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The Offer is not being made directly or indirectly, in or into, and will not be capable of acceptance from within, Canada, Malaysia, the US or New Zealand. The Offer cannot be accepted by or on behalf of persons of such countries.



ALLIED GROUP LIMITED

聯合集團有限公司

(incorporated in Hong Kong with limited liability)

UNCONDITIONAL OFFER

BY



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)

DESPATCH OF THE OFFER DOCUMENT

On 14 August 2003, the Company announced that as all the Conditions Precedent had been fully satisfied, the making of the Offer became unconditional.

The Offer Document, together with the Form of Acceptance in relation to the Offer, were despatched to the Qualifying Shareholders on Thursday, 21 August 2003.

**Shareholders should read carefully the Offer Document, 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, before taking any action in relation to the Offer. Any Shareholder who is in any doubt, should consult his professional advisers.**

Reference is made to the announcements of the Company dated 16 January 2003, 29 January 2003, 20 February 2003, 13 March 2003, 9 May 2003, 11 June 2003, 16 July 2003, 14 August 2003, the circular of the Company dated 9 May 2003 and the offer document (the “Offer Document”) in relation to the Offer dated 21 August 2003. Unless the context requires otherwise, terms used herein shall have the same meanings as defined in the Offer Document.

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DESPATCH OF THE OFFER DOCUMENT

The Offer Document, together with the Form of Acceptance in relation to the Offer, were despatched to the Qualifying Shareholders on Thursday, 21 August 2003.

Any Qualifying Shareholder may collect a copy of the Offer Document and a Form of Acceptance from the Registrar (being Computershare Hong Kong Investor Services Limited of Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong) during the period from Thursday, 21 August 2003 to the Latest Acceptance Time between 9:00 a.m. and 4:00 p.m. (Hong Kong time) from Monday to Friday.

The Offer Document 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) detailed terms of the Offer; (vi) certain financial information of the Group, including a statement of unaudited pro forma adjusted net tangible assets of the Group; (vii) valuation reports; (viii) principal terms and conditions of the Loan Notes; and (ix) other information given in compliance with the Takeovers Code and the Repurchase Code.

FINANCIAL INFORMATION OF THE GROUP

The following is the statement of 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	(22,918)
– associates	(142,843)
Unamortised negative goodwill on acquisition of	
– subsidiaries	762,295
– associates	139,522
Intangible assets	(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 31 May 2003 (Notes 1, 2 and 5)	(118,232)
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 30 June 2003 (Notes 4 and 5)	24,674
Unaudited pro forma adjusted net tangible assets of the Group before the Offer	5,047,795
Estimated cost of the Offer	(375,000)
Unaudited pro forma adjusted net tangible assets of the Group after the Offer	4,672,795
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)	HK\$1.48
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)	HK\$1.76

Notes:

- This represents the deficit arising from the change in value of properties and property interests held by the Group as at 31 May 2003 as valued by professional valuers. Details of the valuation reports are set out in Appendix III to the Offer Document, which were prepared specifically for the Offer Document.
- 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 Offer Document 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 (“Sun Hung Kai”) held by Allied Properties (H.K.) Limited (“Allied Properties”), a subsidiary of the Company and the shares of which are listed on the Stock Exchange, resulting from the completion of the repurchase by Sun Hung Kai of its own shares in March 2003, which is calculated by reference to the audited consolidated net assets of Sun Hung Kai 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 attributable to Allied Properties 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 arising from the acquisitions of an additional 0.71% interest in the shares of Allied Properties from the open market during the period from 1 January 2003 to 30 June 2003 and is calculated by reference to the audited consolidated net assets of Allied Properties at 31 December 2002 in its 2002 annual report. The interest in Allied Properties attributable to the Company increased from 73.58% on 31 December 2002 to 74.29% on 30 June 2003.
- Latest practicable date prior to the printing of the Offer Document for ascertaining information for the adjustments contained in this statement.

STATEMENT OF INDEBTEDNESS

At the close of business on 30 June 2003, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of the Offer Document, the Group had outstanding borrowings of approximately HK\$2,269.8 million, comprising secured bank loans and overdrafts of approximately HK\$1,794.9 million, unsecured bank loans of approximately HK\$20.0 million, 4% unlisted loan notes of approximately HK\$233.6 million, finance lease payable of approximately HK\$1.4 million, unsecured borrowings of approximately HK\$178.0 million from a jointly controlled entity, unsecured borrowings of approximately HK\$36.9 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 litigation with New World Development Company Limited and Shenzhen Building Materials Group Co. Limited, further particulars of which are set out in the section headed “Litigation” in Appendix V to the Offer Document.

Foreign currency amounts have been translated into Hong Kong dollars at the rates of exchange prevailing at the close of business on 30 June 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 30 June 2003.

EXPECTED TIMETABLE

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

Commencement of the Offer	Thursday, 21 August 2003
Despatch of the Offer Document	Thursday, 21 August 2003
Latest Acceptance Time	4:00 p.m. on Thursday, 11 September 2003
Announcement of result of the acceptance of the Offer through the Stock Exchange	7:00 p.m. on Thursday, 11 September 2003
Announcement of result of the acceptance of the Offer in newspapers	Monday, 15 September 2003
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.	7:00 p.m. Monday, 15 September 2003
Announcement of the details of the pro-rata entitlements in respect of the Excess Number of the Shares under the Offer in newspapers	Tuesday, 16 September 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, 19 September 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 Offer Document, 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.

GENERAL

**Shareholders should read carefully the Offer Document, 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, before taking any action in relation to the Offer. Any Shareholder who is in any doubt, should consult his professional advisers.**

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

Hong Kong, 21 August 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.*