the Group will be in a position to streamline its loan and finance business into two arms, with the Group continuing its business of the provision of consumer finance and the HKBLA Group continuing to focus on the provision of mortgage finance and other secured finance, thereby expanding its overall market share with the ability to provide a wide range of finance products and other related services.

LETTER FROM THE BOARD

INFORMATION ABOUT LIPPO, LCR AND HKCB

To the best of the Directors' knowledge, HKCB is an indirect wholly-owned subsidiary of LCR, and LCR is, in turn, indirectly owned as to approximately 71.13 per cent. by Lippo.

An overview of the shareholding structure of HKBLA as at the Latest Practicable Date is set out below:



Note: Wholly-owned intermediate holding companies are not shown in the above chart.

Following completion of the sale of the Sale Shares, neither Lippo nor any party acting in concert with it will own any Share.

Lippo is a company incorporated in Hong Kong with limited liability, with its securities listed on the Main Board of the Stock Exchange. Public records show that the principal business activities of Lippo and its subsidiaries, associates and jointly controlled entity comprise investment holding, property investment and development, food businesses, property management, fund management, underwriting, corporate finance, securities broking, securities investment, treasury investment, money lending, banking and other related financial services.

LETTER FROM THE BOARD

LCR is a company incorporated in Hong Kong with limited liability, with its securities listed on the Main Board of the Stock Exchange. Public records show that the principal business activities of LCR and its subsidiaries, associates and jointly controlled entity comprise investment holding, property investment and development, food businesses, property management, fund management, underwriting, corporate finance, securities broking, securities investment, treasury investment, money lending, banking and other related financial services.

The Directors are advised that HKCB is engaged principally in investment holding.

As at the Latest Practicable Date, the Company had an indirect interest of approximately 10.13 per cent. in Lippo. To the best of the Directors' knowledge, other than such indirect interest, HKCB, LCR, Lippo and their respective ultimate owners are independent third parties not connected with the Company, any of its subsidiaries or any of their respective associates, or any of the connected persons of the Company, any of its subsidiaries or any of their respective associates.

REASONS FOR AND BENEFITS OF THE ACQUISITION OF THE SALE SHARES

In respect of its loan and consumer finance business, the Group recorded a turnover of approximately HK\$763.3 million for the year ended 31st December, 2003, representing approximately 47.43 per cent. of the total turnover of the Group for such year, and a turnover of approximately HK\$790.7 million for the year ended 31st December, 2004, representing approximately 41.38 per cent. of the total turnover of the Group for such year.

The Group is interested in participating in the recovery in the Hong Kong economy by expansion of its loan and consumer finance business. This objective may be pursued by continuing expansion of its existing business operations and through acquisitions of other companies in the industry, as and when opportunities arise. The acquisition of the Sale Shares is considered to represent a suitable investment opportunity for the Group.

As at 31st December, 2004 (being the date up to which the latest published audited consolidated accounts of the HKBLA Group were prepared), the HKBLA Group was debt-free and maintained a strong liquidity position. For the year ended 31st December, 2004, the HKBLA Group recorded a total turnover of approximately HK\$189,682,000. The price of approximately HK\$1.0932 per Share at which the Sale Shares are to be acquired under the Agreement represents a premium of approximately 12.12 per cent. over the audited consolidated net asset value per Share of approximately HK\$0.975 as at 31st December, 2004.

Having regard to the financial position and business operation of the HKBLA Group, the Directors believe that the terms of the acquisition of the Sale Shares are fair and reasonable and in the interests of the shareholders of the Company taken as a whole.

It is the intention of INFL to maintain, following completion of the acquisition of the Sale Shares, the existing business activities of the HKBLA Group, in particular its mortgage finance business, through the use of the HKBLA brand name. There is no current plan to inject any business of the Group into the HKBLA Group or to dispose of any substantial part of the assets of the HKBLA Group.

LETTER FROM THE BOARD

Following completion of the acquisition of the Sale Shares, the Group will be in a position to streamline its loan and finance business into two arms, with the Group continuing its business of the provision of consumer finance and the HKBLA Group continuing to focus on the provision of mortgage finance and other secured finance, thereby expanding its overall market share with the ability to provide a wide range of finance products and other related services. Based on the audited results of HKBLA for the year ended 31st December, 2004, a goodwill of approximately HK\$19,907,000 will arise from the acquisition of the Sale Shares. Such goodwill will not be amortised but will be subject to annual impairment reviews as stipulated under the Hong Kong Financial Reporting Standards. Notwithstanding such goodwill, the Directors do not expect any material impact on the net tangible assets or earnings of the Group as a whole.

LISTING RULES IMPLICATIONS

The acquisition of the Sale Shares constitutes a discloseable transaction for the Company under the Listing Rules, on the basis that the calculations of the revenue ratio and the consideration ratio are within the range of 5 per cent. and 25 per cent.

POSSIBLE MANDATORY CASH OFFER

Upon completion of the acquisition of the Sale Shares, INFL will own 168,313,038 Shares, representing approximately 74.8 per cent. of the issued share capital of HKBLA. Under Rule 26.1 of the Takeovers Code, INFL is required to make a mandatory cash offer for all the Shares that are not already owned or agreed to be acquired by it, at HK\$1.0933 per Share.

Shareholders are referred to the joint announcement of the Company and INFL dated 6th July, 2005 for details of such offer. An offer document is expected to be despatched by INFL to shareholders of HKBLA in connection with such offer within seven days of fulfilment (or, with respect to one condition only, waiver) of all the conditions under the Agreement. Further announcements will be made on the timing of the despatch of the offer document.

GENERAL INFORMATION

Your attention is also drawn to the general information set out in the Appendix to this circular.

Yours faithfully,
For and on behalf of the Board of
Allied Group Limited
Edwin Lo King Yau
Director

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, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular 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 or 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 or short positions 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 Listing Companies, to be notified to the Company and the Stock Exchange:

Name of Director	Name of company	Number of shares held	Approximate % of the issued share capital	Nature of interest
Lee Seng Hui	The Company	101,906,613	39.36%	Personal interest (held as beneficial owner) in 22,921 shares and other interest in 101,883,692 shares (<i>Note 1</i>)
Lee Su Hwei	The Company	101,883,692	39.35%	Other interest (<i>Note 1</i>)

Notes:

- Mr. Lee Seng Hui and Ms. Lee Su Hwei are trustees of Lee and Lee Trust, a discretionary trust which indirectly held 101,883,692 shares of the Company.
- The interests stated above represented long positions.

(b) Substantial Shareholders

Save as disclosed below and in paragraph (a) above, the Directors and 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 (including options) 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 Divisions 2 and 3 of Part XV of the SFO, or who, as at the Latest Practicable Date, was directly or indirectly interested in ten per cent. 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 of the Company

Name of Shareholder	Number of shares held	Approximate % of the issued share capital	Notes
Cashplus Management Limited ("Cashplus")	26,039,000	10.05%	–
Zealous Developments Limited ("Zealous")	26,039,000	10.05%	1, 2
Minty Hongkong Limited ("Minty")	75,844,692	29.30%	–
Lee and Lee Trust	101,883,692	39.35%	3, 4
COL Capital Limited ("COL Capital")	23,792,494	9.19%	5

Notes:

1. This figure refers to the same interest of Cashplus in 26,039,000 shares of the Company.
2. Cashplus is a wholly-owned subsidiary of Zealous. Zealous was therefore deemed to have an interest in the shares in which Cashplus was interested.
3. Minty and Zealous are wholly owned by the trustees of Lee and Lee Trust, a discretionary trust.
4. Mr. Lee Seng Hui and Ms. Lee Su Hwei, both Directors, together with Mr. Lee Seng Huang, are the trustees of Lee and Lee Trust and were therefore deemed to have an interest in the shares in which Minty and Zealous were interested.

5. The interest includes the holding of: (i) 16,337,170 shares held by Honest Opportunity Limited (“Honest Opportunity”), a wholly-owned subsidiary of Classic Fortune Limited (“Classic Fortune”) which in turn is a wholly-owned subsidiary of COL Capital; and (ii) 7,455,324 shares held by Focus Clear Limited (“Focus Clear”), a wholly-owned subsidiary of Besford International Limited (“Besford”) which in turn is a wholly-owned subsidiary of COL Capital. COL Capital was therefore deemed to have an interest in the shares in which Honest Opportunity, Classic Fortune, Focus Clear and Besford were interested.
6. All interests stated above represented long positions.

(ii) Interests in other members of the Group

Name of non-wholly owned subsidiaries of the Company	Name of shareholder	Number of shares held	Approximate % of the issued share capital
Best Decision Investments Limited	Mr. Christophe Lee Kin Ping	17,500	35%
Dalian Allied First Financial Centre Co. Ltd.	大連商業集團總公司	N/A	30%
Dalian Lianhua Plaza Development Co., Ltd.	大連民興房地產發展有限公司	N/A	20%
Hardy Wall Limited	Betterhuge Limited	35	35%
SHK Financial Data Limited	Unison Information Limited	49	49%
United Asia Finance Limited	ITOCHU Hong Kong Limited	25,625,000	19%

3. DIRECTORS' SERVICE CONTRACTS

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 (as defined in the Listing Rules) was considered to have interests in any competing businesses pursuant to the Listing Rules:

- (i) Mr. Lee Seng Hui and Ms. Lee Su Hwei are two of the trustees of Lee and Lee Trust which is a deemed substantial shareholder of each of Allied Properties (H.K.) Limited (“Allied Properties”), Sun Hung Kai, Tian An China Investments Company Limited (“Tian An”) and Lippo which, through their subsidiaries, are partly engaged in the businesses as follows:
 - Allied Properties, through a subsidiary, is partly engaged in the business of money lending;
 - Sun Hung Kai, through certain of its subsidiaries, is partly engaged in the businesses of money lending, provision of financial services and property investment;
 - Tian An, through a subsidiary, is partly engaged in the business of money lending; and
 - Lippo, through its subsidiaries, is partly engaged in the businesses of property investment and development, securities investment, securities broking, money lending, banking and other related financial services;
- (ii) Mr. Arthur George Dew is a director of Sun Hung Kai which, through certain of its subsidiaries, is partly engaged in the businesses of money lending, provision of financial services and property investment; and
- (iii) Mr. Edwin Lo King Yau is a director of Tian An which, through a subsidiary, is partly engaged in the business of money lending.

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. LITIGATION

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

- (a) On 4th February, 2004, Sun Tai Cheung Credits Limited (“STCC”), and Sun Hung Kai Investment Services Limited (“SHKIS”), both indirect wholly-owned subsidiaries of Sun Hung Kai, were served with a writ attaching a statement of claim (“200/2004”) by Shanghai Finance Holdings Limited claiming, inter alia, that the sale of the shares in Shun Loong Holdings Limited (“Shun Loong Shares”) by STCC as assignee to SHKIS (for a consideration of HK\$36,500,000 subject to additional amounts in a total sum not exceeding HK\$15,700,000 which might have been payable one year from the date of completion under certain conditions) pursuant to the sale and purchase agreement dated 25th June, 2003 be set aside, or alternatively, against STCC for damages and an account as to the amount received by STCC in respect of the Shun Loong Shares. The writ is being vigorously defended. STCC and SHKIS were properly advised at all times during the transaction and believe that the claim is not soundly based and have applied to have the claim struck-out. The proceedings have been stayed until further order by the court.
- (b) By the Judgment of the High Court of Hong Kong on 1st April, 2004 (“Judgment”) in HCA3191/1999 between New World Development Company Limited (“NWDC”) and Stapleton Development Limited against Sun Hung Kai Securities Limited (“SHKS”), a wholly-owned subsidiary of Sun Hung Kai, SHKS was ordered to pay NWDC the sum of HK\$105,534,018 together with interest on the principal sum of HK\$80,117,653 at the judgment rate from 16th December, 1998 until payment, pursuant to the terms of an oral agreement which the Court found (“Oral Agreement”). As at 17th June, 2004, the date when the Judgment sum was to be paid, the Judgment amounted to HK\$150,115,682 (being HK\$105,534,018 plus interest of HK\$44,581,664). SHKS appealed against the Judgment to the Court of Appeal that the Court has now handed down its decision in which it rejected the major part of SHKS’s appeal but allowed a reduction in the interest paid in the amount of HK\$14,783,091. NWDC has now repaid that amount to SHKS. SHKS has now filed a notice of intention to appeal to the Court of Final Appeal.
- (c) Shun Loong Finance Limited and Shun Loong Holdings Limited (together the “Petitioners”), both wholly-owned subsidiaries of Sun Hung Kai, filed a winding-up petition on 19th February, 2004 in the British Virgin Islands (“B.V.I.”) seeking an order that Shanghai Finance Holdings Limited be wound up by reason of its failure to pay debts owing to the Petitioners. The B.V.I. proceedings were stayed by order of the B.V.I. court. The Petitioners have appealed that decision but have agreed not to pursue the appeal during the stay of 200/2004.

- (d) Sun Hung Kai, STCC and SHKIS filed a writ on 7th February, 2004 (230/2004) naming as defendants Shanghai Land Holdings Limited, Stephen Liu Yiu Keung, Yeo Boon Ann, The Standard Newspapers Publishing Limited and Hong Kong Economic Times Limited and claiming damages for libel, injunctive relief, interest and costs. The case remains at an early stage.
- (e) SHKIS filed a notice of action on 8th June, 2004 in Canada naming as defendants Sung Chun (“Sung”), Song Lei (“Song”) and the Bank of Montreal claiming from Sung and Song reimbursement for funds totalling US\$1,300,000 transferred by them in addition to costs, and against the Bank of Montreal for an injunction freezing the subject funds or alternatively for payment of the funds into court. SHKIS discontinued the action in respect of the Bank of Montreal, and agreed to a dismissal of the action against Song. The funds are currently in the custody of the Superior Court of Justice. On 31st March, 2005, the Court granted summary judgment to SHKIS in the amount of Canadian currency sufficient to purchase HK\$10,533,000 plus prejudgment and postjudgment interest thereon.
- (f) SHKIS filed a writ on 23rd July, 2004 in Hong Kong naming as defendants Sellon Enterprises Limited (“Sellon”), Sung and Song and seeking a declaration from Sellon holds property wholly or in part on trust for SHKIS.

6. MISCELLANEOUS

- (a) The secretary of the Company is Ms. Phoebe Lau Mei Yi. She is an associate member of The Hong Kong Institute of Company Secretaries and of The Institute of Chartered Secretaries and Administrators.
- (b) The qualified accountant of the Company is Mr. Kelvin Lam Kam Wing. He obtained a Master’s Degree in Business Administration from The Chinese University of Hong Kong in 1999, and is a fellow of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants.
- (c) 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.
- (d) This circular is prepared in both English and Chinese. In the event of inconsistency, the English text shall prevail.