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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

VOLUNTARY ANNOUNCEMENT

JOINT ANNOUNCEMENT

SUB-UNDERWRITING TRANSACTION

As advised and confirmed by APL, on 1st February, 2013, the Sub-Underwriter, an indirect wholly-owned subsidiary of APL, entered into the Sub-Underwriting Agreement with the Underwriter, pursuant to which, the Sub-Underwriter agreed to, among other things, sub-underwrite the General Sub-Underwriting Commitment on the terms and subject to the conditions set out therein, and on the basis that the Firm Entitlement Commitment is fully subscribed by the Sub-Underwriter.

As advised and confirmed by APL, on 1st February, 2013, the Sub-Underwriter, AP Finance and the Australian Company entered into the Settlement and Offset Deed, pursuant to which, the parties thereto, among other things, agreed that (i) the Indebtedness shall be applied to all monies payable by the Sub-Underwriter by way of subscription for Rights Shares subscribed for under both the Firm Entitlement Commitment and the General Sub-Underwriting Commitment; and (ii) the remaining balance of the Indebtedness (after deducting the Total Subscription Amount) shall be repaid by the Australian Company to AP Finance in cash on completion of the Rights Issue.

As the Sub-Underwriter and AP Finance are indirect wholly-owned subsidiaries of APL, which in turn is a non wholly-owned subsidiary of AGL, the Transaction entered into by the Sub-Underwriter and AP Finance shall also be deemed a transaction for each of APL and AGL under the Listing Rules as the definition of “listed issuer” under the Listing Rules includes the listed issuer’s subsidiaries.

The Transaction constitutes a discloseable transaction for AGL on the basis that the relevant Percentage Ratio(s) exceeds 5% but is below 25%. As advised and confirmed by APL, the Transaction does not constitute a notifiable transaction for APL on the basis that none of the Percentage Ratio(s) exceeds 5%.

INTRODUCTION

As advised and confirmed by APL, the Australian Company proposes to raise funds by offering new shares to its existing shareholders for subscription on a pro-rata basis by way of the Rights Issue. On 1st February, 2013, the Australian Company entered into the Underwriting Agreement with the Underwriter pursuant to which, the Underwriter has agreed to underwrite the Underwritten Shares and subscribe for the Shortfall Shares. On the same date, the Underwriter has entered into a Sub-Underwriting Agreement with the Sub-Underwriter, an indirect wholly-owned subsidiary of APL, pursuant to which, the Sub-Underwriter agreed to, among other things, sub-underwrite the General Sub-Underwriting Commitment on the terms and subject to the conditions set out therein, and on the basis that the Firm Entitlement Commitment is fully subscribed by the Sub-Underwriter.

Reference is made to the joint announcement of AGL and APL dated 20th November, 2012 and the announcement of AGL dated 23rd January, 2013. As disclosed in such announcements, the Loan Agreements were entered into and pursuant to which, loan facilities in an aggregate amount of HK\$410,700,000 were granted by AP Finance as lender to the Australian Company as borrower. Further, on 1st February, 2013, AP Finance, the Sub-underwriter and the Australian Company entered into the Settlement and Offset Deed. Set out below are details of the Sub-Underwriting Agreement and the Settlement and Offset Deed.

THE SUB-UNDERWRITING AGREEMENT

Date: 1st February, 2013

Parties: (1) the Underwriter; and
(2) the Sub-Underwriter

Based on the information and confirmation provided by APL, which has made all reasonable enquiry and relied on the confirmation of the Underwriter, and to the best of the knowledge, information and belief of the AGL Directors and APL Directors, having made all reasonable enquiries, the Underwriter and its ultimate beneficial owner(s) are third parties independent of AGL, APL and their respective connected persons.

Principal terms of the Sub-Underwriting Agreement

As advised and confirmed by APL, pursuant to the Sub-Underwriting Agreement, the principal terms of the Sub-Underwriting Agreement are as follows:

Firm entitlement to be taken up:	The Sub-Underwriter will commit to subscribe for its entitlement of 76,723,485 Rights Shares in an aggregate amount of A\$15,344,697 (equivalent to approximately HK\$124,292,000).
General sub-underwriting obligation:	The Sub-Underwriter will participate as a general sub-underwriter for up to 125,000,000 Rights Shares in an aggregate amount of A\$25,000,000 (equivalent to approximately HK\$202,500,000) in the event of a shortfall to the subscription under the Rights Issue.
Sub-underwriting fee:	The sub-underwriting fee payable by the Underwriter to the Sub-Underwriter under the Sub-Underwriting Agreement shall be the amount equals to 6% of the amount the Sub-Underwriter is required to subscribe for pursuant to its General Sub-Underwriting Commitment. The sub-underwriting fee was determined after arm's length negotiations between the Underwriter and the Sub-Underwriter.

Based on the sub-underwriting fee of 6% and the General Sub-Underwriting Commitment, the Sub-Underwriter is expected to receive up to A\$1,500,000 (equivalent to approximately HK\$12,150,000) from the Underwriter.

Termination of
the Sub-Underwriting
Agreement:

The Sub-Underwriting Agreement is conditional upon the Underwriter entering into the Underwriting Agreement with the Australian Company. The Underwriting Agreement will contain termination rights in favour of the Underwriter, being events that would entitle the Underwriter to terminate the Underwriting Agreement.

The Sub-Underwriter has no right to terminate the Underwriting Agreement, nor the Sub-Underwriting Agreement. The Sub-Underwriter acknowledged and agreed that it will accept the decisions and actions of the Underwriter in respect of the Underwriting Agreement and that the Underwriter is not obliged to notify or consult with the Sub-Underwriter on any such matter or to qualify in any way the exercise or non-exercise of the rights, powers or remedies of the Underwriter under the Underwriting Agreement.

If the Rights Issue does not proceed or the Underwriting Agreement is terminated, the Sub-Underwriting Agreement will terminate without any obligation to the Sub-Underwriter. Correspondingly, all obligations of the Underwriter under this Sub-Underwriting Agreement, including the obligation to pay any sub-underwriting fee, will terminate if the Underwriting Agreement is terminated.

The Sub-Underwriter's liability under the Sub-Underwriting Agreement ceases only on the earliest of:

- (a) when the liability of the Underwriter under the Underwriting Agreement ceases; or
- (b) when the Sub-Underwriter lodges or causes to be lodged valid applications, together with the appropriate application monies, for any Rights Shares the Sub-Underwriter is required to subscribe for by the date that is three (3) business days after the Sub-Underwriter is notified by the Underwriter of its required participation in any shortfall.

The terms of the Sub-Underwriting Agreement and the amount of the sub-underwriting fee payable to the Sub-Underwriter are fair as compared to the market practice and commercially reasonable as agreed between the Underwriter and the Sub-Underwriter.

The Sub-Underwriter may, if it considers appropriate, place the Sub-Underwritten Shares to any independent third party(ies) who is(are) interested in the Rights Issue.

THE SETTLEMENT AND OFFSET DEED

Date: 1st February, 2013

Parties: (1) AP Finance;
(2) the Sub-Underwriter; and
(3) the Australian Company

Principal terms of the Settlement and Offset Deed

As advised and confirmed by APL, pursuant to the Settlement and Offset Deed, the parties thereto agreed that, conditional upon the Underwriter having entered into the Sub-Underwriting Agreement with the Sub-Underwriter, the Australian Company shall repay its Indebtedness to AP Finance in the following manner:

- (a) the Indebtedness shall be applied in full to the Total Subscription Amount payable by the Sub-Underwriter for the subscription under the Firm Entitlement Commitment and the General Sub-Underwriting Commitment in accordance with the terms and conditions of the Sub-Underwriting Agreement; and
- (b) any remaining balance outstanding after the Indebtedness has been applied to the Total Subscription Amount in accordance with the terms of the Settlement and Offset Deed (“Balance”) shall be repaid by the Australian Company to AP Finance in cash on completion of the Rights Issue (or on a date otherwise as agreed between the parties of the Settlement and Offset Deed). The Balance shall include (and allow for) any adjustment arising from outstanding interest accrued or facility fees due and owing as at the final payment date.

Upon repayment of the Balance in full in accordance with the terms of the Settlement and Offset Deed, any remaining loan, funding, or debt arrangements in place between AP Finance and the Australian Company shall be treated as extinguished and discharged in full and neither the Australian Company nor AP Finance shall have any further liability or obligations owing to the other (existing, contingent or otherwise).

The terms of the Settlement and Offset Deed are fair and reasonable having regard to (i) overall terms and conditions of the Loan Agreements and the Sub-Underwriting Agreement; and (ii) the fact that the Offset Transaction secures early repayment of the Indebtedness.

SUMMARY OF THE FINANCIAL INFORMATION OF THE AUSTRALIAN COMPANY

As advised and confirmed by APL, the following table shows the audited consolidated financial information for the two years ended 30th June, 2011 and 2012 attributable to the 21.28% interest of the Australian Company which may be acquired by the Sub-Underwriter.

	For the year ended 30th June,	
	2011 A\$'000	2012 A\$'000
Turnover	12,296	13,905
Net profit/(loss) before taxation	207	(916)
Net profit/(loss) after taxation	207	(916)

As advised and confirmed by APL, the audited consolidated net asset value attributable to the 21.28% interest of the Australian Company which may be acquired by the Sub-Underwriter was approximately A\$16,770,000 (equivalent to approximately HK\$135,837,000) as at 30th June, 2012.

Should the Sub-Underwriter acquire all the Sub-Underwritten Shares under the Sub-Underwriting Agreement, the Sub-Underwriter’s shareholding in the Australian Company may increase from approximately 23.50% by a maximum of approximately 21.28% to approximately 44.78%.

REASONS FOR AND BENEFITS OF THE TRANSACTION

As advised and confirmed by APL, the terms of the Sub-Underwriting Agreement and the Settlement and Offset Deed were arrived at after arm's length negotiations between the parties thereto, having regards to (i) the issue of the Rights Shares by the Australian Company is at a significant discount to the current market price; (ii) the sub-underwriting fee is attractive; and (iii) the Offset Transaction will secure the early repayment of the Indebtedness. Based on the above, the APL Directors consider that the Transaction and the terms of the Sub-Underwriting Agreement, and the Settlement and Offset Deed are fair and reasonable and on normal commercial terms, and the Transaction is in the interests of APL and its shareholders taken as a whole.

Based on the information and the confirmation provided by APL, the AGL Directors have accepted the confirmation by APL and therefore concur with the view of the APL Directors and consider that the Transaction is in the interests of AGL and its shareholders taken as a whole.

INFORMATION ABOUT AGL, APL, AP FINANCE, THE UNDERWRITER, THE SUB-UNDERWRITER AND THE AUSTRALIAN COMPANY

AGL

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 activity of AGL is investment holding. The principal business activities of its major subsidiaries are property investment and development, hospitality related activities, the provision of financial services, the provision of elderly care services, medical and aesthetic equipment distribution and investments in listed and unlisted securities.

APL

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 activity of APL is investment holding. The principal business activities of its major subsidiaries are property investment and development, hospitality related activities, the provision of financial services, the provision of elderly care services, medical and aesthetic equipment distribution and investments in listed and unlisted securities.

As at the date of this joint announcement, APL is beneficially owned as to approximately 74.97% by AGL.

AP Finance

As advised and confirmed by APL, AP Finance is a company incorporated in Hong Kong with limited liability. AP Finance is a registered money lender holding a money lenders licence under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) and is principally engaged in the business of money lending services.

As at the date of this joint announcement, AP Finance is an indirect wholly-owned subsidiary of APL.

The Underwriter

As advised and confirmed by APL, which has made all reasonable enquiries and relied on the confirmations of the Australian Company and the Underwriter, the Underwriter is a company domiciled in Australia. The principal business activity of the Underwriter is stockbroking.

The Sub-Underwriter

As advised and confirmed by APL, the Sub-Underwriter is a company incorporated in the British Virgin Islands with limited liability. The principal business activity of the Sub-Underwriter is investment holding.

As at the date of this joint announcement, the Sub-Underwriter is an indirect wholly-owned subsidiary of APL.

The Australian Company

As advised and confirmed by APL, which has made all reasonable enquiry and relied on the confirmation of the Australian Company, the Australian Company is a company domiciled in Australia, the securities of which are listed on the Australian Securities Exchange. The principal business activities of the Australian Company are gold mining operations and mineral exploration.

LISTING RULES IMPLICATIONS

As at the date of this joint announcement, as advised and confirmed by APL, having made all reasonable enquiries and to the best of its knowledge and belief and relied on the confirmation of the Australian Company, and so far as the AGL Directors and the APL Directors are aware, there exists only the following relationships (the “Disclosed Relationships”) between (i) the Australian Company and its ultimate beneficial owner(s), and (ii) AGL, APL and their ultimate beneficial owner(s), namely that:

1. Mr. Lee Seng Hui, chief executive and executive director of both AGL and APL, and Ms. Lee Su Hwei, non-executive director of AGL, are two of the trustees of Lee and Lee Trust;
2. Lee and Lee Trust, together with Mr. Lee Seng Hui’s personal interest, is beneficially interested in approximately 65.01% of the total issued share capital of AGL;
3. AGL is beneficially interested in approximately 74.97% of the total issued share capital of APL;
4. APL is deemed to be beneficially interested through the Sub-Underwriter in approximately 23.50% of the total issued share capital of the Australian Company;
5. Mr. Lee Seng Hui is a non-executive director of the Australian Company, who was appointed by the board of directors of the Australian Company; and
6. Mr. Arthur George Dew, chairman and non-executive director of both AGL and APL, is also a director and non-executive chairman of the Australian Company, who was appointed by the board of directors of the Australian Company. Mr. Mark Wong Tai Chun, executive director of APL, director of both AP Finance and the Sub-Underwriter, is also an alternate director of the Australian Company to Mr. Arthur George Dew.

Based on the information and confirmation provided by APL, which has made all reasonable enquiry and relied on the confirmation of the Australian Company and to the best of the knowledge, information and belief of the AGL Directors and the APL Directors, having made all reasonable enquiries, other than as set out herein, the Australian Company and its ultimate beneficial owner(s) are third parties independent of AGL, APL and their respective connected persons.

Having considered the Disclosed Relationships and the confirmations of the Australian Company and the Underwriter, both the AGL Directors and APL Directors are of the opinion that:

1. the Transaction is not a connected transaction of AGL or APL pursuant to Chapter 14A of the Listing Rules; and
2. the independence of the Australian Company in entering into of the Transaction is not impeded by the Disclosed Relationships as (i) Messrs. Lee Seng Hui and Arthur George Dew were appointed by the board of directors of the Australian Company as its directors; and (ii) Lee and Lee Trust, AGL and APL cannot control the composition of all or the majority of the board of directors of the Australian Company.

In view of the Disclosed Relationships, Mr. Lee Seng Hui and Mr. Arthur George Dew have also abstained from voting on the board resolutions of AGL and APL where appropriate in respect of this joint announcement and Ms. Lee Su Hwei has also abstained from voting on the board resolutions of AGL in respect of this joint announcement.

As the Sub-Underwriter and AP Finance are indirect wholly-owned subsidiaries of APL, which in turn is a non wholly-owned subsidiary of AGL, the Transaction entered into by the Sub-Underwriter and AP Finance shall also be deemed a transaction for each of APL and AGL under the Listing Rules as the definition of “listed issuer” under the Listing Rules includes the listed issuer’s subsidiaries.

The Transaction constitutes a discloseable transaction for AGL on the basis that the relevant Percentage Ratio(s) exceeds 5% but is below 25%. As advised and confirmed by APL, the Transaction does not constitute a notifiable transaction for APL on the basis that none of the Percentage Ratio(s) exceeds 5%.

DEFINITIONS

In this joint announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“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”	the board of AGL Directors;
“AGL Directors”	directors of AGL;
“AP Finance”	AP Finance Limited, a company incorporated in Hong Kong with limited liability, a licensed money lender under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong), an indirect wholly-owned subsidiary of APL, the lender to the Loan Agreements and a party to the Settlement and Offset Deed;

“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”	the board of APL Directors;
“APL Directors”	directors of APL;
“ASIC”	the Australian Securities and Investments Commission;
“Australian Company”	Tanami Gold NL, a company domiciled in Australia and the company conducting the Rights Issue being a party to the Underwriting Agreement and the Settlement and Offset Deed, the securities of which are listed on the Australian Securities Exchange;
“A\$”	Australian dollars, the lawful currency of the Commonwealth of Australia;
“connected persons”	having the meaning as ascribed to it under the Listing Rules;
“Firm Entitlement Commitment”	the Sub-Underwriter’s obligations under the Sub-Underwriting Agreement to subscribe for its entitlement of 76,723,485 Rights Shares in an aggregate amount of A\$15,344,697 (equivalent to approximately HK\$124,292,000);
“General Sub-Underwriting Commitment”	the Sub-Underwriter’s obligation under the Sub-Underwriting Agreement to sub-underwrite up to 125,000,000 Rights Shares in an aggregate amount of A\$25,000,000 (equivalent to approximately HK\$202,500,000) in the event of a shortfall to the subscription under the Rights Issue;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China;
“Indebtedness”	the outstanding debts of the Australian Company which is due and owing to AP Finance totalling HK\$410,700,000 as at the date of the Settlement and Offset Deed;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Loans”	the loan facilities in the total amount of HK\$410,700,000 granted by AP Finance to the Australian Company pursuant to the terms and conditions of the Loan Agreements;

“Loan Agreements”	the loan agreements dated 20th November, 2012 and 23rd January, 2013 entered into between AP Finance as lender and the Australian Company as borrower pursuant to which AP Finance agreed to make available the Loans to the Australian Company on the terms and subject to the conditions set out therein;
“Offset Transaction”	the transactions contemplated under the Settlement and Offset Deed;
“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;
“Prospectus”	the prospectus for the Rights Issue which will be issued by the Australian Company and lodged with ASIC on or around 8th February, 2013;
“Rights Issue”	the offer for subscription of the Rights Shares by the existing shareholders of the Australian Company on the basis of five Rights Shares for every four shares of the Australian Company held on a record date at the subscription price of A\$0.2 per Rights Share pursuant to the terms and conditions of the Prospectus;
“Rights Shares”	new shares of the Australian Company to be allotted and issued under the Rights Issue for which listing on the Australian Securities Exchange will be applied by the Australian Company;
“Settlement and Offset Deed”	the settlement and offset deed dated 1st February, 2013 entered into between AP Finance, the Sub-Underwriter and the Australian Company pursuant to which the parties thereto have agreed, inter alia, that (i) the Indebtedness shall be applied to all monies payable by the Sub-Underwriter by way of subscription for Rights Shares subscribed for under both the Firm Entitlement Commitment and the General Sub-Underwriting Commitment; and (ii) the remaining balance of the Indebtedness (after deducting the Total Subscription Amount) shall be repaid by the Australian Company to AP Finance in cash on completion of the Rights Issue;
“Shortfall Shares”	the number of Underwritten Shares less the number of Rights Shares for which application for subscription has been made;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Sub-Underwriter”	Allied Properties Resources Limited, a company incorporated in the British Virgin Islands with limited liability, being the sub-underwriter to the Sub-Underwriting Agreement and a party to the Settlement and Offset Deed;
“Sub-Underwriting Agreement”	the sub-underwriting agreement dated 1st February, 2013 entered into between the Underwriter and the Sub-Underwriter, pursuant to which the Sub-underwriter agreed to subscribe for the Rights Shares under the Firm Entitlement Commitment and sub-underwrite the Rights Shares under the General Sub-Underwriting Commitment;

“Sub-Underwritten Shares”	the maximum of 125,000,000 Rights Shares in an aggregate amount of A\$25,000,000 (equivalent to approximately HK\$202,500,000) which the Sub-Underwriter agreed to sub-underwrite in the event of a shortfall to the subscription under the Rights Issue pursuant to the Sub-Underwriting Agreement;
“Total Subscription Amount”	the amount to be paid by the Sub-Underwriter for the subscription of the shares under the Firm Entitlement Commitment and the General Sub-Underwriting Commitment;
“Transaction”	the transactions contemplated under the Sub-Underwriting Agreement and the Settlement and Offset Deed;
“Underwriter”	Patersons Securities Limited, a company domiciled in Australia, being the underwriter to the Underwriting Agreement and Sub-Underwriting Agreement;
“Underwriting Agreement”	the underwriting agreement dated 1st February, 2013 entered into between the Underwriter and the Australian Company, pursuant to which the Underwriter has agreed to subscribe or procure the subscription of the Underwritten Shares on the terms and conditions set out therein;
“Underwritten Shares”	the 326,415,846 Rights Shares which are to be offered to the shareholders of the Australian Company under the Rights Issue; and
“%”	per cent.

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

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

Hong Kong, 1st February, 2013

For the purpose of this joint announcement, translation of A\$ into HK\$ or vice versa have been calculated by using an exchange rate of A\$1.00 equal to HK\$8.10. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were or may have been exchanged at such rate or any other rates or at all.

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 Messrs. Wong Po Yan, David Craig Bartlett and Alan Stephen Jones 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.