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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)**

## **JOINT ANNOUNCEMENT**

### **(1) PROPOSED OPEN OFFER TO QUALIFYING SHAREHOLDERS ON THE BASIS OF ONE CONVERTIBLE BOND FOR EVERY TEN EXISTING APL SHARES HELD AS AT THE RECORD DATE**

### **(2) RESUMPTION OF TRADING IN THE SECURITIES OF ALLIED PROPERTIES (H.K.) LIMITED**

#### **PROPOSED OPEN OFFER**

APL proposes to raise not less than approximately HK\$537 million, before expenses, by issuing not less than 53,715,304 Convertible Bonds but not more than 64,458,228 Convertible Bonds by way of the Open Offer to the Qualifying Shareholders, at the Subscription Price of HK\$10 per Convertible Bond, on the basis of one Convertible Bond for every ten existing APL Shares held as at the Record Date.

#### **USE OF PROCEEDS FROM THE OPEN OFFER**

Assuming that none of the APL Warrants have been exercised before the Record Date and assuming that all the APL Shareholders take up their entitlements, the estimated proceeds from the Open Offer will be approximately HK\$532 million (after expenses and underwriting commission).

Assuming that all the APL Warrants have been exercised before the Record Date and assuming that all the APL Shareholders take up their entitlements, the estimated proceeds from the Open Offer will be approximately HK\$639 million (after expenses and underwriting commission).

The net proceeds of approximately HK\$532 million are intended to be applied by APL for funding the restoration, to the extent possible, of its shareholding percentage in SHK, which has been diluted in the top-up placing arrangement of SHK as announced in the joint announcements of AGL, APL and SHK dated 17th May, 2006 and 18th May, 2006, at such time and in such manner as the APL Directors may consider appropriate, including (without limitation) the acquisition of shares in SHK through the open market. Any portion of the proceeds not immediately utilised for such purpose will be used temporarily as general working capital.

## **IRREVOCABLE UNDERTAKING**

As at the date of this announcement, AGL is interested (by itself or through its subsidiaries or nominees) in 402,540,059 APL Shares, representing approximately 74.93 per cent. of the existing issued share capital of APL, and holds APL Warrants which, upon exercise in full, will entitle it to subscribe for 80,508,008 APL Shares. Pursuant to the Irrevocable Undertaking, AGL has irrevocably undertaken to take up or procure the taking up of all its entitlements (by itself or through its subsidiaries or nominees) under the Open Offer, (i) being not less than 40,254,001 Convertible Bonds in the event that none of the APL Warrants have been exercised before the Record Date; and (ii) being not less than 48,304,802 Convertible Bonds in the event that all APL Warrants held by it (by itself or through its subsidiaries or nominees) have been exercised in full before the Record Date.

## **UNDERWRITING AGREEMENT**

Pursuant to the Underwriting Agreement, AGL has conditionally agreed to underwrite the balance of the Convertible Bonds (excluding the number of Convertible Bonds agreed to be taken up by AGL pursuant to the Irrevocable Undertaking) not subscribed by the APL Shareholders on a fully underwritten basis, (i) being not more than 13,461,303 Convertible Bonds in the event that none of the APL Warrants have been exercised before the Record Date; and (ii) being not more than 16,153,426 Convertible Bonds in the event that all APL Warrants have been exercised in full before the Record Date, subject to and upon the terms and conditions of the Underwriting Agreement.

## **CONDITIONS OF THE OPEN OFFER**

The Open Offer is conditional upon, amongst other things, the obligations of AGL under the Underwriting Agreement becoming unconditional and the Underwriting Agreement not being terminated by either AGL or APL. **If the Underwriting Agreement does not become unconditional or is terminated, the Open Offer will not proceed. Shareholders and prospective investors of AGL and APL and the APL Warrantholders are reminded to exercise extreme caution when dealing in the securities of AGL and APL.**

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of APL will be closed from 6th October, 2006 to 12th October, 2006, both days inclusive, to determine the eligibility for the Open Offer. No transfer of APL Shares will be registered during this period.

## **RECORD DATE**

To qualify for the Open Offer, in the case of APL Shares, all the transfer forms together with the relevant share certificates, or in the case of APL Warrants, all subscription forms together with the relevant warrant certificates and exercise money, must be lodged for registration with APL's share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by no later than 4:00 p.m. (Hong Kong time) on 5th October 2006 pursuant to the expected timetable.

It is expected that APL will send the Prospectus Documents to the Qualifying Shareholders, and the Prospectus, for information only, to the Excluded Shareholders and the APL Warrantholders on the Prospectus Posting Date.

## RESUMPTION OF TRADING

Trading in the securities of APL on the Stock Exchange was suspended at the request of APL with effect from 9:30 a.m. on 19th September, 2006 pending the release of this announcement. APL has applied for a resumption of trading in the securities of APL with effect from 9:30 a.m. on 22nd September, 2006.

## THE OPEN OFFER

APL proposes to raise not less than approximately HK\$537 million, before expenses, by issuing not less than 53,715,304 Convertible Bonds but not more than 64,458,228 Convertible Bonds by way of the Open Offer to the Qualifying Shareholders, at the Subscription Price of HK\$10 per Convertible Bond, on the basis of one Convertible Bond for every ten existing APL Shares held as at the Record Date.

### Issue statistics

Basis of the Open Offer:	one Convertible Bond for every ten existing APL Shares held by the Qualifying Shareholders as at the Record Date
Subscription Price:	HK\$10 per Convertible Bond
Number of APL Shares in issue as at the date of this announcement:	537,153,043 APL Shares
Number of APL Shares which may be issued upon the exercise of outstanding APL Warrants in full as at the date of this announcement: <i>(Note)</i>	107,429,238 APL Shares
Number of Convertible Bonds to be issued:	not less than 53,715,304 Convertible Bonds but not more than 64,458,228 Convertible Bonds

*Note: As at the date of this announcement, APL has in issue APL Warrants entitling the APL Warrantholders to subscribe for a total of 107,429,238 APL Shares at a subscription price of HK\$10 per APL Share at any time from 7th June, 2006 upto and including 6th June, 2009.*

*Other than the APL Warrants, APL has no other share options, warrants, derivatives or other securities convertible into or exchangeable for APL Shares outstanding as at the date of this announcement.*

## TERMS OF THE OPEN OFFER

### Subscription Price for the Convertible Bonds

The Subscription Price of HK\$10 per Convertible Bond is payable in full upon application is made for the Convertible Bonds.

The Subscription Price represents:—

- (i) a premium of approximately 17.51 per cent. over the closing price of HK\$8.51 per APL Share as quoted on the Stock Exchange on the last trading day, i.e. 18th September, 2006, of the APL Shares immediately before the date of this announcement; and

- (ii) a premium of approximately 18.34 per cent. over the average closing price of HK\$8.45 per APL Share as quoted on the Stock Exchange for the last ten trading days of the APL Shares immediately before the date of this announcement.

### **Terms of the Convertible Bonds**

Term:	five years from the date of issue
Total principal amount:	not less than HK\$537,153,040 but not more than HK\$644,582,280
Form and denomination:	Convertible Bonds for the amount of not less than HK\$537,153,040 but not more than HK\$644,582,280 in registered form in the denomination of HK\$10 each
Interest:	simple interest at the rate of:–  (i) 7 per cent. per annum before the commencement of the conversion period; and  (ii) 4 per cent. per annum after the commencement of the conversion period,  in each case, payable half-yearly in arrears from the date of issue
Mandatory Redemption:	redeemable in full, upon the occurrence of an event of default under the terms and conditions of the Convertible Bonds (including, without limitation, the liquidation or winding-up of APL), or upon expiration of the term of the Convertible Bonds, if not already redeemed
Early Redemption:	redeemable, at the option of APL, on the day falling every six months after the date of issue of the Convertible Bonds during the term of the Convertible Bonds, by giving one month's prior written notice of each early redemption
Redemption price:	the outstanding principal amount of the Convertible Bonds together with accrued interests
Conversion right:	right for holders of Convertible Bonds to convert all or any of their Convertible Bonds at any time during the conversion period into APL Shares at the initial rate of one Convertible Bond to one new APL Share  Application for listing of, and permission to deal in, the new APL Shares falling to be issued upon conversion will be made to the Stock Exchange
Conversion period:	commencing on 1st July, 2009
Initial conversion price:	HK\$10 per APL Share

Transferability: freely transferable

APL undertakes to the Stock Exchange that it will disclose to the Stock Exchange any dealings by any of the connected persons (as defined under the Listing Rules) from time to time in the Convertible Bonds upon APL becoming aware of such dealings.

Listing: not to be listed on any stock exchange

The Subscription Price was determined with reference to the prevailing market prices of the APL Shares and the current subscription price of the APL Warrants of HK\$10 per APL Share. The APL Directors consider the Subscription Price and the terms of the Open Offer to be fair and reasonable and in the interests of APL and the APL Shareholders taken as a whole.

The Convertible Bonds and the new APL Shares falling to be issued upon conversion will be issued under the authority of a general mandate granted to the board of directors of APL by the APL Shareholders at the annual general meeting of APL held on 26th May, 2006 to issue and allot new securities up to 20 per cent. of the issued share capital of APL as at 26th May, 2006.

### **Qualifying Shareholders**

To qualify for the Open Offer, an APL Shareholder must be registered as a member of APL as at the Record Date.

In order to be registered as an APL Shareholder as at the Record Date, in the case of APL Shares, all the transfer forms together with the relevant share certificates, or in the case of APL Warrants, all subscription forms together with the relevant warrant certificates and exercise money, must be lodged for registration with APL's share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by no later than 4:00 p.m. (Hong Kong time) on 5th October, 2006 pursuant to the expected timetable.

Since the Prospectus Documents will only be registered in Hong Kong, APL will send the Prospectus Documents to the APL Shareholders provided that it will not violate any of the relevant local laws, regulations and other requirements. The APL Directors will make enquiries to its lawyers as to whether the issue of the Convertible Bonds to the APL Shareholders whose addresses are not in Hong Kong on the Record Date may contravene the applicable securities legislation of the relevant overseas places or the requirements of the relevant regulatory body or stock exchange pursuant to Rule 13.36(2) of the Listing Rules. If, after making such enquiry, the APL Directors are of the opinion that it would be necessary or expedient, on account either of the legal restrictions under the laws of the relevant place or of any requirement of the relevant regulatory body or stock exchange in that place, not to offer the Convertible Bonds to such APL Shareholders whose addresses are not in Hong Kong on the Record Date, no offer of the Convertible Bonds will be made to such APL Shareholders. Accordingly, the Open Offer will not be extended to such APL Shareholders. APL will make a further announcement containing, amongst other things, the number of such overseas APL Shareholders, overseas countries involved and an explanation for the exclusion on or before the Prospectus Posting Date. It is the present intention of the APL Directors to make the Open Offer to all APL Shareholders (including overseas APL Shareholders) registered as at the Record Date unless there are legal restrictions to do so.

It is expected that APL will send the Prospectus Documents to the Qualifying Shareholders, and the Prospectus, for information only, to the Excluded Shareholders and the APL Warrantholders, in each case on the Prospectus Posting Date.

## **Closure of register of members**

The register of members of APL will be closed from 6th October, 2006 to 12th October, 2006, both days inclusive, to determine the eligibility for the Open Offer. No transfer of APL Shares will be registered during this period.

## **Fractions of Convertible Bonds**

APL will not issue fractions of Convertible Bonds. All fractions of Convertible Bonds will be aggregated and any Convertible Bonds resulting from the aggregation of fractions will be available for excess application.

## **Application for excess Convertible Bonds**

Qualifying Shareholders are entitled to apply for any excess entitlements by completing the excess application form for application for excess Convertible Bonds and lodging the same with a separate remittance for the excess Convertible Bonds being applied for.

The APL Directors will allocate the excess Convertible Bonds at their discretion, on a fair basis by reference to the number of excess Convertible Bonds applied for by each Qualifying Shareholder.

The APL Shareholders with the APL Shares held by a nominee company should note that the APL Directors will regard the nominee company as single APL Shareholder according to the register of members of APL. Accordingly, the APL Shareholders should note that the aforesaid arrangement in relation to the allocation of the excess Convertible Bonds will not be extended to beneficial owners individually. The APL Shareholders with their APL Shares held by a nominee company are advised to consider whether they would like to arrange registration of the relevant APL Shares in the name of the beneficial owners prior to the Record Date.

## **Certificates for Convertible Bonds**

Subject to the fulfilment (or waiver) of the conditions of the Open Offer set out in the section headed "Conditions of the Open Offer" below, certificates for all Convertible Bonds are expected to be posted on or before 10th November, 2006 to those who have applied and paid for the Convertible Bonds, at their own risk.

## **UNDERWRITING ARRANGEMENTS**

### **Underwriting Agreement**

Date:	20th September, 2006
Underwriter:	AGL
Number of Convertible Bonds underwritten:	not less than 13,461,303 but not more than 16,153,426 Convertible Bonds being the total number of the Convertible Bonds excluding 40,254,001 Convertible Bonds, or 48,304,802 Convertible Bonds assuming that AGL has exercised all outstanding APL Warrants held by it, to be subscribed by AGL pursuant to the Irrevocable Undertaking
Commission:	an underwriting commission of 2.5 per cent. of the aggregate Subscription Price of the Convertible Bonds underwritten by AGL

## **Irrevocable Undertaking**

As at the date of this announcement, AGL is interested in 402,540,059 APL Shares, representing approximately 74.93 per cent. of the existing issued share capital of APL, and holds APL Warrants, which upon exercise in full will entitle it to subscribe for 80,508,008 APL Shares. Pursuant to the Irrevocable Undertaking, AGL has irrevocably undertaken to take up or procure the taking up of all its entitlements (by itself or through its subsidiaries or nominees) under the Open Offer, (i) being not less than 40,254,001 Convertible Bonds in the event that none of the APL Warrants have been exercised before the Record Date; and (ii) being not less than 48,304,802 Convertible Bonds in the event that all APL Warrants held by it (by itself or through its subsidiaries or nominees) have been exercised in full before the Record Date.

## **Underwriting Agreement**

Pursuant to the Underwriting Agreement, AGL has conditionally agreed to underwrite the balance of the Convertible Bonds (excluding the number of Convertible Bonds agreed to be taken up by AGL pursuant to the Irrevocable Undertaking) not subscribed by the APL Shareholders on a fully underwritten basis, (i) being not more than 13,461,303 Convertible Bonds in the event that none of the APL Warrants have been exercised before the Record Date; and (ii) being not more than 16,153,426 Convertible Bonds in the event that all APL Warrants have been exercised in full before the Record Date, subject to and upon the terms and conditions of the Underwriting Agreement.

## **Termination of the Underwriting Agreement**

AGL shall have the absolute right, after reasonable consultation with APL as the underwriter of the Open Offer in its sole and absolute discretion sees fit, by giving notice to APL, if there develops, occurs or comes into force at any time at or before the Latest Time for Termination:–

- (i) any breach, considered by AGL in its absolute discretion to be material in the overall context of the Open Offer, of any of the warranties or any of other provisions of the Underwriting Agreement; or
- (ii) any matter which, had it arisen immediately before the date of the Prospectus and not having been disclosed in the Prospectus, would have constituted an omission considered by AGL in its discretion to be material in the overall context of the Open Offer; or
- (iii) any statement contained in the Prospectus, considered by AGL in its absolute discretion to be material, is discovered to be or becomes untrue, incorrect or misleading in any respect; or
- (iv) any event, act or omission which gives or is likely to give rise to any material liability of APL pursuant to the Underwriting Agreement; or
- (v) any adverse change in the business or the financial or trading position of any member of the APL Group considered by AGL in its absolute discretion to be material; or
- (vi) any event or series of events, matter or circumstance concerning, relating to or resulting in:
  - (a) any change in local, national, international, financial, political, economic, military, industrial, fiscal, regulatory or stock market conditions or sentiments in Hong Kong or any other relevant jurisdiction; or

- (b) the introduction of any new law, rule or regulation or any material change in existing laws, rules or regulations, or any material change in the interpretation or application of such laws, rules or regulations by any court or other competent authority in Hong Kong or any other relevant jurisdiction; or
- (c) any event of force majeure affecting Hong Kong or any other relevant jurisdiction (including, without limitation, any act of God, fire, flood, explosion, war, strike, lock-out, civil commotion, interruption, riot, public disorder, act of government, economic sanction, epidemic, terrorism or escalation of hostilities involving Hong Kong or any other relevant jurisdiction); or
- (d) the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange due to exceptional financial circumstances or otherwise; or
- (e) any prospective change in taxation or exchange control (or the implementation of any exchange control) in Hong Kong or any other relevant jurisdiction or affecting an investment in the APL Shares or the transfer or dividend payment in respect of the APL Shares; or
- (f) the imposition of any economic sanction, in whatever form, directly or indirectly, by or for the United States of America or by the European Union (or any of its members) on the People's Republic of China; or
- (g) any change in the system under which the value of Hong Kong dollars is pegged to that of the currency of the United States of America, considered by AGL in its absolute discretion to be material; or
- (h) any change in the exchange rate between the United States dollars and Renminbi (the lawful currency of the People's Republic of China), or between Hong Kong dollars and Renminbi, considered by AGL in its absolute discretion to be material; or
- (i) any litigation or claim of material importance being threatened or instigated against any member of the APL Group; or
- (j) any change in market conditions in Hong Kong (including without limitation suspension or material restriction of trading in securities);

which, in the sole and absolute opinion of AGL:–

- (1) is or will be, or is likely to be, materially adverse to the business, financial or other condition or prospects of the APL Group taken as a whole; or
- (2) has, or will have, or could be expected to have, a material adverse effect on the success of the Open Offer; or
- (3) makes it inadvisable, inexpedient or impractical to proceed with the Open Offer,

then and in any such case AGL in its reasonable discretion may (but will not be bound to), upon giving notice to APL, terminate the Underwriting Agreement with immediate effect.



Except for all reasonable costs, fees, charges and expenses which may be incurred in connection with the Open Offer, upon the giving of notice of termination, all obligations of AGL under the Underwriting Agreement will cease and no party will have any claim against any other parties in respect of any matter or thing arising out of or in connection with the Underwriting Agreement. If AGL exercises such right, the Open Offer will not proceed.

### **Conditions of the Underwriting Agreement**

The Underwriting Agreement is subject to the following conditions being fulfilled:–

- (i) one copy of each of the Prospectus Documents and other documents relating to the Open Offer being delivered to the Stock Exchange on or prior the Prospectus Posting Date;
- (ii) four printed copies of each of the Prospectus Documents being delivered to AGL on or before the Prospectus Posting Date, each duly certified by two APL Directors (or by their attorneys duly authorised in writing) as having been approved by resolution of the board of directors of APL;
- (iii) the Registrar of Companies in Hong Kong registering the Prospectus Documents, together with all other consents and documents required to be endorsed on or attached to the Prospectus Documents, on or before the Prospectus Posting Date;
- (iv) printed copies of each of the Prospectus Documents being posted to the Qualifying Shareholders and printed copies of the Prospectus stamped “For information only” being posted to the Excluded Shareholders and APL Warranholders, in each case, on the Prospectus Posting Date; and
- (v) compliance by APL with its obligation under clause 3 of the Underwriting Agreement at or before the Latest Acceptance Time.

**In the event that any of the conditions (i) to (v) (inclusive) has not been fulfilled (or waived by AGL) on the respective dates mentioned in the Underwriting Agreement (or such other date as AGL may agree with APL), the Open Offer will lapse and will not proceed.**

### **CONDITIONS OF THE OPEN OFFER**

The Open Offer is conditional upon, amongst other things, the obligations of AGL under the Underwriting Agreement becoming unconditional and the Underwriting Agreement not being terminated by either AGL or APL in accordance with its terms and conditions as referred to under the sub-section headed “Termination of the Underwriting Agreement” above.

**If the Underwriting Agreement does not become unconditional or is terminated, the Open Offer will not proceed. Shareholders and prospective investors of AGL and APL and the APL Warranholders are reminded to exercise extreme caution when dealing in the securities of AGL and APL.**

## **INFORMATION ABOUT AGL AND APL**

### **AGL**

AGL is a company incorporated in Hong Kong with limited liability. Its shares are listed on the Main Board of the Stock Exchange.

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

### **APL**

APL is a company incorporated in Hong Kong with limited liability. Its securities are listed on the Main Board of the Stock Exchange.

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

As at the date of this announcement, APL is beneficially owned as to approximately 74.93 per cent. by AGL.

## **REASONS OF THE OPEN OFFER, THE UNDERWRITING OF THE CONVERTIBLE BONDS AND THE GIVING OF THE IRREVOCABLE UNDERTAKING AND USE OF PROCEEDS**

The APL Directors consider that the Open Offer provides a good opportunity for the APL Group to raise funds to strengthen its capital base, improve its financial position and to enable it to restore, to the extent possible, its shareholding percentage in SHK, which has been diluted in the top-up placing arrangement of SHK as announced in the joint announcements of AGL, APL and SHK dated 17th May, 2006 and 18th May, 2006.

As SHK is a major subsidiary of APL, it is in the interests of APL and its shareholders taken as a whole to sustain a more significant shareholding in SHK, with a view to benefiting more from the future growth of SHK. The Open Offer provides the APL Shareholders with a fair and equal basis to participate in the future growth of APL and, through APL's shareholding in SHK, the future growth of SHK.

The AGL Directors consider that the underwriting of the Convertible Bonds and the giving of the Irrevocable Undertaking would signify its continuing support to its subsidiary, APL, and in turn, benefit the AGL group as a whole. The APL Directors also consider that the terms offered by AGL as underwriter to APL under the Underwriting Agreement are favourable to APL.

Assuming that none of the APL Warrants have been exercised before the Record Date and assuming that all the APL Shareholders take up their entitlements, the estimated proceeds from the Open Offer will be approximately HK\$532 million (after expenses and underwriting commission).

Assuming that all the APL Warrants have been exercised before the Record Date and assuming that all the APL Shareholders take up their entitlements, the estimated proceeds from the Open Offer will be approximately HK\$639 million (after expenses and underwriting commission).

Before the top-up placing arrangement of SHK as announced in the joint announcements of AGL, APL and SHK dated 17th May, 2006 and 18th May, 2006, APL was interested in 934,198,892 shares in SHK, representing approximately 74.99 per cent. of the then issued share capital of SHK. After completion of such top-up placing arrangement and as at the date of this announcement, APL is interested in 934,198,892 shares in SHK, representing approximately 62.54 per cent. of the issued share capital of SHK. As at the date of this announcement, APL holds 186,839,778 warrants in SHK.

The net proceeds of approximately HK\$532 million are intended to be applied by APL for funding the restoration, to the extent possible, of its shareholding percentage in SHK, which has been diluted in the top-up placing arrangement of SHK as announced in the joint announcements of AGL, APL and SHK dated 17th May, 2006 and 18th May, 2006, at such time and in such manner as the APL Directors may consider appropriate, including (without limitation) the acquisition of shares in SHK through the open market. Any portion of the proceeds not immediately utilised for such purpose will be used temporarily as general working capital.

The estimated expense of the Open Offer is about HK\$1.5 million (excluding underwriting commission), which will be borne by APL.

Except for the bonus issue of warrants as described in the circular of APL dated 11th May, 2006, no funds were raised by APL on any issue of equity securities in the 12 months immediately preceding the date of this announcement.

Audited consolidated net profits before tax and after tax of the APL Group for the two financial years ended 31st December, 2005 were:

- (i) approximately HK\$740,336,000 (before taxation and extraordinary items) or approximately HK\$660,228,000 (after taxation and extraordinary items) for the financial year ended 31st December, 2004; and
- (ii) approximately HK\$1,115,748,000 (before taxation and extraordinary items) or approximately HK\$1,036,442,000 (after taxation and extraordinary items) for the financial year ended 31st December, 2005.

The audited consolidated net asset value of APL at 31st December, 2004 and 31st December, 2005 were approximately HK\$6,646,886,000 and HK\$8,552,276,000 respectively.

## **WARNING OF THE RISKS OF DEALINGS IN THE APL SHARES AND CONVERTIBLE BONDS**

**Pursuant to the expected timetable, the APL Shares will be dealt with on an ex-entitlement basis from 4th October, 2006. If AGL terminates the Underwriting Agreement, or any of the conditions of the Underwriting Agreement is not fulfilled (or waived by AGL), the Open Offer will not proceed. Any person dealing in the APL Shares on an ex-entitlement basis will accordingly bear the risk that the Underwriting Agreement may not become unconditional and the Open Offer may not proceed.**

**Any APL Shareholder or other person contemplating selling or purchasing the APL Shares from now up to the day on which the Underwriting Agreement becomes unconditional, who is in any doubt about his/her position, is recommended to consult his/her own professional advisers.**

**Shareholders, holders of warrants and prospective investors of AGL and APL are reminded to exercise extreme caution when dealing in the securities of AGL and APL.**

## CHANGES IN THE SHAREHOLDING STRUCTURE OF APL

The following table sets out the changes in the shareholding structure of APL arising from the Open Offer assuming none of the APL Warrants have been exercised before the Record Date:

	As at the date of this announcement		Immediately following completion of the Open Offer assuming all the APL Shareholders take up all their entitlements and convert them into ordinary shares		Immediately following completion of the Open Offer assuming AGI takes up all its entitlement as a substantial shareholder and its underwriting commitment as an underwriter and convert them into ordinary shares	
	<i>Number of APL Shares</i>	<i>Share-holding (%)</i>	<i>Number of APL Shares</i>	<i>Share-holding (%)</i>	<i>Number of APL Shares</i>	<i>Share-holding (%)</i>
AGL	402,540,059 <i>(Note 1)</i>	74.93	442,794,060	74.93	456,255,363	77.22
Other APL Shareholders	134,612,984	25.07	148,074,287	25.07	134,612,984	22.78
<b>Total</b>	<b>537,153,043</b>	<b>100.00%</b>	<b>590,868,347</b>	<b>100.00%</b>	<b>590,868,347</b>	<b>100.00%</b>

The following table sets out the changes in the shareholding structure of APL arising from the Open Offer assuming all outstanding APL Warrants will have been exercised before the Record Date:

	As at the Record Date		Immediately following completion of the Open Offer assuming all the APL Shareholders take up all their entitlements and convert them into ordinary shares		Immediately following completion of the Open Offer assuming AGI takes up all its entitlement as a substantial shareholder and its the underwriting commitment as an underwriter and convert them into ordinary shares	
	<i>Number of APL Shares</i>	<i>Share-holding (%)</i>	<i>Number of APL Shares</i>	<i>Share-holding (%)</i>	<i>Number of APL Shares</i>	<i>Share-holding (%)</i>
AGL	483,048,067 <i>(Notes 1,2)</i>	74.93	531,352,869	74.93	547,506,295	77.22
Other APL Shareholders	161,534,214	25.07	177,687,640	25.07	161,534,214	22.78
<b>Total</b>	<b>644,582,281</b>	<b>100.00%</b>	<b>709,040,509</b>	<b>100.00%</b>	<b>709,040,509</b>	<b>100.00%</b>

*Notes:*

1. *402,540,059 APL Shares are held by AGL, by itself and through its direct wholly-owned subsidiaries, Capscore Limited, Sunhill Investments Limited and Citiwealth Investment Limited which in turn are directly interested in 167,061,619 APL Shares, 134,953,783 APL Shares and 4,186,632 APL Shares respectively.*
2. *80,508,008 APL Warrants are held by AGL, by itself and through its direct wholly-owned subsidiaries, Capscore Limited, Sunhill Investments Limited and Citiwealth Investment Limited which in turn are directly holding 33,412,323 APL Warrants, 26,990,756 APL Warrants and 837,326 APL Warrants respectively.*

AGL has undertaken to the Stock Exchange to place out its shareholding interest in APL or to do or to procure APL to do any other acts (subject to compliance with the Listing Rules) which are considered appropriate to maintain at all times the public float of the APL Shares in issue from time to time. AGL has also undertaken not to exercise the conversion rights of the Convertible Bonds if there is a shortfall in the public float of 25 per cent. or to the extent such conversion will lead to the public float of APL falling below 25 per cent. unless arrangements have been made for the restoration of the public float of APL immediately after such conversion.

Assuming that all the Convertible Bonds are converted:

- (i) not less than 53,715,304 new APL Shares representing 9.09 per cent. of the issued share capital as enlarged by the conversion of the all the Convertible Bonds will be issued by APL, upon which the issued share capital of APL will be increased from 537,153,043 APL Shares to 590,868,347 APL Shares, in the event that none of the APL Warrants have been exercised before the Record Date; and
- (ii) not more than 64,458,228 new APL Shares representing 9.09 per cent. of the issued share capital as enlarged by the conversion of the all the Convertible Bonds will be issued by APL, upon which the issued share capital of APL will be increased from 537,153,043 APL Shares to 709,040,509 APL Shares, in the event that all APL Warrants have been exercised in full before the Record Date.

## **EXPECTED TIMETABLE**

The expected timetable for the Open Offer is set out below:

Last day of dealings in APL Shares on a cum-entitlement basis .....	3rd October, 2006
First day of dealings in APL Shares on an ex- entitlement basis .....	4th October, 2006
Latest time for lodging transfers of APL Shares or exercise of subscription rights attaching to the APL Warrants to qualify for the Open Offer .....	4:00 p.m. on 5th October, 2006
Register of members closes (both days inclusive) .....	6th October, 2006 to 12th October, 2006
Record Date .....	12th October, 2006
Despatch of the Prospectus Documents .....	12th October, 2006
Register of members re-opens .....	13th October, 2006
Latest time for acceptance of, and payment for, the Convertible Bonds .....	4:00 p.m. on 1st November, 2006
Open Offer expected to become unconditional on or before .....	5:00 p.m. on 3rd November, 2006
Announcement of results of the Open Offer published on the newspapers on or before .....	10th November, 2006
Certificates for fully-paid Convertible Bonds expected to be despatched on or before .....	10th November, 2006

The above timetable is indicative only and may be executed or varied as may be agreed by APL and AGL pursuant to the Underwriting Agreement. Any changes to the expected timetable will be published in further announcements or notified to the APL Shareholders.

## **GENERAL**

The Prospectus, containing, amongst other things, information on the Open Offer, will be despatched to the APL Shareholders as soon as practicable, and in accordance with the requirements of the Listing Rules, is expected to be despatched on or before 12th October, 2006.

APL will send the Prospectus Documents to the Qualifying Shareholders only and the Prospectus, for information only, to the Excluded Shareholders and the APL Warranholders on the Prospectus Posting Date.

## **RESUMPTION OF TRADING**

Trading in the securities of APL on the Stock Exchange was suspended at the request of APL with effect from 9:30 a.m. on 19th September, 2006 pending the release of this announcement. APL has applied for a resumption of trading in the securities of APL with effect from 9:30 a.m. on 22nd September, 2006.

## **DIRECTORS**

### **AGL Directors**

As at the date of this announcement, the AGL Directors are:

*Executive Directors:*

Mr. Lee Seng Hui (*Chief Executive*), Mr. Edwin Lo King Yau, Mr. Mak Pak Hung

*Non-executive Directors:*

Ms. Lee Su Hwei, Mr. Arthur George Dew

*Independent non-executive Directors:*

Mr. Wong Po Yan, Mr. David Craig Bartlett, Mr. John Douglas Mackie, Mr. Alan Stephen Jones

### **APL Directors**

As at the date of this announcement, the APL Directors are:-

*Executive Directors:*

Mr. Patrick Lee Seng Wei (*Chief Executive*), Mr. Li Chi Kong

*Non-executive Directors:*

Mr. Henry Lai Hin Wing, Mr. Steven Lee Siu Chung

*Independent non-executive Directors:*

Mr. John Douglas Mackie, Mr. Steven Samuel Zoellner, Mr. Alan Stephen Jones

## **DEFINITIONS**

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

“AGL”	Allied Group Limited, a company incorporated in Hong Kong with limited liability, with its shares listed on the Main Board of the Stock Exchange and the substantial shareholder of APL
“AGL Directors”	directors of AGL
“APL”	Allied Properties (H.K.) Limited, a company incorporated in Hong Kong with limited liability, with its securities listed on the Main Board of the Stock Exchange
“APL Directors”	directors of APL
“APL Group”	APL and its subsidiaries
“APL Shareholders”	holders of APL Shares
“APL Shares”	ordinary shares of HK\$2.00 each in the share capital of APL
“APL Warrantholders”	holders of the APL Warrants

“APL Warrants”	outstanding warrants of APL conferring right in registered form to holders to subscribe for APL Shares at an initial subscription price of HK\$10 per APL Share (subject to adjustments) at any time from 7th June, 2006 up to and including 6th June, 2009
“Business Day”	a day (other than a Saturday and Sunday and days on which a tropical cyclone warning signal no.8 or above or a black rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“Convertible Bonds”	the convertible bonds to be issued at the Subscription Price under the Open Offer
“Excluded Shareholders”	the APL Shareholders whose names appear on the register of members of APL at the close of business on the Record Date and whose addresses as shown on such register are outside Hong Kong where the APL Directors, after making enquiries, consider it necessary or expedient on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place not to offer the Convertible Bonds to such APL Shareholders
“HK\$”	Hong Kong dollars
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Irrevocable Undertaking”	the irrevocable undertaking dated 20th September, 2006, pursuant to which AGL has irrevocably undertaken to subscribe for its full entitlements pursuant to the Open Offer
“Latest Acceptance Time”	4:00 p.m. on 1st November, 2006, being the latest time for acceptance of the Convertible Bonds
“Latest Time for Termination”	5:00 p.m. (Hong Kong time) on the second Business Day after the Latest Acceptance Time
“Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Open Offer”	the proposed offer of the Convertible Bonds, by way of an open offer, on the basis of one Convertible Bond for every ten existing APL Shares held by the Qualifying Shareholders as at the Record Date
“Prospectus”	a prospectus to be issued by APL to the Qualifying Shareholders, containing details of, among other things, the Open Offer
“Prospectus Documents”	the Prospectus, the application form and the excess application form in relation to the Open Offer
“Prospectus Posting Date”	12th October, 2006



“Qualifying Shareholders”	the APL Shareholders whose names appear on the register of members of APL at the close of business on the Record Date, other than the Excluded Shareholders
“Record Date”	12th October, 2006, being the date for the determination of entitlements of the Shareholders under the Open Offer
“SHK”	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 and an indirect non wholly-owned subsidiary of APL
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	subscription price for the Convertible Bonds, being HK\$10 per Convertible Bond
“Underwriting Agreement”	the underwriting agreement dated 20th September, 2006 entered into between APL and AGL in relation to the underwriting of the Open Offer

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

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

Hong Kong, 21st September, 2006