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

If you have sold or transferred all your shares in Allied Group Limited, you should at once hand this circular with the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)

PROPOSAL FOR SHARE CONSOLIDATION

A notice convening an extraordinary general meeting of the Company to be held at Plaza 5, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Thursday, 22nd July, 2004 at 9:00 a.m. is set out on pages 9 and 10 of this circular. Whether or not you are able to attend the extraordinary general meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company’s registered office at 22nd Floor, Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the extraordinary general meeting or any adjournment thereof. Completion and return of the form of proxy will not prevent shareholders of the Company from attending and voting in person at the extraordinary general meeting or any adjourned meeting if they so wish.

Subject to the granting of the listing of, and permission to deal in, the Consolidated Shares resulting from the Share Consolidation on the Stock Exchange, the Consolidated Shares resulting from the Share Consolidation will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in the Central Clearing and Settlement System (“CCASS”) with effect from the commencement date of dealings in the Consolidated Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

30th June, 2004

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DEFINITIONS

In this circular (other than in the notice of EGM), the following expressions have the meanings correspondingly ascribed below, unless the context otherwise requires:

“Board”	the board of Directors
“CCASS”	Central Clearing and Settlement System established and operated by HKSCC
“Companies Ordinance”	Companies Ordinance, Chapter 32 of the Laws of Hong Kong
“Company”	Allied Group Limited 聯合集團有限公司, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the main board of the Stock Exchange
“Consolidated Share(s)”	ordinary share(s) of HK\$2.00 each in the share capital of the Company after the Share Consolidation becoming effective
“Director(s)”	director(s) of the Company
“Extraordinary General Meeting/EGM”	an extraordinary general meeting of the Company to be convened and held at Plaza 5, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Thursday, 22nd July, 2004 at 9:00 a.m. to approve the proposed Share Consolidation, notice of which is set out on pages 9 and 10 of this circular
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Registrar”	Computershare Hong Kong Investor Services Limited, the registrar of the Company at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong

DEFINITIONS

“Share Consolidation”	the proposed consolidation of every ten (10) Shares into one (1) Consolidated Share
“Share(s)”	ordinary share(s) of HK\$0.20 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s) or Consolidated Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

EXPECTED TIMETABLE

2004

- Latest time for lodging forms of proxy for the
Extraordinary General Meeting 9:00 a.m. Tuesday, 20th July
- Extraordinary General Meeting 9:00 a.m. Thursday, 22nd July
- Effective date of the Share Consolidation Friday, 23rd July
- Existing counter for trading in the Shares in board lots of
2,000 Shares temporarily closes 9:30 a.m. Friday, 23rd July
- Temporary counter for trading in the Consolidated Shares in
board lots of 200 Consolidated Shares (in the form of
existing share certificates) opens 9:30 a.m. Friday, 23rd July
- Free exchange of existing share certificates for new share
certificates for the Consolidated Shares commences 9:00 a.m. Friday, 23rd July
- Existing counter for trading in the Consolidated Shares
in board lots of 2,000 Consolidated Shares
(in the form of new share certificates) reopens 9:30 a.m. Friday, 6th August
- Parallel trading in the Consolidated Shares
(in the form of new share certificates and
existing share certificates) commences 9:30 a.m. Friday, 6th August
- Designated securities house starts to stand in the market to
provide matching services 9:30 a.m. Friday, 6th August
- Temporary counter for trading in the Consolidated Shares
in board lots of 200 Consolidated Shares (in the form of
existing share certificates) closes 4:00 p.m. Friday, 27th August
- Parallel trading in the Consolidated Shares
(in the form of new share certificates and existing
share certificates) ends 4:00 p.m. Friday, 27th August
- Designated securities house ceases to stand in the market to
provide matching services 4:00 p.m. Friday, 27th August
- Free exchange of existing share certificates
for new share certificates for
the Consolidated Shares ends 4:00 p.m. Wednesday, 1st September

LETTER FROM THE BOARD



ALLIED GROUP LIMITED

(聯合集團有限公司)

(Incorporated in Hong Kong with limited liability)

Executive Directors:

Lee Seng Hui (*Chief Executive*)

Edwin Lo King Yau

Non-Executive Directors:

Lee Su Hwei

Arthur George Dew

Independent Non-Executive Directors:

Gordon Macwhinnie (*Non-Executive Chairman*)

Wong Po Yan

David Craig Bartlett

John Douglas Mackie

Registered Office:

22nd Floor

Allied Kajima Building

138 Gloucester Road

Wanchai

Hong Kong

30th June, 2004

To the Shareholders

Dear Sir or Madam,

PROPOSAL FOR SHARE CONSOLIDATION

INTRODUCTION

The Board announced on 9th June, 2004 that every ten (10) Shares in the issued and un-issued ordinary share capital of the Company would be proposed to consolidate into one (1) Consolidated Share. The Consolidated Shares will be traded in board lots of 2,000 Consolidated Shares. The present board lot is 2,000 Shares. The authorised ordinary share capital of the Company after the Share Consolidation will remain at HK\$1,300,000,000.00.

PROPOSED SHARE CONSOLIDATION

The Board proposes that every ten (10) Shares in the issued and un-issued ordinary share capital of the Company will be consolidated into one (1) share of HK\$2.00 each. As at the date of the release of the announcement on 9th June, 2004, there were 2,643,754,308

LETTER FROM THE BOARD

Shares in issue and fully paid. On the basis of such issued share capital, there will be 264,375,430 Consolidated Shares in issue and fully paid following the Share Consolidation. The authorised ordinary share capital of the Company after the Share Consolidation will remain at HK\$1,300,000,000.00.

The Consolidated Shares will be traded in board lots of 2,000 Consolidated Shares. The present board lot is 2,000 Shares. The Consolidated Shares will rank *pari passu* in all respects with each other and the Share Consolidation will not result in any change in any relative rights of the Shareholders. Fractional Consolidated Shares will not be issued to the Shareholders and will be aggregated and sold for the benefit of the Company.

Based on the closing price of the Shares on 9th June, 2004, the value of each board lot of the Shares is HK\$1,380.00 and that the value of each board lot of the Consolidated Shares, assuming the Share Consolidation had already been effective, is HK\$13,800.00.

Reasons for the Share Consolidation

As the cost of handling the Shares is relatively high compared with the low market value for each existing board lot of the Shares, the Share Consolidation can reduce the number of board lots in the market and also the cost for the Company and the Shareholders dealing in the Shares of the Company. Accordingly, the Directors believe that the Share Consolidation is beneficial to the Company and the Shareholders as a whole.

Effects of the Share Consolidation

Except for the expenses to be incurred and the savings referred to above, the proposed Share Consolidation has no effect on the financial position of the Company and the Shareholders.

Conditions of the Share Consolidation

The Share Consolidation is conditional, *inter alia*, upon the fulfilments of the following conditions:

- (i) the passing of an ordinary resolution approving the Share Consolidation by the Shareholders at the EGM; and
- (ii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Consolidated Shares.

The Share Consolidation will become effective at the time when the above conditions are fulfilled, which is expected to be on or around 23rd July, 2004.

LETTER FROM THE BOARD

Odd lots arrangement and fractional entitlement of the Consolidated Shares and matching services

Any fractional entitlement to the Consolidated Shares will be aggregated, sold and retained for the benefit of the Company. In order to alleviate Shareholders' difficulty in dealing in odd lots that may arise as a result of the Share Consolidation, the Company has appointed Sun Hung Kai Investment Services Limited of Level 12, One Pacific Place, 88 Queensway, Hong Kong to stand in the market to provide matching services on a best effort basis for the odd lots of Consolidated Shares during the period from 6th August, 2004 to 27th August, 2004 (both dates inclusive). Shareholders who wish to take advantage of this matching services either to dispose of odd lots of Consolidated Shares or to top up to a board lot of 2,000 Consolidated Shares may contact Miss Connie Cheung Sau Lin of Sun Hung Kai Investment Services Limited (Telephone number (852) 2822 5075; Fax number (852) 2822 5466). Shareholders should note that the matching service is on a "best efforts" basis only and successful matching of the sale and purchase of odd lots of Consolidated Shares is not guaranteed and will depend on there being adequate amounts of odd lots of Consolidated Shares available for such matching.

Exchange of certificates for Consolidated Shares at no direct cost to the Shareholders

Subject to the Share Consolidation becoming effective which is expected to be on or around 23rd July, 2004, Shareholders may on or after 23rd July, 2004 until 1st September, 2004 (both dates inclusive) submit their blue colour share certificates for the existing Shares to the Registrar at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for exchange, at the expense of the Company, for dark blue colour share certificates for Consolidated Shares. Thereafter, blue colour share certificates for the existing Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such higher amount as may from time to time be allowed by the Stock Exchange) for each new share certificate to be issued for the Consolidated Shares or each existing share certificate cancelled (whichever number is higher). Nevertheless, blue colour share certificates for the existing Shares will continue to be good evidence of legal title and may be exchanged for dark blue colour share certificates for the Consolidated Shares at any time. New share certificate will be issued in board lot of 2,000 Consolidated Shares.

Listing, dealings and trading arrangement for the Consolidated Shares

Application has been made to the Listing Committee of the Stock Exchange for the grant of the listing of, and permission to deal in, the Consolidated Shares.

Subject to the granting of the listing of, and permission to deal in, the Consolidated Shares on the Stock Exchange, the Consolidated Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Consolidated Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange

LETTER FROM THE BOARD

on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Upon the Share Consolidation becoming effective, the arrangement proposed for dealings in the Consolidated Shares are expected to be as follows:

- (i) With effect from 9:30 a.m. on 23rd July, 2004, the existing counter for trading in the existing Shares in board lots of 2,000 Shares will be temporarily closed. A temporary counter will be established for trading in the Consolidated Shares in board lots of 200 Consolidated Shares. Only certificates in blue colour for the existing Shares can be traded at this temporary counter.
- (ii) With effect from 9:30 a.m. on 6th August, 2004, the existing counter will be reopened for trading in the Consolidated Shares in board lots of 2,000 Consolidated Shares. Only new share certificates in dark blue colour for the Consolidated Shares can be traded at this counter.
- (iii) From 6th August, 2004 to 27th August, 2004, both days inclusive, there will be parallel trading at the above two counters.
- (iv) The temporary counter for trading in the Consolidated Shares in board lots of 200 Consolidated Shares will be removed after the close of trading on 27th August, 2004. With effect from 30th August, 2004, trading will be in the Consolidated Shares in board lots of 2,000 Consolidated Shares. Certificates in blue colour for Shares for the existing Shares will cease to be valid for trading and settlement purpose. However, such share certificates will remain effective as documents of title.

EXTRAORDINARY GENERAL MEETING

Set out in this circular is a notice convening the EGM which will be held at Plaza 5, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Thursday, 22nd July, 2004 at 9:00 a.m., at which a resolution will be proposed to approve the Share Consolidation.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you intend to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it as soon as possible to the Company's registered office at 22nd Floor, Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong not less than 48 hours before the time appointed for the holding of the EGM or any adjourned meeting. Completion and return of the form of proxy will not prevent Shareholders from attending and voting in person at the EGM or any adjourned meeting if they so wish.

LETTER FROM THE BOARD

RECOMMENDATION

The Directors consider that the Share Consolidation is in the interests of the Company and its Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the relevant resolution to approve the Share Consolidation.

Yours faithfully,
On behalf of the Board
Allied Group Limited
Sir Gordon Macwhinnie
Chairman

NOTICE OF EXTRAORDINARY GENERAL MEETING



ALLIED GROUP LIMITED **(聯合集團有限公司)**

(Incorporated in Hong Kong with limited liability)

(Stock Code: 373)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (“Meeting”) of Allied Group Limited (“Company”) will be held at Plaza 5, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Thursday, 22nd July, 2004 at 9:00 a.m. for the purpose of considering and, if thought fit, passing (with or without amendments) the following as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“**THAT**, subject to and conditional upon the granting by the Listing Committee of The Stock Exchange of Hong Kong Limited of the listing of, and permission to deal in, the ordinary shares of the Company consolidated in the manner as set out in paragraph (a) of this Resolution below:

- (a) the 6,500,000,000 shares of HK\$0.20 each in the authorised share capital of the Company be consolidated into 650,000,000 shares of HK\$2.00 each (“Consolidated Shares”) by consolidating every ten (10) shares of HK\$0.20 each into one (1) Consolidated Share, such Consolidated Shares shall rank *pari passu* in all respect with each other;
- (b) all fractions of the Consolidated Shares to which holders of issued shares of HK\$0.20 each in the share capital of the Company would otherwise be entitled to be aggregated, sold and retained for the benefit of the Company; and
- (c) the directors of the Company be authorised to do all such acts and things as they consider necessary or expedient to give effect to the foregoing arrangements.”

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

Hong Kong, 30th June, 2004

NOTICE OF EXTRAORDINARY GENERAL MEETING

Registered office:

22nd Floor
Allied Kajima Building
138 Gloucester Road
Wanchai
Hong Kong

Notes:

1. A member entitled to attend and vote at the Meeting is entitled to appoint more than one proxy to attend and, on a poll, vote on his stead. A proxy need not be a member of the Company.
2. A form of proxy in respect of the Meeting is enclosed. Whether or not you intend to attend the Meeting in person, you are urged to complete and return the form of proxy in accordance with the instructions printed thereon. Completion and return of the form of proxy will not prevent you from attending and voting in person at the Meeting or any adjourned meeting if you so wish.
3. To be valid, the form of proxy, together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power of attorney must be deposited at the Company's registered office at 22nd Floor, Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong not less than 48 hours before the time fixed for the Meeting or any adjournment thereof.
4. Where there are joint holders of a share, any one of such holders may vote at the Meeting, either personally or by proxy, in respect of such share as if he was solely entitled thereto, but if more than one of such joint holders be present at the Meeting personally or by proxy, that one of such holders so present whose name stands first on the register of members of the Company shall alone be entitled to vote in respect of such share.