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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your securities in Allied Properties (H.K.) Limited, you should at once hand this circular to the purchaser or transferee, or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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**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**

**DISPOSAL OF A 10.13 PER CENT. INTEREST IN  
LIPPO LIMITED**

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions 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
“AGL Directors”	directors of AGL
“associates”	having the meaning ascribed to it under the Listing Rules
“Best Delta”	Best Delta International Limited, a company incorporated in the B.V.I. with limited liability and an indirect wholly-owned subsidiary of SHK
“Board”	board of Directors
“B.V.I.”	British Virgin Islands
“Cheeroll”	Cheeroll Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of SHK
“Company”	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
“Convertible Bonds”	convertible bonds of the Company entitle the holders thereof to convert all or any of the convertible bonds into fully paid Shares at any time during the period from 1st July, 2009 and ending on the business day falling ten business days immediately preceding 9th November, 2011 at an initial conversion price of HK\$10 per convertible bond (subject to adjustments)
“Directors”	directors of the Company
“Disposal”	the disposal of an aggregate of 43,950,000 Lippo Shares by Best Delta, Cheeroll and Upstand through a number of on-market transactions on the Stock Exchange at an aggregate consideration of HK\$131,850,000
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

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## DEFINITIONS

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“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	13th February, 2007, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Lippo”	Lippo Limited, a company incorporated in Hong Kong with limited liability, with its shares listed on the Main Board of the Stock Exchange (Stock Code: 226)
“Lippo Shares”	ordinary shares of nominal value of HK\$0.10 each in the issued share capital of Lippo
“Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholders”	shareholders of the Company
“Shares”	ordinary shares of nominal value of HK\$2 each in the share capital of the Company
“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
“SHK Directors”	directors of SHK
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	having the meaning ascribed to it under the Listing Rules
“Upstand”	Upstand Assets Limited, a company incorporated in the B.V.I. with limited liability and a direct wholly-owned subsidiary of SHK
“Warrants”	warrants of the Company entitle the holders thereof to subscribe at any time during the period from 7th June, 2006 to 6th June, 2009 (both days inclusive) for fully paid Shares at an initial subscription price of HK\$10 per Share (subject to adjustments)



**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)**

*Executive Directors:*

Patrick Lee Seng Wei (*Chief Executive*)

Li Chi Kong

*Non-executive Directors:*

Arthur George Dew (*Chairman*)

Henry Lai Hin Wing

Steven Lee Siu Chung

*Registered Office:*

22nd Floor

Allied Kajima Building

138 Gloucester Road

Wanchai

Hong Kong

*Independent non-executive Directors:*

John Douglas Mackie

Steven Samuel Zoellner

Alan Stephen Jones

16th February, 2007

*To the Shareholders and, for information only,  
the holders of Warrants*

Dear Sir or Madam,

**DISCLOSEABLE TRANSACTION**

**DISPOSAL OF A 10.13 PER CENT. INTEREST IN  
LIPPO LIMITED**

**INTRODUCTION**

On 30th January, 2007, the AGL Directors, the Directors and the SHK Directors jointly announced that, on 25th and 26th January, 2007, SHK (through its wholly-owned subsidiaries Best Delta, Cheeroll and Upstand) effected the Disposal, being the disposal of an aggregate of 43,950,000 Lippo Shares, representing approximately 10.13 per cent. of the then issued share capital of Lippo, through a number of on-market transactions on the Stock Exchange at an aggregate consideration of HK\$131,850,000 (being all at a selling price of HK\$3.00 per Lippo Share).

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## LETTER FROM THE BOARD

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After completion of the disposal of the 43,950,000 Lippo Shares, SHK has ceased to have any interest in Lippo.

Under Chapter 14 of the Listing Rules, the Disposal constitutes a discloseable transaction for the Company, on the basis that the calculation of the assets ratio for the Company is within the range of 5 per cent. and 25 per cent.

The purpose of this circular is to provide the Shareholders with further information in relation to the Disposal and other information in accordance with the requirements of the Listing Rules.

### **THE DISPOSAL**

On 25th and 26th January, 2007, SHK (through its wholly-owned subsidiaries Best Delta, Cheeroll and Upstand) effected the Disposal, being the disposal of an aggregate of 43,950,000 Lippo Shares, representing approximately 10.13 per cent. of the then issued share capital of Lippo, through a number of on-market transactions on the Stock Exchange at an aggregate consideration of HK\$131,850,000 (being all at a selling price of HK\$3.00 per Lippo Share).

### **Dates**

25th and 26th January, 2007

### **Parties**

- (1) Best Delta (as to 6,500,000 Lippo Shares), Cheeroll (as to 6,000,000 Lippo Shares) and Upstand (as to 31,450,000 Lippo Shares) as vendors; and
- (2) various purchasers under a number of on-market transactions on the Stock Exchange.

To the best of the knowledge of the SHK Directors, the purchasers under such on-market transactions on the Stock Exchange and their ultimate owners are independent third parties not connected with SHK, any of its subsidiaries or any of their respective associates, or any of the connected persons of SHK, any of its subsidiaries or any of their respective associates.

### **The Lippo Shares disposed of by SHK**

SHK (through its wholly-owned subsidiaries Best Delta, Cheeroll and Upstand) disposed of an aggregate of 43,950,000 Lippo Shares, representing approximately 10.13 per cent. of the then issued share capital of Lippo, of which 36,900,000 Lippo Shares were disposed of on 25th January, 2007 and 7,050,000 Lippo Shares were disposed of on 26th January, 2007.

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## LETTER FROM THE BOARD

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### **Consideration**

The aggregate consideration for the disposal by SHK (through its wholly-owned subsidiaries Best Delta, Cheeroll and Upstand) of 43,950,000 Lippo Shares is HK\$131,850,000 (being all at a selling price of HK\$3.00 per Lippo Share) and was fully settled in cash. The consideration was determined by reference to the prevailing trading prices of the Lippo Shares on the Stock Exchange.

### **Completion**

Completion of the Disposal has taken place in accordance with the normal clearing and settlement procedures for on-market transactions on the Stock Exchange. The Disposal was not subject to any condition.

After completion of the disposal of the 43,950,000 Lippo Shares, SHK has ceased to have any interest in Lippo.

### **INFORMATION ABOUT LIPPO**

Lippo 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 Lippo is investment holding. The principal business activities of its major subsidiaries are investment holding, property investment and development, fund management, underwriting, corporate finance, securities broking, securities investment, treasury investment, money lending, banking and other related financial services.

### **INFORMATION ABOUT AGL, THE COMPANY AND SHK**

#### **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, the provision of financial services and the provision of healthcare services.

#### **The Company**

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

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## LETTER FROM THE BOARD

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As at the Latest Practicable Date, the Company was beneficially owned as to approximately 74.93 per cent. by AGL.

### SHK

SHK 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 SHK is investment holding. The principal business activities of its major subsidiaries are wealth management (incorporating brokerage), asset management, corporate finance, consumer finance, provision of healthcare services as well as principal investments.

As at the Latest Practicable Date, SHK was beneficially owned as to approximately 65.17 per cent. by the Company.

### REASONS FOR AND BENEFITS OF THE DISPOSAL

In view of current market conditions, the SHK Directors consider that the Disposal represents a good opportunity for SHK to realise a long term investment. Net proceeds from the Disposal of approximately HK\$131,541,000 will be utilised by SHK for reducing bank and other borrowings of the SHK group and for general working capital purposes.

Having regard to the nature of and the benefits resulting from the Disposal, the AGL Directors, the Directors and the SHK Directors all believe that the Disposal is fair and reasonable and in the interests of the shareholders of each of AGL, the Company and SHK taken as a whole.

Net profits attributable to the 43,950,000 Lippo Shares disposed of by SHK (through its wholly-owned subsidiaries Best Delta, Cheeroll and Upstand), which represent dividends received by SHK on such number of Lippo Shares, for the two financial years ended 31st December, 2006 were:

- (i) approximately HK\$879,000 (before taxation) or approximately HK\$879,000 (after taxation) for the financial year ended 31st December, 2005; and
- (ii) approximately HK\$879,000 (before taxation) or approximately HK\$879,000 (after taxation) for the financial year ended 31st December, 2006.

As at 31st December, 2006, the carrying value (i.e. cost less impairment) of the 10.13 per cent. shareholding in Lippo disposed of by SHK was approximately HK\$83,505,000. Accordingly, this will give rise to an estimated gain of approximately HK\$48,036,000 (i.e. net proceeds from the Disposal of HK\$131,541,000 less carrying value of the 10.13 per cent. shareholding in Lippo of HK\$83,505,000) for AGL, the Company and SHK.

The Group's profit for the year (including that attributable to minority interests) has increased by approximately HK\$48,036,000 as a result of the Disposal. The total assets of the Group have also increased by approximately HK\$48,036,000 after completion of the Disposal.



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## LETTER FROM THE BOARD

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### LISTING RULES IMPLICATIONS

Under Chapter 14 of the Listing Rules, the Disposal constitutes a discloseable transaction for the Company, on the basis that the calculation of the assets ratio for the Company is within the range of 5 per cent. and 25 per cent.

### ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the Appendix to this circular.

Yours faithfully,  
On behalf of the Board  
**Allied Properties (H.K.) Limited**  
**Patrick Lee Seng Wei**  
*Chief Executive*

## 1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts the omission of which would make any statement in this circular misleading.

## 2. DISCLOSURE OF INTERESTS

### (a) Directors' interests

Save as disclosed below, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions, if any, which they were taken or deemed to have under such provisions of the SFO); (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to in such provisions of the SFO; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules to be notified to the Company and the Stock Exchange:

Name of Director	Name of company	Number of shares and underlying shares	Approximate percentage of relevant issued share capital	Nature of interests
Patrick Lee Seng Wei	the Company	351,000 (Note 1)	0.06	Personal interests (held as beneficial owner)
	AGL (Note 2)	550,000 (Note 3)	0.22	Personal interests (held as beneficial owner)
Steven Samuel Zoellner	SHK (Note 2)	49,200 (Note 4)	0.00	Personal interests (held as beneficial owner)
	Quality HealthCare Asia Limited ("QHA") (Note 2)	102,000 (Note 5)	0.05	Personal interests (held as beneficial owner)

*Notes:*

1. This represented an interest in 270,000 Shares, and interests in 54,000 units of Warrants and 27,000 units of Convertible Bonds giving rise to an interest in 81,000 underlying Shares.
2. AGL is the ultimate holding company of the Company. SHK is an indirect non wholly-owned subsidiary of the Company, and QHA is an indirect non wholly-owned subsidiary of SHK. Therefore, AGL, SHK and QHA are associated corporations of the Company within the meaning of Part XV of the SFO.
3. This represented an interest in 550,000 shares of AGL.
4. This represented an interest in 49,200 shares of SHK.
5. This represented an interest in 102,000 shares of QHA.
6. All interests stated above represented long positions.

**(b) Substantial shareholders' interests**

Save as disclosed below, the Directors and the chief executive of the Company were not aware that there was any person who, as at the Latest Practicable Date, had an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who, as at the Latest Practicable Date, was directly and indirectly interested in ten per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Group.

*(i) Interests in the Shares and the underlying Shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO*

<b>Name of Shareholder</b>	<b>Number of Shares and underlying Shares</b>	<b>Approximate percentage of the issued share capital of the Company</b>	<i>Notes</i>
AGL	533,037,519	99.20	<i>1</i>
Lee and Lee Trust	533,037,519	99.20	<i>2, 3</i>

*Notes:*

1. The interest included the holding of: (i) an interest in 167,061,619 Shares, 33,412,323 units of Warrants and 16,706,161 units of Convertible Bonds held by Capscore Limited ("Capscore"); (ii) an interest in 4,186,632 Shares, 837,324 units of Warrants and 10,044,116 units of Convertible Bonds held by Citiwealth Investment Limited ("Citiwealth"); (iii) an interest in 135,063,783 Shares, 26,990,756 units of Warrants and 13,495,377 units of Convertible Bonds held by Sunhill Investments Limited ("Sunhill"); and (iv) an interest in 96,338,025 Shares, 19,267,603 units of Warrants and 9,633,800 units of Convertible Bonds held by AGL. The said Warrants and Convertible Bonds held by

Capscore, Citiwealth, Sunhill and AGL giving rise to an interest in an aggregate of 130,387,460 underlying Shares. Capscore, Citiwealth and Sunhill are all wholly-owned subsidiaries of AGL. AGL was therefore deemed to have an interest in the Shares and the underlying Shares in which Capscore, Citiwealth and Sunhill were interested.

2. This represented the same interest of AGL in 402,650,059 Shares, an interest in 80,508,006 units of Warrants and an interest in 49,879,454 units of Convertible Bonds.
3. Mr. Lee Seng Hui, Ms. Lee Su Hwei and Mr. Lee Seng Huang are the trustees of Lee and Lee Trust, being a discretionary trust. They together owned approximately 41.26% interest in the issued share capital of AGL and were therefore deemed to have an interest in the Shares and the underlying Shares in which AGL was interested.
4. The interest stated above represented a long position. As at the Latest Practicable Date, no short positions were recorded in the register required to be kept under Section 336 of the SFO.

(ii) *Interests in the shares of other members of the Group*

Name of non wholly-owned subsidiaries of the Company	Name of shareholder	Number of shares	Approximate percentage of the relevant issued share capital
Best Decision Investments Limited	Christophe Lee Kin Ping	17,500	35.00
Dalian Allied First Financial Center Co., Ltd.	大連商業集團總公司	N/A	30.00
Dalian Lianhua Plaza Development Co., Ltd.	大連民興房地產發展有限公司	N/A	20.00
GFIA – SHK Managers Ltd.	LOTE Limited	49	49.00
Hardy Wall Limited	Betterhuge Limited	35	35.00
SHK	Penta Investment Advisers Limited	158,843,000	10.63
SHK Financial Data Limited	Unison Information Limited	49	49.00
United Asia Finance Limited	ITOCHU Hong Kong Limited	25,625,000	18.64

### 3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which does not expire or is not terminable by such member of the Group within one year without payment of compensation (other than statutory compensation).

### 4. DIRECTORS' INTERESTS IN COMPETING BUSINESSES

Save as disclosed below, as at the Latest Practicable Date, none of the Directors (not being the independent non-executive Directors) or their respective associates was considered to have interests in any competing businesses pursuant to the Listing Rules:

- (a) Mr. Arthur George Dew is a director of AGL which, through a subsidiary, is partly engaged in the business of money lending.
- (b) Mr. Patrick Lee Seng Wei is a director of SHK which, through certain of its subsidiaries, is partly engaged in the businesses of money lending and property investment;
- (c) Mr. Li Chi Kong is a director of AG Capital Limited, a subsidiary of AGL, which is partly engaged in the business of money lending;
- (d) Messrs. Patrick Lee Seng Wei and Li Chi Kong are directors of Tian An China Investments Company Limited which, through a subsidiary, is partly engaged in the business of money lending; and
- (e) Messrs. Patrick Lee Seng Wei and Li Chi Kong are directors of Allied Kajima Limited which, through certain of its subsidiaries, is partly engaged in the businesses of property rental, management services and hospitality related activities.

As the Board is independent from the boards of the abovementioned companies and none of the above Directors can control the Board, the Group is capable of carrying on its businesses independently of, and at arm's length from, the businesses of such companies.

## 5. LITIGATION

Save as disclosed below, as at the Latest Practicable Date, no member of the Group was engaged in any litigation or claims of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Group:

- (a) By the Judgment of High Court on 1st April, 2004 (“Judgment”) in HCA 3191/1999 between New World Development Company Limited (“NWDC”) and Stapleton Developments Limited (“SDL”) against Sun Hung Kai Securities Limited (“SHKS”), a direct wholly-owned subsidiary of SHK, SHKS was ordered to pay NWDC the sum of HK\$105,534,018.22 together with interest on the principal sum of HK\$80,117,652.72 at judgment rate from 16th December, 1998 until payment, pursuant to the terms of an oral agreement which the Court found. As at 17th June, 2004, the date when the Judgment sum was paid, the Judgment amounted to HK\$150,115,681.54 (being HK\$105,534,108.22 plus interest of HK\$44,581,663.32). SHKS has paid the Judgment amounts. SHKS filed an appeal against the Judgment both as to liability and quantum to the Court of Appeal. That Court of Appeal handed down the judgment (“Court of Appeal Judgment”) in which the Court of Appeal ordered a repayment to SHKS of part of the interest element for the period from 16th December, 1998 to 31st March, 2004 previously ordered against SHKS in the Court of First Instance but otherwise broadly confirmed the Judgment. The sum repayable amounted to HK\$14,783,090.86 and has been repaid. SHKS obtained leave to appeal the Court of Appeal Judgment to the Court of Final Appeal (“Final Appeal”). The Final Appeal was heard on 19th, 20th and 21st June, 2006. On 10th July, 2006, the Court of Final Appeal delivered its decision (“Final Appeal Judgment”), dismissing the Final Appeal except to the extent that the principal sum awarded in favour of NWDC should be reduced by HK\$629,448.15. This amount together with interest thereon of HK\$647,991.43 totalling HK\$1,277,439.58 has now been paid to SHKS by NWDC. Pursuant to the Final Appeal Judgment, SHKS was ordered to pay costs of the appeal.

SHKS is seeking legal advice as to the effect of the Final Appeal Judgment on new claims contained in (i) a writ containing an endorsement of claim issued by NWDC in April 2004 (“HCA 813/2004”) for the sums of HK\$27,237,489.51 and HK\$7,697,418.42 together with interest on such sums from 1st March, 2000 and 2nd January, 2001 respectively at such rate as the Court considers appropriate, although as at the Latest Practicable Date, the writ in HCA 813/2004 had not been served on SHKS; and (ii) a writ including a statement of claim issued by NWDC and SDL in February 2006 (“HCA 376/2006”) for what are asserted to be amounts advanced by NWDC on behalf of SHKS as pro-rata contributions to shareholders’ loans. The sum of HK\$37,498,011.41, being the aggregate of the contributions claimed from SHKS, together with interest thereon at such rate and for such period as the Court considers appropriate is claimed in HCA 376/2006, although as at the Latest Practicable Date, that writ had not been served on SHKS.

- (b) In June 2006, SHK received notice of a 2001 order made by the Hubei Province Higher Peoples Court in China freezing US\$3 million of SHKS's funds (or assets of equivalent value) pursuant to which SHKS's shares in Chang Zhou Power Development Company Limited in China (worth US\$3 million) were subsequently frozen. SHKS had sold the said shares in 1998. Pursuant to a further agreement in 2001, SHKS received indemnities and waivers as to any potential liability.

## 6. GENERAL

- (a) The registered office of the Company is 22nd Floor, Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong.
- (b) The company secretary of the Company is Ms. Phoebe Lau Mei Yi. She is an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators.
- (c) The qualified accountant of the Company is Mr. Wu Kwan Yet. He obtained a Master's Degree in Professional Accounting from The Hong Kong Polytechnic University in 2001 and is an associate member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants.
- (d) The share registrar of the Company is Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (e) This circular is prepared in both English and Chinese. In the event of inconsistency, the English text shall prevail.