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.

This announcement has been prepared pursuant to, and in compliance with, the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Hong Kong Code on Takeovers and Mergers and the Hong Kong Code on Share Repurchases and does not constitute an offer to buy, or a solicitation of an offer to sell or subscribe for, any securities or an invitation to enter into an agreement to do any such things, nor is it calculated to invite any offer to buy, sell or subscribe for any securities.



(聯合集團有限公司)

(Incorporated in Hong Kong with limited liability)

# PROPOSED OFFER

SUN HUNG KAI INTERNATIONAL LIMITED ON BEHALF OF

ALLIED GROUP LIMITED TO REPURCHASE UP TO 750,000,000 SHARES

AT HK\$0.50 PER SHARE (AS TO HK\$0.15 IN CASH AND HK\$0.35 IN THE FORM OF LOAN NOTE)

INVOLVING

AN APPLICATION IN RESPECT OF THE LEE AND LEE TRUST AND PARTIES ACTING

IN CONCERT WITH IT FOR A WAIVER FROM THE OBLIGATION TO MAKE A MANDATORY GENERAL OFFER FOR

ALL THE SHARES IN ALLIED GROUP LIMITED NOT BENEFICIALLY OWNED BY THE LEE AND LEE TRUST AND PARTIES ACTING

IN CONCERT WITH IT AND

A PROPOSED REDUCTION OF THE SHARE PREMIUM ACCOUNT OF ALLIED GROUP LIMITED

### DESPATCH OF THE CIRCULAR

The circular, encompassing the notice of the EGM, in relation to the proposed Offer (the "Circular"), was despatched to Shareholders on Friday, 9 May 2003.

Shareholders should read the Circular, including in particular the letter from CSC Asia Limited, being the independent financial adviser advising the Independent Board Committee which, in turn, advises the Independent Shareholders, carefully before taking any action in relation to the proposed Offer. Any Shareholder who is in any doubt, should consult his own professional advisers.

The making of the Offer will be conditional upon the fulfilment of the Conditions Precedent (being the passing by way of a poll of an ordinary resolution by the Independent Shareholders voting in ne making of the Offer will be conditional upon the fulfilment of the Conditions Precedent (being the passing by way of a poil of an ordinary resolution by the Independent Shareholders Noted in person or by proxy at the EGM for the approval of the proposed Offer, the issue of the Loan Notes, the Whitewash Waiver; the passing of a special resolution by the Independent Shareholders voting in person or by proxy at the EGM for the approval of a reduction of the share premium account of the Company by HK\$375 million; the confirmation by the Court of the reduction of the share premium account and the registration of the order of the Court by the Registrar of Companies; the granting of the Whitewash Wavier by the Executive and all of the conditions attaching thereto having been fulfilled; the approval by the SFC, as required by Section 132 of the Securities and Futures Ordinance ("SFO"), Chapter 571 of the laws of Hong Kong, of the proposed change in the identity of the substantial shareholder of those members of the Group which are classified as licensed corporations as defined under the SFO ("Licensed Corporations"); and the approval by any other relatively and the proposed is required under any applicable laws or regulations; in order for the Company validly to make the Offer). any other relevant regulatory authorities whose consent is required under any applicable laws or regulations in order for the Company validly to make the Offer).

WARNING: As the making of the proposed Offer is subject to the Conditions Precedent being fulfilled and therefore it may or may not be made. Shareholders and potential investors are therefore advised to exercise caution when dealing in the Shares in the meantime.

Reference is made to the announcements of the Company dated 16 January 2003 (the "Announcement"), 29 January 2003, 20 February 2003 and 13 March 2003. Unless the context requires otherwise, terms used herein shall have the same meanings as defined in the Announcement.

## DESPATCH OF THE CIRCULAR

The Circular, together with the form of proxy for the EGM to be held on Wednesday, 11 June 2003, was despatched to Shareholders on Friday, 9 May 2003.

Any Shareholder may collect a copy of the Circular and a form of proxy from the Registrar (being Computershare Hong Kong Investor Services Limited of Rooms 1901-5, 19th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong) between 9:00 a.m. and 5:00 p.m. (Hong Kong time) from Monday to Friday from Friday, 9 May 2003 up to the latest time to lodge form of proxy for the EGM (which is 9:50 a.m. on Monday, 9 June 2003), both dates inclusive. Such Shareholders may also contact the Registrar for any enquiries through the general telephone line at 2862 8628

The Circular contains, inter alia (i) a letter from the Board; (ii) a letter from SHKIL; (iii) a letter from the Independent Board Committee to the Independent Shareholders; (iv) a letter of advice from CSC Asia Limited, the independent financial adviser to the Independent Board Committee; (v) principal terms and conditions of the Offer; (vi) certain financial information of the Group, including a statement of the unaudited pro forma adjusted net tangible assets of the Group; (vii) valuation reports, (viii) principal terms and conditions of the Loan Notes; (ix) a notice convening the EGM to be held on Wednesday, 11 June 2003 and the respective form of proxy for the purpose of approving the proposed Offer, the issue of the Loan Notes, the Whitewash Waiver and the reduction of the Company's share premium account in connection with the proposed Offer; and (x) other information given in compliance with the Takeovers Code and the Repurchase Code.

## FINANCIAL INFORMATION OF THE GROUP

The following is the statement of the unaudited pro forma adjusted net tangible assets of the Group based on the audited consolidated financial statements of the Group as at 31 December 2002 and adjusted as follows

	HK\$'000
Audited Shareholders' funds of the Group as at 31 December 2002 (2002 annual report of the Company)	4,076,284
Unamortised goodwill on acquisition of  – subsidiaries  – associates	(22,918) (142,843)
Unamortised negative goodwill on acquisition of  – subsidiaries  – associates Intangible assets	762,295 139,522 (4,860)
Net tangible assets as at 31 December 2002	4,807,480
Deficit arising from the revaluation of properties and property interests of the Group as at 28 February 2003 (Notes 1, 2 and 5)	(39,771)
Reduction in minority interests and cash balances, and increase in loan notes on deemed acquisition of additional interest in Sun Hung Kai & Co. Limited (Note 3)	333 873

Reduction in minority interests and cash balances on acquisition of additional interest in Allied Properties (H.K.) Limited up to 31 March 2003 (Notes 4 and 5)

5,118,845 Unaudited pro forma adjusted net tangible assets of the Group before the Offer Estimated cost of the Offer (375,000)4.743.845 Unaudited pro forma adjusted net tangible assets of the Group after the Offer

HK\$'000

17,263

HK\$1.50

HK\$1.78

Unaudited pro forma adjusted net tangible assets of the Group per Share before the Offer (based on the number of 3,409,866,308 issued Shares)

Unaudited pro forma adjusted net tangible assets of the Group per Share after the Offer (based on the number of 2,659,866,308 issued Shares

upon the completion of the repurchase of the Shares under the Offer)

Notes

- This represents the deficit arising from the change in value of properties and property interests held by the Group as at 28 February 2003 as valued by professional valuers. Details of the valuation reports are set out in Appendix III to the Circular which were prepared specifically for the Circular.
- No material tax liability of the Group will crystallise on disposal of its properties, which are the subject of valuation by the professional valuers as set out in Appendix III to the Circular primarily due to tax losses brought forward.
- This represents the net effect of the reduction in minority interests and cash balances and increase in loan notes arising from the deemed acquisition of an additional 12.60% interest in the shares of Sun Hung Kai & Co. Limited held by Allied Properties (H.K.) Limited resulting from the completion of the repurchase by Sun Hung Kai & Co. Limited of its own shares in March 2003, which is calculated by reference to the audited consolidated net assets of Sun Hung Kai & Co. Limited at 31 December 2002 in its 2002 annual report after taking into account the reduction of cash balances and increase in loan notes. Immediately after the repurchase, the proportion of the nominal value of the issued share capital of Sun Hung Kai & Co. Limited attributable to Allied Properties (H.K.) Limited amounted to 74.27% (attributable to the Group amounted to 55.02%).
- This represents the net effect of the reduction in minority interests and cash balance on acquisition of additional interest in Allied Properties (H.K.) Limited up to 31 March 2003 and is calculated by reference to the audited consolidated net assets of Allied Properties (H.K.) Limited at 31 December 2002 in its 2002 annual report.
- Latest practicable date prior to the printing of the Circular for ascertaining information for the adjustments contained in this statem

## STATEMENT OF INDEBTEDNESS

At the close of business on 31 March 2003, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of the Circular, the Group had outstanding borrowings of approximately HK\$2,341.2 million, comprising secured bank loans of approximately HK\$1,766.0 million, unsecured bank loans and overdrafts of approximately HK\$108.8 million, 4% unlisted loan notes of approximately HK\$244.9 million, finance lease payable of approximately HK\$1.6 million, unsecured borrowings of approximately HK\$178.1 million from a jointly controlled entity, unsecured borrowings of approximately HK\$178.1 million from a jointly controlled entity, unsecured borrowings. of approximately HK\$36.8 million from associates and other unsecured borrowings of approximately HK\$5.0 million from third parties. The Group's banking facilities were secured by charges over its assets, including investment properties, hotel property, land and buildings, properties under development,

properties held for sale, consumer loans portfolio, bank deposits and bank balances and listed investments belonging to the Group and margin clients, together with certain securities in respect of listed subsidiaries held by the Company and its subsidiaries. In addition, the Group had contingent liabilities in the sum of approximately HK\$13.0 million in respect of guarantees for banking facilities granted to an investee company, indemnities on bank guarantees made available to a clearing house and regulatory body and indemnities to a financial institution for insurance products. There were also claims arising from the litigations with New World Development Company Limited and Shenzhen Building Materials Group Co. Limited, further particulars of which litigations are set out in the section headed "Litigation" in Appendix V to the Circular.

Foreign currency amounts have been translated into Hong Kong dollars at the rates of exchange prevailing at the close of business on 31 March 2003.

Save as aforesaid and apart from intra-group liabilities, the Group did not have any outstanding mortgages, charges, debenture or other loan capital or bank overdrafts, loans or other similar indebtedness or hire purchase commitments, liabilities under acceptances (other than normal trade bills) or acceptance credits or any guarantees or other material contingent liabilities at the close of business on 31 March 2003.

The expected timetable for the Offer is set out below. All references to time are to Hong Kong

Latest time to lodge form of proxy for the EGM ...........9:50 a.m. on Monday, 9 June 2003 . 9:50 a.m. (or so soon thereafter as the

Annual General Meeting of the Company convened for the same place and day shall have been concluded or adjourned) on Wednesday, 11 June 2003

Announcement of the results of the EGM ...... Thursday, 12 June 2003

Hearing of petition for confirmation of the reduction of the share premium account

of the Company by the Court . . . . ...... Tuesday, 8 July 2003

Effective date of the reduction of the

share premium account

Announcement of the result of the hearing by the Court of the confirmation of the reduction of the share premium account of the Company and 

Announcement of the result of the acceptance of

Announcement of the result of the acceptance of ...... Thursday, 7 August 2003

the Offer in newspapers Announcement of the details of the pro-rata entitlements in respect of the Excess Number of the Shares under the Offer through the Stock Exchange

Announcement of the details of the pro-rata entitlements in respect of the Excess Number of the Shares under the Offer in newspapers . . . . . Friday, 8 August 2003

Latest date for the despatch of cheques and certificates of Loan Notes to the Accepting Shareholders and, if applicable, for the return or replacement of the share certificates in respect of those Shares not repurchased by the Company

..... Friday, 15 August 2003

# ODD LOTS ARRANGEMENT

In view of the number of the Shares in an Assured Entitlement and the manner of calculation in respect of the Excess Number of the Shares as described in the Circular, an Accepting Shareholder may, as a result of the Offer, hold odd lots of the Shares.

For this purpose, Sun Hung Kai Investment Services Limited, whose address is situate at Level 12, One Pacific Place, 88 Queensway, Hong Kong (contact person: Miss Connie Cheung Sau Lin; telephone: 2822 5075), has been appointed by the Company as the designated broker to facilitate the sale and purchase of odd lot holdings of the Shares in the market for a period of six weeks from the completion of the repurchase of Shares under the Offer so as to enable the Accepting Shareholders to dispose of their odd lots or to top up their odd lots to whole board lots of 2,000 Shares each.

The making of the Offer will be conditional upon the fulfilment of the Conditions Precedent (being the passing by way of a poll of an ordinary resolution by the Independent Shareholders voting in person or by proxy at the EGM for the approval of the proposed Offer, the issue of the Loan Notes, the Whitewash Waiver; the passing of a special resolution by the Independent Shareholders voting the Whitewash Waiver; the passing of a special resolution by the Independent Shareholders voting in person or by proxy at the EGM for the approval of a reduction of the share premium account of the Company by HK\$375 million; the confirmation by the Court of the reduction of the share premium account and the registration of the order of the Court by the Registrar of Companies; the granting of the Whitewash Wavier by the Executive and all of the conditions attaching thereto having been fulfilled; the approval by the SFC, as required by Section 132 of the SFO, of the proposed change in the identity of the substantial shareholder of those members of the Group which are classified as Licensed Corporations; and the approval by any other relevant regulatory authorities whose consent is required under any applicable laws or regulations in order for the Company validly to make the Offer).

As the making of the Offer is subject to the Conditions Precedent being fulfilled and therefore it may or may not be made. Shareholders and potential investors are therefore advised to exercise caution when dealing in the Shares in the meantime.

## GENERAL

Shareholders should read the Circular and the Offer Document, which is expected to be despatched on 16 July 2003, carefully before taking any action in relation to the proposed Offer. If any Shareholder is in any doubt, he should consult his own professional advisers.

> By Order of the Board of Allied Group Limited Phoebe Lau Mei Yi Company Secretary

Hong Kong, 9 May 2003

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any statements in this announcement misleading.