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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 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 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)**

**DISCLOSEABLE TRANSACTION  
ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF  
AND LOANS TO GILMORE LIMITED BY  
AP SAPPHIRE LIMITED  
(AN INDIRECT WHOLLY-OWNED SUBSIDIARY OF  
ALLIED PROPERTIES (H.K.) LIMITED)**

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18 November 2004

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## DEFINITIONS

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*In this circular, unless the context otherwise specifies, the following expressions have the meanings correspondingly ascribed below:*

- “Adjustments” the total consideration for the sale of the Sale Shares and the assignment of the Associated Companies Loans shall be HK\$124,887,296 to be adjusted by:
- (a) deducting:
    - (i) the outstanding loan and interests thereon as at the date of Completion due and owing under the UOB Mortgage; and
    - (ii) all current and contingent liabilities (including but without limitation any deferred taxation) of Gilmore except the Associated Companies Loans as shown in the Completion Accounts;
  - (b) adding an amount equal to the value of all the assets of Gilmore (other than the Property) as shown in the Completion Accounts which shall comprise mainly of utility deposits, cash deposits, prepaid expenses and receivables;
- “APL” Allied Properties (H.K.) Limited, a company incorporated under the laws of Hong Kong with limited liability and the securities of which are listed on the Stock Exchange, and it is a non wholly-owned subsidiary of the Company;
- “Associated Companies Loans” the aggregate principal amount of approximately HK\$34,909,466 represents the total outstanding amount of loans due from Gilmore to the Vendor and the related companies of the Vendor as at 30 September 2004 (including such monies as shall after 30 September 2004 be from time to time advanced by the related companies of the Vendor and/or the Vendor to Gilmore and interest thereon);
- “Board” the board of Directors;
- “Company” Allied Group Limited, a company incorporated under the laws of Hong Kong with limited liability and the shares of which are listed on the Stock Exchange;

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## DEFINITIONS

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“Completion”	the completion of the sale and purchase of the Sale Shares and the Associated Companies Loans;
“Completion Accounts”	the accounts of Gilmore to be finalised in accordance with the provisions of the Provisional Sale and Purchase Agreement;
“Directors”	the directors of the Company;
“Formal Agreement”	the formal sale and purchase agreement to be entered into between the Vendor, the Purchaser and OUB Centre Limited for the sale and purchase of the Sale Shares and the Associated Companies Loans;
“Gilmore”	Gilmore Limited, a company incorporated under the laws of Hong Kong with limited liability, a direct wholly-owned subsidiary of the Vendor;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China;
“Latest Practicable Date”	12 November 2004, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein;
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange;
“Property”	the whole of 22nd Floor of No.9 Queen’s Road Central, Hong Kong;
“Provisional Sale and Purchase Agreement”	the provisional sale and purchase agreement dated 19 October 2004 entered into between the Vendor and the Purchaser for the sale and purchase of the Sale Shares and the Associated Companies Loans;
“Purchaser”	AP Sapphire Limited, a company incorporated under the laws of the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of APL;

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## DEFINITIONS

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“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Sale Shares”	2 shares of HK\$1.00 each in the issued share capital of Gilmore, representing the entire issued share capital of Gilmore;
“Share(s)”	ordinary share(s) of HK\$2.00 each in the issued share capital of the Company;
“Shareholder(s)”	holder(s) of Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Sun Hung Kai”	Sun Hung Kai & Co. Limited, a company incorporated under the laws of Hong Kong with limited liability and the shares of which are listed on the Stock Exchange, and it is a non wholly-owned subsidiary of APL;
“UOB Mortgage”	the existing mortgage on the Property in favour of United Overseas Bank Limited;
“Vendor”	Chilatin Pte Ltd., a company incorporated under the laws of Singapore; and
“%”	per cent.

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LETTER FROM THE BOARD

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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)**

*Executive Directors:*

Lee Seng Hui (*Chief Executive*)

Edwin Lo King Yau

*Non-Executive Directors:*

Lee Su Hwei

Arthur George Dew

*Registered Office:*

22nd Floor

Allied Kajima Building

138 Gloucester Road

Wanchai

Hong Kong

*Independent Non-Executive Directors:*

Sir Gordon Macwhinnie (*Non-Executive Chairman*)

Wong Po Yan

David Craig Bartlett

John Douglas Mackie

18 November 2004

*To the Shareholders*

Dear Sir or Madam,

**DISCLOSEABLE TRANSACTION  
ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF  
AND LOANS TO GILMORE LIMITED BY  
AP SAPPHIRE LIMITED  
(AN INDIRECT WHOLLY-OWNED SUBSIDIARY OF  
ALLIED PROPERTIES (H.K.) LIMITED)**

**INTRODUCTION**

By an announcement dated 28 October 2004, the Company announced that on 19 October 2004, the Purchaser, an indirect wholly-owned subsidiary of APL, entered into the Provisional Sale and Purchase Agreement with the Vendor for the purchase by the Purchaser of the Sale Shares and the Associated Companies Loans at an aggregate consideration of HK\$124,887,296 (to be adjusted by the Adjustments as contained in the Provisional Sale and Purchase Agreement). After the acquisition, Gilmore shall become an indirect wholly-owned

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## LETTER FROM THE BOARD

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subsidiary of APL. The transactions contemplated under the Provisional Sale and Purchase Agreement constituted a discloseable transaction for the Company under Chapter 14 of the Listing Rules and this circular is required to be sent in order to provide you with further details of the acquisition.

### PROVISIONAL SALE AND PURCHASE AGREEMENT DATED 19 OCTOBER 2004

A summary of the Provisional Sale and Purchase Agreement is as follows:

**Date:** 19 October 2004

**Parties:**

- (1) Vendor:  
Chilatin Pte Ltd.
- (2) Purchaser:  
AP Sapphire Limited, an indirect wholly-owned subsidiary of the Company.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, the Vendor and its ultimate beneficial owner(s) are third parties independent of and not connected with the Company, the directors, chief executive, substantial shareholders of the Company or any of its subsidiaries or associates as defined in the Listing Rules.

**Summary:** The Purchaser has agreed to purchase and the Vendor has agreed to sell the Sale Shares and procure the sale of the Associated Companies Loans for an aggregate consideration of HK\$124,887,296 (to be adjusted by the Adjustments).

**Formal Sale and Purchase Agreement:** According to the terms of the Provisional Sale and Purchase Agreement, the parties and OUB Centre Limited, being the ultimate holding company of the Vendor (as warrantor on various warranties and guarantor on certain obligations), shall enter into the Formal Agreement on 26 October 2004. The Formal Agreement shall incorporate the provisions in the Provisional Sale and Purchase Agreement and subject to the agreement by the parties, shall contain warranties and representations as are usual to transactions similar to those of the Provisional Sale and Purchase Agreement. If the parties fail to agree the form and terms of the Formal Agreement, the Provisional Sale and Purchase Agreement shall stand as the Formal Agreement and OUB Centre Limited shall execute an undertaking in favour of the Purchaser giving warranties and guarantees on the performance of the Vendor of certain obligations under the Provisional Sale and Purchase Agreement.

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## LETTER FROM THE BOARD

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As at the Latest Practicable Date, the parties are still in the course of negotiating the terms of the Formal Agreement and failing agreement on the content of the Formal Agreement, OUB Centre Limited will only execute the said undertaking and the Provisional Sale and Purchase Agreement shall stand as the Formal Agreement.

**Completion:** Completion shall take place on 10 December 2004. It is a condition that the Purchaser shall procure the repayment in full by Gilmore of the principal and interests due under the UOB Mortgage on Completion.

**Consideration:** The aggregate consideration of the Sale Shares and the Associated Companies Loans is HK\$124,887,296 (subject to Adjustments) and is payable in cash. An initial deposit of HK\$10,000,000 had been paid by the Purchaser to the Vendor upon the signing of the Provisional Sale and Purchase Agreement. The sum of HK\$2,488,729.60, being 10% of the consideration less the said initial deposit was paid by the Purchaser to the Vendor on 26 October 2004 as deposit and in part payment of the consideration and the balance of the consideration is payable on Completion. About 30% of the consideration will be financed from the internal resources of APL and the remainder will be financed from borrowings.

Such consideration has been determined after arm's length negotiations between the parties by reference to the open market value of the Property as at 19 October 2004 by FPD Savills (Hong Kong) Limited, an independent professional property valuer, on the Property and the unaudited net asset value of Gilmore as at 30 September 2004 as shown in the unaudited management accounts as at 30 September 2004.

### **INFORMATION ON THE VENDOR, THE COMPANY, APL, GILMORE AND THE PROPERTY**

The principal activity of the Vendor is investment holdings and property management. The core businesses of the Company, APL and their respective subsidiaries consist of property investment and development, hospitality related activities and financial services.

Gilmore is a property holding company incorporated in Hong Kong on 19 July 2000 and is the sole beneficial owner of the Property since year 2001. The gross floor area of the Property is approximately 13,742 square feet and the use of the Property is commercial. Other than the Property, Gilmore does not hold any real property.

According to the latest valuation performed by FPD Savills (Hong Kong) Limited, an independent professional property valuer, the Property was valued at HK\$125,700,000 as at 19 October 2004. The Associated Companies Loans in the aggregate principal amount of approximately HK\$34,909,466 represents the total outstanding amount of loans due from Gilmore to the Vendor and the related companies of the Vendor as at 30 September 2004. The Associated Companies Loans are interest bearing and are repayable on demand. Based on the latest unaudited management accounts of Gilmore as at 30 September 2004, the unaudited net



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## LETTER FROM THE BOARD

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current liabilities of Gilmore as at 30 September 2004 amount to approximately HK\$366,097, after incorporating deposits received from tenants of HK\$946,169 to be consistent with the presentation of the last audited accounts. The audited net deficit on shareholders' funds of Gilmore as at 31 December 2003 is HK\$35,883,593. The audited net loss after taxation attributable to Gilmore for the year ended 31 December 2003 is HK\$19,325,537 and for the year ended 31 December 2002 is HK\$11,076,135.

### **REASONS FOR AND BENEFITS OF THE ACQUISITION**

Through the acquisition of Gilmore, APL will indirectly own the Property which will hence broaden the property investment portfolio of APL. APL is acquiring the Property for investment purposes and believes that with the reversionary potential of the Property in view of the limited supply of new office space in Central in the short to medium term, the value of the investment will increase.

The Directors believe that the terms of the Provisional Sale and Purchase Agreement are fair and reasonable and are in the interest of the Shareholders as a whole.

The impact of the acquisition on the consolidated earnings and assets and liabilities of the Group is not expected to be material.

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

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

## 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 there are no other facts the omission of which would make any statement in this circular misleading.

## 2. DIRECTORS' INTERESTS

Save as disclosed below, as at the Latest Practicable Date, none of the Directors and chief executive of the Company has any interests and short position in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which 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 which they are taken or deemed to have under such provisions of SFO); or were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies of the Listing Rules:

Name of Director	Name of company	Number of Shares held	Approximate % of the issued share capital	Nature of interest
Lee Seng Hui	The Company	101,906,613	39.00%	Personal interest (held as beneficial owner) in 22,921 Shares and other interest in 101,883,692 Shares (Note 1)
Lee Su Hwei	The Company	101,883,692	38.99%	Other interest (Note 1)

Notes:

- Mr. Lee Seng Hui and Ms. Lee Su Hwei are the trustees of Lee and Lee Trust, being a discretionary trust which indirectly held 101,883,692 Shares.
- All interests stated above represent long positions.

### 3. 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 (as defined in the Listing Rules) was considered to have interests in any competing businesses pursuant to the Listing Rules:

- (a) Mr. Lee Seng Hui and Ms. Lee Su Hwei are two of the trustees of Lee and Lee Trust which is a deemed substantial shareholder of each of APL, Sun Hung Kai, Tian An China Investments Company Limited ("Tian An") and Lippo Limited ("Lippo") which, through their subsidiaries, are partly engaged in the businesses as follows:
- APL, through a subsidiary, is partly engaged in the business of money lending;
  - Sun Hung Kai, through certain of its subsidiaries, are partly engaged in the businesses of money lending, provision of financial services and property investment;
  - Tian An, through a subsidiary, is partly engaged in the business of money lending; and
  - Lippo, through its subsidiaries, is partly engaged in the businesses of property development and investment, securities broking, securities trading, money lending, provision of financial, insurance as well as other related services;
- (b) Mr. Arthur George Dew is a director of Sun Hung Kai which, through certain of its subsidiaries, are partly engaged in the businesses of money lending, provision of financial services and property investment; and
- (c) Mr. Edwin Lo King Yau is a director of Tian An which, through a subsidiary, is partly engaged in the business of money lending.

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.

#### 4. SUBSTANTIAL SHAREHOLDERS' INTERESTS

Save as disclosed below, as at the Latest Practicable Date and so far as was known to the Directors and chief executive of the Company, there were no other persons who has an interest or short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Shareholder	Number of Shares held	Approximate % of the issued share capital	Notes
Cashplus Management Limited ("Cashplus")	26,039,000	9.96%	–
Zealous Developments Limited ("Zealous")	26,039,000	9.96%	1, 2
Minty Hongkong Limited ("Minty")	75,844,692	29.02%	–
Lee and Lee Trust	101,883,692	38.99%	3, 4
COL Capital Limited ("COL Capital")	23,792,494	9.10%	5

Notes:

- This figure refers to the same interest of Cashplus in 260,039,000 Shares.
- Cashplus is a wholly-owned subsidiary of Zealous. Zealous was therefore deemed to have an interest in the Shares in which Cashplus was interested.
- Minty and Zealous are wholly owned by the trustees of Lee and Lee Trust, being a discretionary trust.
- Mr. Lee Seng Hui and Ms. Lee Su Hwei, Directors of the Company, together with Mr. Lee Seng Huang are the trustees of Lee and Lee Trust. They were therefore deemed to have an interest in the Shares in which Minty and Zealous were interested.
- The interest includes the holding of: (i) 16,337,170 Shares held by Honest Opportunity Limited ("Honest Opportunity"), a wholly-owned subsidiary of Classic Fortune Limited ("Classic Fortune") which in turn is a wholly-owned subsidiary of COL Capital; and (ii) 7,455,324 Shares held by Focus Clear Limited ("Focus Clear"), a wholly-owned subsidiary of Besford International Limited ("Besford") which in turn is a wholly-owned subsidiary of COL Capital. COL Capital was therefore deemed to have an interest in the Shares in which Honest Opportunity, Classic Fortune, Focus Clear and Besford were interested.
- All interests stated above represent long positions.

#### 5. SERVICE CONTRACT

None of the Directors has any service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

## 6. LITIGATION

Save as disclosed below, as at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and so far as the Directors are aware, no litigation or claims of material importance was pending or threatened by or against the Company or any of its subsidiaries:

- (a) On 9 September 2002, Sun Hung Kai Investment Services Limited (“SHKIS”), an indirect wholly-owned subsidiary of Sun Hung Kai and an indirect subsidiary of the Company, was served with a writ attaching a statement of claim by Shenzhen Building Materials Group Co. Limited, a company registered in Shenzhen, the People’s Republic of China, claiming the return of certain shares in Shenzhen International Holdings Limited (worth HK\$38,031,000 at 30 June 2004) together with interest, costs and damages. The actions taken by SHKIS in regard to the shares were based on considered advice from reputable legal counsel, which advice was strictly followed in its implementation. The case remains at an early stage with interlocutory matters still being dealt with. The plaintiffs have taken few steps to progress their action.
- (b) On 4 February 2004, Sun Tai Cheung Credits Limited (“STCC”), an indirect wholly-owned subsidiary of Sun Hung Kai and an indirect subsidiary of the Company, and SHKIS were served with a writ attaching a statement of claim (“200/2004”) by Shanghai Finance Holdings Limited (“SFHL”), claiming, inter alia, that the sale of the shares in Shun Loong Holdings Limited (“SLHL”) (“Shun Loong Shares”) by STCC as assignee to SHKIS (for a consideration of HK\$36,500,000 subject to additional amounts of HK\$15,700,000 which may be payable one year from the date of completion under certain conditions) pursuant to a sale and purchase agreement dated 25 June 2003 be set aside, or alternatively, against STCC for damages and the amount received by STCC in respect of the Shun Loong Shares. The writ is being vigorously defended. STCC and SHKIS were properly advised at all times during the transaction and firmly believe there is no basis to the claim and have applied to have the claim struck-out. Proceedings in this action are presently stayed.
- (c) The Group understands that a further writ was issued by New World Development Company Limited (“New World”) in April 2004, naming Sun Hung Kai Securities Limited (“SHKS”), a wholly-owned subsidiary of Sun Hung Kai and an indirect subsidiary of the Company, as defendant, and claiming the sums of HK\$27,237,490 and HK\$7,697,418 and interest thereon from March 2000 and January 2001 respectively. The writ has not been served on SHKS. If served, it will be vigorously defended.
- (d) Shun Loong Finance Limited and SLHL (together the “Petitioners”), both wholly-owned subsidiaries of Sun Hung Kai and indirect subsidiaries of the Company, filed a winding-up petition on 19 February 2004 in the British Virgin Islands (“BVI”) seeking an order that SFHL be wound up by reason of its failure to pay debts owing to the Petitioners. BVI proceedings are presently stayed pending the outcome of 200/2004, the Hong Kong proceedings mentioned in paragraph 6(b) above.

- (e) Sun Hung Kai, STCC and SHKIS filed a writ on 7 February 2004 (230/2004) naming as defendants Shanghai Land Holdings Limited, Stephen Liu Yiu Keung, Yeo Boon Ann, The Standard Newspapers Publishing Limited and Hong Kong Economic Times Limited and claiming damages for libel, injunctive relief, interest and costs. The case remains at an early stage.
- (f) An appeal has been lodged by SHKS against the judgment delivered by the Hong Kong High Court in favour of New World on 1 April 2004. The appeal is based on considered advice from senior legal counsel and is likely to be heard in July 2005.

## **7. MISCELLANEOUS**

- (a) The share registrar of the Company is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (b) The secretary of the Company is Miss Phoebe Lau Mei Yi, an associate member of The Hong Kong Institute of Company Secretaries and The Institute of Chartered Secretaries and Administrators.
- (c) The qualified accountant of the Company is Mr. Kelvin Lam Kam Wing, a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants.
- (d) In the case of any discrepancy, the English text of this circular shall prevail over the Chinese text.