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*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 86)**

## **CONTINUING CONNECTED TRANSACTIONS**

### **SHARING OF MANAGEMENT SERVICES AGREEMENTS**

The Company entered into the Renewed Sharing of Management Services Agreement with AGL on 31 January 2008 pursuant to which the Company agreed to extend the term of the Sharing of Management Services Agreement in relation to the Management Services provided by the Management Staff to the Group and the reimbursement of costs payable to AGL.

QHA, a listed subsidiary of the Company, also entered into the QHA Management Services Agreement with AGL on 31 January 2008 in relation to the Management Services provided by the Management Staff to the QHA Group and the reimbursement of costs payable to AGL.

In view of the fact that the Company is held as to approximately 58.55% by APL, which is in turn held as to approximately 73.82% by AGL, AGL is a connected person of the Company and accordingly, the entering into of the Renewed Sharing of Management Services Agreement by the Company and the QHA Management Services Agreement by QHA and the transactions contemplated thereunder will constitute continuing connected transactions for the Company under Rule 14A.14 of the Listing Rules.

As it is anticipated that one or more of the relevant percentage ratios (other than the profit ratio) set out in Rule 14.07 of the Listing Rules in respect of the aggregate fees payable by the Company and its listed subsidiary, QHA, to AGL for the sharing of the Management Services under the Renewed Sharing of Management Services Agreement and the QHA Management Services Agreement respectively will, on an annual basis, be (i) less than 2.5%; or (ii) equal to or more than 2.5% but less than 25% and the annual consideration will be less than HK\$10,000,000, the entering into of the Renewed Sharing of Management Services Agreement by the Company and the QHA Management Services Agreement by QHA, each of which is on normal commercial terms, and the transactions contemplated thereunder will constitute continuing connected transactions for the Company under Rule 14A.34 of the Listing Rules which will be subject to reporting and announcement requirements but will be exempted from independent shareholders' approval requirements under the Listing Rules. Details of the QHA Management Services Agreement were disclosed in the separate announcement of QHA dated 1 February 2008.

Details of the Renewed Sharing of Management Services Agreement, the QHA Management Services Agreement and the transactions contemplated thereunder will be included in the Company's next published annual report and accounts in accordance with Rules 14A.45 and 14A.46 of the Listing Rules.

## **BACKGROUND**

The Company had entered into the Sharing of Management Services Agreement with AGL on 31 October 2005 for a term of three years commencing from 1 January 2005 pursuant to which the Management Staff would provide to the Group with the Management Services and the Group would reimburse the relevant costs to AGL.

The Sharing of Management Services Agreement had expired on 31 December 2007 and the parties thereto agreed to renew and extend the term of the Sharing of Management Services Agreement for a period of 3 years commencing from 1 January 2008 to 31 December 2010.

## **RENEWED SHARING OF MANAGEMENT SERVICES AGREEMENT**

|                        |   |
|------------------------|---|
| Date:                  | 31 January 2008.  |
| Parties:               | The Company and AGL.  |
| Effective period:      | Three years commencing from 1 January 2008.   |
| Nature of transaction: | The Company agreed to reimburse AGL the costs incurred in respect of the Management Services provided by the Management Staff to the Group.   |
| Terms:                 | The Company 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 Management Staff providing the Management Services to the Group, which will be payable by the Group on a quarterly basis. Such percentage varies between each member of the Management Staff and the percentage of remuneration of the individual member of the Management Staff reimbursed by the Group would be determined by reference to the percentage of the time devoted by the individual member of the Management Staff to the affairs of the Group against the amount of time he would otherwise devote to the affairs of AGL. |
| Annual cap:            | The aggregate sum of HK\$2,800,000, HK\$3,080,000 and HK\$3,400,000 for the three financial years ending 31 December 2010 respectively.   |
| Historical figures:    | Prior to the signing of the Renewed Sharing of Management Services Agreement, the aggregate amount of fees paid and payable by the Group to AGL for the Management Services provided by the Management Staff for each of the three financial years ended 31 December 2007 were approximately HK\$2,220,000, HK\$2,350,000 and HK\$2,500,000 respectively. The said historical service charges reflected the actual level of requirement for the Management Services that were provided by the Management Staff.   |

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| Basis of determining the annual cap:         | In determining the annual cap, besides taking into account the aforementioned service fees paid and payable by the Group for each of the three financial years ended 31 December 2007, the Directors have also taken into consideration the existing scales of the Group's operations and, for the purpose of determining the annual cap only, the anticipated growth of the Group, the anticipated increase in the remuneration of those Management Staff personnel who are involved in providing the management, consultancy, strategic and business advice services to the Group, and having done so, for the three financial years ending 31 December 2010, the annual amount payable by the Group in respect of the Management Services under the Renewed Sharing of Management Services Agreement is expected not to exceed HK\$2,800,000, HK\$3,080,000 and HK\$3,400,000 respectively and accordingly, the above figures have been adopted as the annual cap for the transactions under the Renewed Sharing of Management Services Agreement in respect of the same period. |
| Reasons for and benefits of the transaction: | The Directors consider that the sharing of the Management Services arrangement will benefit the Group in that both AGL and the Group can enjoy economies of scale brought by the sharing of the Management Services which will maximise cost efficiency and management effectiveness. In addition, since members of the Management Staff will devote part of their time to the affairs of the Group in the course of performance of the Management Services to the Group, the Directors consider that it is reasonable for the 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 the Company is held as to approximately 58.55% by APL, which is in turn held as to approximately 73.82% by AGL, AGL is a connected person of the Company and accordingly, the entering into of the Renewed Sharing of Management Services Agreement by the Company and the QHA Management Services Agreement by QHA and the transactions contemplated thereunder will constitute continuing connected transactions for the Company under Rule 14A.14 of the Listing Rules.

As it is anticipated that one or more of the relevant percentage ratios (other than the profit ratio) set out in Rule 14.07 of the Listing Rules in respect of the aggregate fees payable by the Company and its listed subsidiary, QHA, to AGL for the sharing of the Management Services under the Renewed Sharing of Management Services Agreement and the QHA Management Services Agreement respectively will, on an annual basis, be (i) less than 2.5%; or (ii) equal to or more than 2.5% but less than 25% and the annual consideration will be less than HK\$10,000,000, the entering into of the Renewed Sharing of Management Services Agreement by the Company and the QHA Management Services Agreement by QHA, each of which is on normal commercial terms, and the transactions contemplated thereunder will constitute continuing connected transactions for the Company under Rule 14A.34 of the Listing Rules which will be subject to reporting and announcement requirements but will be exempted from independent shareholders' approval requirements under the Listing Rules. Details of the QHA Management Services Agreement were disclosed in the separate announcement of QHA dated 1 February 2008.

## **GENERAL**

The principal business activity of the Company is investment holding. The principal business activities of the Company's major subsidiaries are wealth management and brokerage, asset management, corporate finance, consumer finance as well as principal investments.

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

The Company will comply with the requirements under Rule 14A.36 of the Listing Rules if the aggregate value of the service fees paid for the Continuing Connected Transactions exceeds the relevant annual cap respectively during the three years ending 31 December 2010, or when the Renewed Sharing of Management Services Agreement and the QHA Management Services Agreement are further renewed or where there are material changes to the terms of the said agreements. The Company will also comply with the requirements under Rules 14A.37 to 14A.41 of the Listing Rules.

The Directors (including the Independent Non-Executive Directors) are of the view that the terms of the Renewed Sharing of Management Services Agreement were entered into after arm's length negotiations and reflect normal commercial terms and that the terms of the Renewed Sharing of Management Services Agreement are fair and reasonable so far as the Shareholders are concerned.

## **DEFINITIONS**

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

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| “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) and is a substantial shareholder of the Company through its interests in APL; |
| “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 is a substantial Shareholder of the Company;               |
| “Board”               | the board of directors of the Company;   |
| “Company”             | Sun Hung Kai & Co. 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: 86);   |
| “connected person(s)” | has the meaning ascribed thereto under the Listing Rules;  |

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| “Continuing Connected Transactions”                | the transactions regarding the sharing of the Management Services under the Renewed Sharing of Management Services Agreement and the QHA Management Services Agreement;  |
| “Director(s)”                                      | the director(s) of the Company;  |
| “Group”  | the Company and its subsidiaries (but excluding the QHA Group);  |
| “HK\$”   | Hong Kong dollars, 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;   |
| “Management Services”                              | the management, consultancy, strategic and business advice services provided by the Management Staff to the Group or the QHA Group as appropriate;   |
| “Management Staff”                                 | the senior management and the selective staff of AGL;  |
| “QHA”  | Quality HealthCare Asia Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 593) and is indirectly owned as to approximately 51.14% by the Company; |
| “QHA Group”  | QHA and its subsidiaries;  |
| “QHA Management Services Agreement”                | the agreement dated 31 January 2008 between QHA and AGL in respect of the sharing of the Management Services between AGL and the QHA Group;  |
| “Renewed Sharing of Management Services Agreement” | the agreement dated 31 January 2008 between the Company and AGL in respect of the renewal of the Sharing of Management Services Agreement;   |
| “Shareholder(s)”                                   | the shareholders of the Company;   |
| “Sharing of Management Services Agreement”         | the agreement dated 31 October 2005 between the Company and AGL in respect of the sharing of the Management Services between AGL and the Group;  |

“Stock Exchange”                      The Stock Exchange of Hong Kong Limited;

“substantial shareholder”            has the meaning ascribed thereto under the Listing Rules; and

“%”    per cent.

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

Hong Kong, 1 February 2008

*As at the date of this announcement, the Board comprises Messrs. Lee Seng Huang (Chairman) and Joseph Tong Tang being the Executive Directors; Messrs. Abdulhakeem Abdulhussain Ali Kamkar, Amin Rafie Bin Othman (alternate to Mr. Abdulhakeem Abdulhussain Ali Kamkar) and Patrick Lee Seng Wei being the Non-Executive Directors; and Messrs. David Craig Bartlett, Alan Stephen Jones, Carlisle Caldow Procter and Peter Wong Man Kong being the Independent Non-Executive Directors.*