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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)



ALLIED PROPERTIES (H.K.) LIMITED

(聯合地產(香港)有限公司)

(Incorporated in Hong Kong with limited liability)

(Stock Code: 56)

Discloseable Transaction

Discloseable Transaction

TRANSACTION OF CONSTRUCTION EQUIPMENT BUSINESS

On 17 April 2014 (after trading hours), the Purchaser and the Vendor entered into the Agreement, pursuant to which the Purchaser conditionally agreed to purchase and the Vendor conditionally agreed to sell the Target Assets for a consideration of HK\$127,500,000, which shall be settled by the Purchaser to the Vendor in cash. The Target Assets comprise the Target Shares and the Target Loans. The Target Shares represent the entire issued share capital of the Target Entities, and the Target Loans represent the entire amount due from the Target Group to the Vendor.

The Vendor is a wholly-owned subsidiary of Eagle Legend. Completion is conditional upon, amongst other things, approval to be obtained by Eagle Legend on the Transaction from (i) the Stock Exchange for the issuance of a circular by Eagle Legend; and (ii) its shareholders at its extraordinary general meeting.

The Purchaser is a wholly-owned subsidiary of APL. APL is owned as to 74.99% by AGL and therefore a subsidiary of AGL. For each of AGL and APL, as one of the applicable Percentage Ratios is more than 5% but less than 25%, the Transaction constitutes a discloseable transaction for each of AGL and APL pursuant to Rule 14.06(2) of the Listing Rules and is subject to announcement and reporting requirements under Chapter 14 of the Listing Rules.

The Transaction is subject to the satisfaction of the conditions precedent to the Agreement, which may or may not complete. Shareholders and potential investors of AGL and APL and holders of APL Warrants are advised to exercise caution when dealing in the securities of AGL and APL.

THE TRANSACTION

On 17 April 2014 (after trading hours), the Purchaser and the Vendor entered into the Agreement, pursuant to which the Purchaser conditionally agreed to purchase and the Vendor conditionally agreed to sell the Target Assets for a consideration of HK\$127,500,000. Major terms of the Agreement are set out below.

The Agreement

Date : 17 April 2014 (after trading hours)

Parties : (i) Joy Club Enterprises Ltd., a wholly-owned subsidiary of APL, as the Purchaser; and

(ii) Chief Key Limited, a wholly-owned subsidiary of Eagle Legend, as the Vendor.

The Vendor is a company incorporated in the British Virgin Islands with limited liability and is a wholly-owned subsidiary of Eagle Legend. The principle activity of the Vendor is investment holding. To the best knowledge, information and belief of the AGL Directors and APL Directors, having made all reasonable enquiries, none of the Vendor and its ultimate beneficial owners is a connected person of AGL and/or APL or their respective associates (as defined in the Listing Rules).

Assets to be acquired

The Target Assets comprise the Target Shares and the Target Loans. The Target Shares represent the entire issued share capital of the Target Entities, and the Target Loans represent the entire amount due from the Target Group to the Vendor.

Consideration

The Consideration of HK\$127,500,000 shall be paid to the Vendor, or as it may direct, as follows:

- (a) HK\$6,375,000, being 5% of the Consideration as deposit (the “**Deposit**”), has been paid upon signing of the Agreement; and
- (b) HK\$121,125,000, being 95% of the Consideration, will be paid at Completion.

Upon Completion, the Deposit will be applied as partial payment of the Consideration. In the event that Completion does not take place by 31 July 2014 or the Agreement is otherwise terminated, the Vendor shall refund the Deposit to the Purchaser within 3 Business Days.

The Consideration was determined after arm’s length negotiations between the Purchaser and the Vendor with the reference to the unaudited consolidated net profit after tax, extraordinary items and non-controlling interest of the Target Entities of approximately HK\$9.6 million and HK\$11.8 million, respectively as at 31 December 2013. The Consideration represents approximately 6 times earnings over the Target Entities, which the AGL Board and APL Board consider fair and reasonable.

Conditions precedent

Completion is conditional upon the satisfaction of the following conditions:

- (a) approval having been obtained from the Stock Exchange for the issuance by Eagle Legend of a circular to its shareholders in respect of the Transaction;
- (b) the passing of resolution(s) by the shareholders of Eagle Legend in accordance with the Listing Rules and all applicable laws at its extraordinary general meeting to be convened approving the Agreement and the transaction contemplated hereunder;
- (c) all necessary consents, approvals and waivers from any relevant governmental or regulatory authority or agency, financial institutions, suppliers or customers for the transactions contemplated under the Agreement having been obtained, and such consents, approvals and waivers not having been amended or revoked before Completion; and
- (d) the representations, warranties and undertakings contained the Agreement remaining true and accurate and not misleading at Completion and at all times between the date of the Agreement and the date of Completion.

The Purchaser is entitled to waive conditions (c) and (d) above.

Eagle Legend International Holdings Limited, the controlling shareholder holding 75% voting rights in Eagle Legend, has given its undertaking to the Purchaser to vote for the Transaction at the extraordinary general meeting of Eagle Legend. If the above conditions precedent to the Agreement are not fulfilled or waived (as the case maybe) on or before 31 July 2014 (or such later date as the parties may agree in writing), the Agreement shall on that date cease and terminate and no party shall have any claim against each other and no party shall have any obligations or liabilities under the Agreement save for any antecedent breaches of the terms thereof.

Undertaking, Warranties and Indemnity

Each of the Vendor and the Purchaser has given customary warranties to the other party.

The Purchaser agrees and undertakes to exercise its reasonable endeavors to procure that all guarantees and/or security documents given by Eagle Legend to banks and/or other financial institutions to secure the liability and/or indebtedness of the Target Group shall be released as soon as reasonably practicable and in any event before the expiry of 12 months (or such longer period as Eagle Legend shall approve in writing) from Completion. The Purchaser undertakes to indemnify Eagle Legend against its liability to the banks and/or other financial institutions for any such guarantee and/or security documents provided by Eagle Legend after Completion, subject to a maximum amount of HK\$173,372,000.

Completion

Completion shall take place within 5 Business Days after the date on which all the conditions have been satisfied or waived (or such other time and/or date as the Vendor and the Purchaser may agree in writing).

Upon Completion, the Target Entities will become indirect subsidiaries of APL and AGL.

INFORMATION OF THE TARGET GROUP

The Target Group is principally engaged in the sale and rental of construction equipment in Hong Kong, Macau and Singapore. The Target Entities comprise Chief Strategy and Gold Lake.

The Target Loans represent the entire amount due from Target Group to the Vendor, which amounted to HK\$56,295,414 as at 28 February 2014.

Chief Strategy is incorporated in the British Virgin Islands with limited liability and principally engaged in leases and sales of construction equipment in Hong Kong and Macau. The unaudited consolidated financial information of Chief Strategy for each of the years ended 31 December 2012 and 2013 are set out in the following table:

For the year ended 31 December	2012 <i>(HK\$'000)</i>	2013 <i>(HK\$'000)</i>
Revenue	43,789	88,682
Net (loss)/profit before tax, extraordinary items and non-controlling interest	(3,110)	11,792
Net (loss)/profit after tax, extraordinary items and non-controlling interest	(2,015)	11,842
Net assets attributable to owners of Chief Strategy	58,672	71,735

Gold Lake is incorporated in the British Virgin Islands with limited liability and principally engaged in leases and sales of construction equipment in Singapore. The unaudited consolidated financial information of Gold Lake for each of the years ended 31 December 2012 and 2013 are set out in the following table:

For the year ended 31 December	2012 <i>(HK\$'000)</i>	2013 <i>(HK\$'000)</i>
Revenue	167,110	202,977
Net profit before tax, extraordinary items and non-controlling interest	16,348	11,472
Net profit after tax, extraordinary items and non-controlling interest	14,135	9,551
Net assets attributable to owners of Gold Lake	93,815	101,872

INFORMATION ABOUT AGL, APL AND THE PURCHASER

AGL 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 activities of its major subsidiaries are property investment and development, hospitality related activities, the provision of financial services and investments in listed and unlisted securities.

APL is a company incorporated in Hong Kong with limited liability, the securities of which are listed on the main board of the Stock Exchange. The principal business activities of its major subsidiaries are property investment and development, hospitality related activities, the provision of financial services and investments in listed and unlisted securities. As at the date of this joint announcement, APL is beneficially owned as to approximately 74.99% by AGL.

The Purchaser is a company incorporated in the British Virgin Islands with limited liability. The principal business activity of the Purchaser is investment holding. As at the date of this joint announcement, the Purchaser is a wholly-owned subsidiary of APL.

REASONS FOR THE TRANSACTION

AGL and APL have been seeking investment opportunities which will strengthen and broaden AGL's and APL's earnings base. Cash and cash equivalents of AGL and APL amounted to approximately HK\$4,996.9 million and HK\$4,383.1 million as at 31 December 2013 respectively. The Target Business engaged by the Target Group for sale and rental of construction equipment in Hong Kong, Macau and Singapore represents a diversified addition to APL's existing portfolio of companies at a reasonable valuation of approximately six times earnings over the Target Entities.

With the prevailing demand for property development and construction works in Singapore, Hong Kong and PRC, the future prospect of the Target Business is expected to continue to grow.

Having considered the above-mentioned factors, the AGL Board and APL Board are of the view that the terms of the Agreement are fair and reasonable and that the Transaction is in the interests of the shareholders of AGL and APL as a whole.

GENERAL

For each of AGL and APL, as one of the applicable Percentage Ratios is more than 5% but less than 25%, the Transaction constitutes a discloseable transaction for each of AGL and APL pursuant to Rule 14.06(2) of the Listing Rules and is subject to announcement and reporting requirements under Chapter 14 of the Listing Rules.

The Transaction is subject to the satisfaction of the conditions precedent to the Agreement, which may or may not complete. Shareholders and potential investors of AGL and APL and holders of APL Warrants are advised to exercise caution when dealing in the securities of AGL and APL.

DEFINITIONS

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

“AGL”	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)
“AGL Board”	board of AGL Directors
“AGL Directors”	directors of AGL
“Agreement”	the conditional sale and purchase agreement dated 17 April 2014 entered into between the Vendor and the Purchaser in relation to the sale and purchase of the Target Assets
“APL”	Allied Properties (H.K.) Limited, a company incorporated in Hong Kong with limited liability, the securities of which are listed on the main board of the Stock Exchange (Stock Code: 56 and Warrant Code: 1183) and a non wholly-owned subsidiary of AGL
“APL Board”	board of APL Directors
“APL Directors”	directors of APL
“APL Share(s)”	ordinary share(s) of APL
“APL Warrants”	listed warrants issued by APL which carry rights to subscribe for APL Shares, details of which were disclosed in APL’s announcement dated 8 June 2011 (Warrant Code: 1183)
“Business Day(s)”	a day (other than a Saturday, Sunday, public holidays and days on which a tropical cyclone warning signal no. 8 or above or a black rainstorm warning signal is hosted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which banks in Hong Kong are generally open for business throughout their normal business hours
“Chief Strategy”	Chief Strategy Limited, a company incorporated in the British Virgin Islands with limited liability and is a wholly-owned subsidiary of the Vendor as at the date of this joint announcement

“Completion”	completion of the Agreement
“Consideration”	HK\$127,500,000, being the total amount payable by the Purchaser to the Vendor for the Transaction
“Eagle Legend”	Eagle Legend Asia Limited, 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: 936)
“Gold Lake”	Gold Lake Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and is a wholly-owned subsidiary of the Vendor as at the date of this joint announcement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“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
“PRC”	the People’s Republic of China
“Purchaser”	Joy Club Enterprises Ltd., a company incorporated in the British Virgin Islands with limited liability and is a wholly-owned subsidiary of APL
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Assets”	the Target Shares and the Target Loans
“Target Business”	the business of sale and rental of construction equipment in Hong Kong, Macau and Singapore
“Target Entities”	Chief Strategy and Gold Lake
“Target Group”	the Target Entities and their subsidiaries

“Target Loans”	the entire shareholders’ loans owed by the Target Group to the Vendor in an aggregate sum of HK\$56,295,414 as at 28 February 2014
“Target Shares”	being the entire issued share capital of the Target Entities
“Transaction”	the acquisition of the Target Shares and the Target Loans pursuant to the terms and conditions of the Agreement
“Vendor”	Chief Key Limited, a company incorporated in the British Virgin Islands with limited liability and is a wholly-owned subsidiary of Eagle Legend
“%”	per cent.

On behalf of the AGL Board
Allied Group Limited
Edwin Lo King Yau
Executive Director

On behalf of the APL Board
Allied Properties (H.K.) Limited
Li Chi Kong
Executive Director

Hong Kong, 17 April 2014

As at the date of this joint announcement, the AGL 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.

As at the date of this joint announcement, the APL Board comprises Messrs. Lee Seng Hui (Chief Executive), Li Chi Kong and Mark Wong Tai Chun being the Executive Directors; Mr. Arthur George Dew (Chairman) being the Non-Executive Director; and Messrs. Steven Samuel Zoellner, Alan Stephen Jones and David Craig Bartlett being the Independent Non-Executive Directors.