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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

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“APL”	Allied Properties (H.K.) Limited, a company incorporated in Hong Kong with limited liability, with its securities listed on the Main Board of the Stock Exchange and is the holding company of SHK
“associate”	having the meaning ascribed to it under the Listing Rules
“Board”	board of Directors
“Business Day”	a day (other than a Saturday and Sunday and days on which a tropical cyclone warning signal no.8 or above or a black rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“Company”	Allied Group Limited, a company incorporated in Hong Kong with limited liability, with its shares listed on the Main Board of the Stock Exchange and is the ultimate holding company of APL
“Directors”	directors of the Company
“EGM”	the extraordinary general meeting of the Tian An Shareholders of Tian An to be convened on or about 9th November, 2007 (pursuant to the revised timetable of the Open Offer as stated in the announcement of Tian An dated 18th October, 2007) for the purposes of considering and, if thought fit, approving, amongst other things, the Open Offer, the Warrant Issue and the grant of the specific mandate and the refreshment of the general mandate
“Excluded Tian An Shareholders”	the Tian An Shareholders whose names appear on the register of members of Tian An at the close of business on the Record Date and whose addresses as shown on such register are outside Hong Kong, where the Tian An Directors, after making enquiries, consider it necessary or expedient on account either of legal restrictions under the laws of the relevant jurisdiction or the requirements of the relevant regulatory body or stock exchange in that jurisdiction not to offer the Offer Shares to such Tian An Shareholders

DEFINITIONS

“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
“Joint Announcement”	the joint announcement of the Company and Tian An dated 2nd October, 2007
“Latest Acceptance Time”	4:00 p.m. on 26th November, 2007, being the latest time for acceptance of the Offer Shares (pursuant to the revised timetable of the Open Offer as stated in the announcement of Tian An dated 18th October, 2007)
“Latest Practicable Date”	17th October, 2007, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Latest Time for Termination”	4:00 p.m. (Hong Kong time) on the second Business Day after the Latest Acceptance Time
“Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Offer Shares”	225,853,983 Tian An Shares to be allotted and issued at the Subscription Price under the Open Offer
“Open Offer”	the proposed offer of the Offer Shares, by way of an open offer, on the basis of one Offer Share for every five Tian An Shares held by the Qualifying Tian An Shareholders as at the Record Date
“Penta”	Penta Investment Advisers Limited, a company incorporated in the British Virgin Islands with limited liability
“Penta Irrevocable Undertaking”	the irrevocable undertaking dated 25th September, 2007, pursuant to which Penta has irrevocably undertaken to subscribe for its full entitlements pursuant to the Open Offer

DEFINITIONS

“Prospectus”	a prospectus to be issued by Tian An to the Qualifying Tian An Shareholders, containing details of, amongst other things, the Open Offer
“Prospectus Documents”	the Prospectus and the application form in relation to the Open Offer
“Prospectus Posting Date”	12th November, 2007 (pursuant to the revised timetable of the Open Offer as stated in the announcement of Tian An dated 18th October, 2007)
“Qualifying Tian An Shareholders”	the Tian An Shareholders whose names appear on the register of members of Tian An at the close of business on the Record Date, other than the Excluded Tian An Shareholders
“Record Date”	9th November, 2007, being the date for the determination of entitlements of the Tian An Shareholders under the Open Offer (pursuant to the revised timetable of the Open Offer as stated in the announcement of Tian An dated 18th October, 2007)
“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, a controlling shareholder of Tian An and an indirect non-wholly owned subsidiary of the Company
“SHK Irrevocable Undertaking”	the irrevocable undertaking dated 25th September, 2007, pursuant to which SHK has irrevocably undertaken to subscribe for its full entitlements pursuant to the Open Offer
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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“Subscription Price”	subscription price for the Offer Shares, being HK\$6.00 per Offer Share
“substantial shareholder”	having the meaning ascribed to it under the Listing Rules
“Tian An”	Tian An China Investments Company Limited, a company incorporated in Hong Kong with limited liability, with its shares listed on the Main Board of the Stock Exchange
“Tian An Directors”	directors of Tian An
“Tian An Group”	Tian An and its subsidiaries
“Tian An Shareholders”	holders of the Tian An Shares
“Tian An Shares”	ordinary shares of nominal value of HK\$0.20 each in the issued share capital of Tian An
“Underwriting Agreement”	the underwriting agreement dated 25th September, 2007 entered into between Tian An and 3V Capital in relation to the underwriting of the Open Offer
“Warrant Issue”	the issue of one Warrant for every one Offer Share successfully subscribed by the Qualifying Tian An Shareholders which will entitle the holder of the Warrant to subscribe for new Tian An Shares at an initial subscription price of HK\$10.00 per Warrant
“Warrants”	225,853,983 warrants to be issued by Tian An in respect of the Offer Shares under the Warrant Issue
“3V Capital”	3V Capital Limited, a licensed corporation under the SFO to engage in Type 1 (dealing in securities) and Type 4 (advising on securities) activities

LETTER FROM THE BOARD



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

Mak Pak Hung

Non-executive Directors:

Arthur George Dew (*Chairman*)

Lee Su Hwei

Independent non-executive Directors:

Wong Po Yan

David Craig Bartlett

John Douglas Mackie

Alan Stephen Jones

Registered Office:

22nd Floor

Allied Kajima Building

138 Gloucester Road

Wanchai

Hong Kong

22nd October, 2007

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION

INTRODUCTION

Reference is made to the Joint Announcement. Tian An proposes to raise not less than approximately HK\$1,355 million, before expenses, by issuing 225,853,983 Offer Shares by way of the Open Offer to the Qualifying Tian An Shareholders, at the Subscription Price of HK\$6.00 per Offer Share, on the basis of one Offer Share for every five Tian An Shares held as at the Record Date. As at the Latest Practicable Date, the issued share capital of Tian An was 1,129,269,918 Tian An Shares.

Under Chapter 14 of the Listing Rules, the giving of the SHK Irrevocable Undertaking by SHK (an indirect non-wholly owned subsidiary of the Company) constitutes a discloseable transaction for the Company, on the basis that the calculation of the consideration ratio for the Company is within the range of 5 per cent. and 25 per cent.

LETTER FROM THE BOARD

The purpose of this circular is to provide the Shareholders with further information in relation to the details of the Open Offer (including the giving of the SHK Irrevocable Undertaking by SHK) and the Warrant Issue and other information in accordance with the requirements of the Listing Rules.

THE OPEN OFFER

Tian An proposes to raise not less than approximately HK\$1,355 million, before expenses, by issuing 225,853,983 Offer Shares by way of the Open Offer to the Qualifying Tian An Shareholders, at the Subscription Price of HK\$6.00 per Offer Share, on the basis of one Offer Share for every five Tian An Shares held as at the Record Date.

Issue statistics

Basis of the Open Offer:	one Offer Share for every five Tian An Shares held by the Qualifying Tian An Shareholders as at the Record Date
Subscription Price:	HK\$6.00 per Offer Share
Number of Tian An Shares in issue as at the Latest Practicable Date:	1,129,269,918 Tian An Shares
Number of Offer Shares to be issued:	225,853,983 Offer Shares

TERMS OF THE OPEN OFFER

Subscription Price for the Offer Shares

The Subscription Price of HK\$6.00 per Offer Share is payable in full upon application is made for the Offer Shares.

The Subscription Price represents:

- (i) a discount of approximately 36.84 per cent. below the closing price of HK\$9.50 per Tian An Share as quoted on the Stock Exchange on the last trading day, i.e. 24th September, 2007, of the Tian An Shares immediately before the date of the Joint Announcement;
- (ii) a discount of approximately 37.62 per cent. below the average closing price of HK\$9.618 per Tian An Share as quoted on the Stock Exchange for the last five trading days of the Tian An Shares immediately before the date of the Joint Announcement;
- (iii) a discount of approximately 38.28 per cent. below the average closing price of HK\$9.721 per Tian An Share as quoted on the Stock Exchange for the last ten trading days of the Tian An Shares immediately before the date of the Joint Announcement;

LETTER FROM THE BOARD

- (iv) premium of approximately 13.21 per cent. over the net asset value of HK\$5.30 per Tian An Share as stated in the audited consolidated accounts of Tian An for the year ended 31st December, 2006; and
- (v) a discount of approximately 32.74 per cent. to the theoretical ex-entitlement price of approximately HK\$8.92 per Tian An Share based on the closing price per Tian An Share as quoted on the Stock Exchange on the last trading day, i.e. 24th September, 2007, of the Tian An Shares immediately before the date of the Joint Announcement.

Note: The theoretical ex-entitlement price is calculated based on the following formula:

$$\frac{(5 \times \text{closing price on 24th September, 2007}) + 1 \times (\text{the Subscription Price})}{5 + 1}$$

The Subscription Price was determined with reference to the prevailing market prices of the Tian An Shares. The Tian An Directors consider the Subscription Price and the terms of the Open Offer to be fair and reasonable and in the interests of Tian An and the Tian An Shareholders taken as a whole.

Qualifying Tian An Shareholders

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

In order to be registered as a Tian An Shareholder as at the Record Date, all the transfer forms together with the relevant share certificates, must be lodged for registration with Tian An's registrar, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong by no later than 4:30 p.m. (Hong Kong time) on 1st November, 2007 pursuant to the revised timetable of the Open Offer as stated in the announcement of Tian An dated 18th October, 2007.

Since the Prospectus Documents will only be registered in Hong Kong, Tian An will send the Prospectus Documents to the Qualifying Tian An Shareholders provided that this will not violate any of the relevant local laws, regulations and other requirements. The Tian An Directors will make enquiries of its lawyers as to whether the issue of the Offer Shares to the Tian An Shareholders whose addresses are not in Hong Kong on the Record Date may contravene the applicable securities legislation of the relevant overseas jurisdictions or the requirements of the relevant regulatory body or stock exchange pursuant to Rule 13.36(2) of the Listing Rules. If, after making such enquiries, the Tian An Directors are of the opinion that it would be necessary or expedient, either because of the legal restrictions under the laws of the relevant place or of any requirements of the relevant regulatory body or stock exchange in that jurisdiction, not to offer the Offer Shares to such Tian An Shareholders whose addresses are not in Hong Kong on the Record Date, no offer of the Offer Shares will be made to such Tian An Shareholders. Accordingly, in that event the Open Offer will not be extended to such Tian An Shareholders. It is the present intention of the Tian An Directors to make the Open Offer to all Tian An Shareholders (including overseas Tian An Shareholders) registered as at the Record Date unless the aforementioned contraventions apply.

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It is expected that Tian An will send the Prospectus Documents to the Qualifying Tian An Shareholders, and, the Prospectus, for information only, to the Excluded Tian An Shareholders on or before 12th November, 2007 (pursuant to the revised timetable of the Open Offer as stated in the announcement of Tian An dated 18th October, 2007). The Open Offer will only be made to the Qualifying Tian An Shareholders and will not extend to the Excluded Tian An Shareholders.

Any such Excluded Tian An Shareholders will be entitled to vote at the EGM, to consider and, if thought fit, pass the resolutions approving, amongst other things, the Open Offer.

Closure of register of members of Tian An

The register of members of Tian An will be closed from 3rd November, 2007 to 9th November, 2007, both days inclusive (pursuant to the revised timetable of the Open Offer as stated in the announcement of Tian An dated 18th October, 2007), to determine the eligibility for the Open Offer. No transfer of Tian An Shares will be registered during this period.

No application for excess Offer Shares

No Qualifying Tian An Shareholders will be entitled to apply for any of the Offer Shares which are in excess of their entitlements.

Certificates for Offer Shares

Subject to the fulfilment (or waiver) of the conditions of the Open Offer set out in the section headed "Conditions of the Open Offer" below, certificates for all Offer Shares are expected to be posted on or before 6th December, 2007 (pursuant to the revised timetable of the Open Offer as stated in the announcement of Tian An dated 18th October, 2007) to those who have applied and paid for the Offer Shares, at their own risk.

Fractions of Offer Shares

Tian An will not issue fractions of Offer Shares. All fractions of Offer Shares will be aggregated and sold for the benefit of Tian An.

LETTER FROM THE BOARD

UNDERWRITING ARRANGEMENTS

Underwriting Agreement

Date:	25th September, 2007
Underwriter:	3V Capital
Number of Offer Shares underwritten:	89,115,264 Offer Shares out of a total of 225,853,983 Offer Shares, being Offer Shares other than the 47,329,600 Offer Shares to be subscribed by Penta pursuant to the Penta Irrevocable Undertaking and the 89,409,119 Offer Shares (rounded down to the nearest integer) to be subscribed by SHK pursuant to the SHK Irrevocable Undertaking
Commission:	an underwriting commission of two per cent. of the aggregate Subscription Price of the Offer Shares underwritten by 3V Capital

Irrevocable Undertakings

As at the Latest Practicable Date, Penta was directly or indirectly interested in 236,648,000 Tian An Shares, representing approximately 20.95 per cent. of the issued share capital of Tian An. Pursuant to the Penta Irrevocable Undertaking, Penta has irrevocably undertaken to take up all its entitlements under the Open Offer, being 47,329,600 Offer Shares. Penta has also undertaken to vote in favour of the resolutions to be proposed at the EGM.

As at the Latest Practicable Date, SHK was directly or indirectly interested in 447,045,603 Tian An Shares, representing approximately 39.58 per cent. of the issued share capital of Tian An. Pursuant to the SHK Irrevocable Undertaking, SHK has irrevocably undertaken to take up all its entitlements (by itself or through its subsidiaries or nominees) under the Open Offer, being 89,409,119 Offer Shares (rounded down to the nearest integer). SHK has also undertaken to vote in favour of the resolutions to be proposed at the EGM.

The carrying value of the Group's 39.58 per cent. interest in Tian An, based on the unaudited consolidated balance sheet as at 30th June, 2007, amounts to approximately HK\$2,497 million.

The consideration for the taking up of the 89,409,119 Offer Shares pursuant to the SHK Irrevocable Undertaking is HK\$536,454,714 (being HK\$6.00 per Offer Share). The consideration will be settled in cash and payable on completion, i.e. 26th November, 2007, being the latest time for acceptance, and payment for, the Offer Shares (pursuant to the revised timetable of the Open Offer as stated in the announcement of Tian An dated 18th October, 2007).

LETTER FROM THE BOARD

Payment of the consideration for the taking up of the 89,409,119 Offer Shares pursuant to the SHK Irrevocable Undertaking will be funded by borrowings.

The Company is a substantial shareholder of Tian An (through its interest in its subsidiaries).

Underwriting Agreement

Pursuant to the Underwriting Agreement, 3V Capital has conditionally agreed to underwrite the balance of the Offer Shares (other than those Offer Shares agreed to be taken up by Penta and SHK pursuant to the Penta Irrevocable Undertaking and the SHK Irrevocable Undertaking respectively) not subscribed by the Tian An Shareholders on a fully underwritten basis, upon the terms and subject to the conditions of the Underwriting Agreement.

Termination of the Underwriting Agreement

3V Capital shall have the absolute right, after reasonable consultation with Tian An as the underwriter of the Open Offer in its sole and absolute discretion sees fit, by giving notice to Tian An, if there develops, occurs or comes into force at any time at or before the Latest Time for Termination:

- (i) any breach, considered by 3V Capital in its absolute discretion to be material in the overall context of the Open Offer, of any of the warranties or any of other provisions of the Underwriting Agreement; or
- (ii) any matter which, had it arisen immediately before the date of the Prospectus and not having been disclosed in the Prospectus, would have constituted an omission considered by 3V Capital in its absolute discretion to be material in the overall context of the Open Offer; or
- (iii) any statement contained in the Prospectus, considered by 3V Capital in its absolute discretion to be material, is discovered to be or becomes untrue, incorrect or misleading in any respect; or
- (iv) any event, act or omission which gives or is likely to give rise to any material liability of Tian An pursuant to the Underwriting Agreement; or
- (v) any adverse change in the business or the financial or trading position of any member of the Tian An Group considered by 3V Capital in its absolute discretion to be material; or

LETTER FROM THE BOARD

- (vi) any event or series of events, matter or circumstance concerning, relating to or resulting in:
 - (a) any change in local, national, international, financial, political, economic, military, industrial, fiscal, regulatory or stock market conditions or sentiments in Hong Kong or any other relevant jurisdiction; or
 - (b) the introduction of any new law or any material change in existing laws, rules or regulations, or any material change in the interpretation or application of such laws, rules or regulations by any court or other competent authority in Hong Kong or any other relevant jurisdiction; or
 - (c) any event of force majeure affecting Hong Kong or any other relevant jurisdiction (including, without limitation, any act of God, fire, flood, explosion, war, strike, lock-out, civil commotion, interruption, riot, public disorder, act of government, economic sanction, epidemic, terrorism or escalation of hostilities involving Hong Kong or any other relevant jurisdiction); or
 - (d) the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange due to exceptional financial circumstances or otherwise; or
 - (e) any prospective change in taxation or exchange control (or the implementation of any exchange control) in Hong Kong or any other relevant jurisdiction or affecting an investment in the Tian An Shares or the transfer or dividend payment in respect of the Tian An Shares; or
 - (f) the imposition of any economic sanction, in whatever form, directly or indirectly, by or for the United States of America or by the European Union (or any of its members) on the People's Republic of China; or
 - (g) any change in the system under which the value of Hong Kong dollars is pegged to that of the currency of the United States of America, considered by 3V Capital in its absolute discretion to be material; or
 - (h) any change in the exchange rate between the United States dollars and Renminbi (the lawful currency of the People's Republic of China), or between Hong Kong dollars and Renminbi, considered by 3V Capital in its absolute discretion to be material; or
 - (i) any litigation or claim of material importance being threatened or instigated against any member of the Tian An Group; or
 - (j) any change in market conditions in Hong Kong (including without limitation suspension or material restriction or trading in securities);

LETTER FROM THE BOARD

which, in the sole and absolute opinion of 3V Capital:

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

then and in any such case, 3V Capital in its reasonable discretion may (but will not be bound to), upon giving notice to Tian An, terminate the Underwriting Agreement with immediate effect.

Except for all reasonable costs, fees, charges and expenses which may be incurred in connection with the Open Offer, upon the giving of notice of termination, all obligations of 3V Capital under the Underwriting Agreement will cease and no party will have any claim against any other parties in respect of any matter or thing arising out of or in connection with the Underwriting Agreement. If 3V Capital exercises such right, the Open Offer will not proceed.

Conditions of the Underwriting Agreement

The Underwriting Agreement is subject to a number of conditions being fulfilled, including:

- (i) the SHK Irrevocable Undertaking, duly executed by SHK, being delivered to 3V Capital within two Business Days after the signing of the Underwriting Agreement, and compliance by SHK with all of its obligations set out in the SHK Irrevocable Undertaking before the Latest Acceptance Time;
- (ii) the Penta Irrevocable Undertaking, duly executed by Penta, being delivered to 3V Capital within two Business Days after the signing of the Underwriting Agreement, and compliance by Penta with all of its obligations set out in the Penta Irrevocable Undertaking before the Latest Acceptance Time;
- (iii) Tian An Shareholders passing a resolution at the EGM to approve the Open Offer (and the Warrant Issue) on or before the Prospectus Posting Date;
- (iv) one copy of each of the Prospectus Documents and other documents relating to the Open Offer being delivered to the Stock Exchange on or prior to the Prospectus Posting Date;
- (v) four printed copies of each of the Prospectus Documents being delivered to 3V Capital on or before the Prospectus Posting Date, each duly certified by two Tian An Directors (or by their attorneys duly authorised in writing) as having been approved by resolution of the board of Tian An Directors;

LETTER FROM THE BOARD

- (vi) the Registrar of Companies in Hong Kong registering the Prospectus Documents, together with all other consents and documents required to be endorsed on or attached to the Prospectus Documents, on or before the Prospectus Posting Date;
- (vii) printed copies of each of the Prospectus Documents being posted to the Qualifying Tian An Shareholders and printed copies of the Prospectus stamped “For information only” being posted to the Excluded Tian An Shareholders, in each case, on the Prospectus Posting Date; and
- (viii) compliance by Tian An with its obligation under the Underwriting Agreement at or before the Latest Acceptance Time.

In the event that any of the conditions (i) to (viii) (inclusive) has not been fulfilled (or waived by 3V Capital) on the respective dates mentioned in the Underwriting Agreement (or such other date as 3V Capital may agree with Tian An), the Open Offer will lapse and will not proceed.

CONDITIONS OF THE OPEN OFFER

The Open Offer is conditional upon, amongst other things, the obligations of 3V Capital under the Underwriting Agreement becoming unconditional and the Underwriting Agreement not being terminated by either 3V Capital or Tian An in accordance with the terms and conditions as referred to under the sub-section headed “Termination of the Underwriting Agreement” of the section headed “Underwriting Arrangements” above.

If the Underwriting Agreement does not become unconditional or is terminated, the Open Offer will not proceed. Shareholders and prospective investors of each of the Company and Tian An are reminded to exercise extreme caution when dealing in the Shares and the Tian An Shares.

THE WARRANT ISSUE

Tian An also proposes to issue one Warrant for every one Offer Share successfully subscribed by the Qualifying Tian An Shareholders. The Warrants will entitle their holders to subscribe for new Tian An Shares at an initial subscription price of HK\$10.00 per Tian An Share (subject to adjustment) upon exercise of one Warrant.

LETTER FROM THE BOARD

Terms of the Warrants

Term:	two years from the date of issue
Denomination:	in the denomination of HK\$10.00 each
Conversion right:	right for holders of Warrants to convert all or any of their Warrants at any time during the conversion period into board lots of Tian An Shares (odd lots will not be issued but will be aggregated and sold for the benefit of Tian An)
Conversion period:	commencing on 10th December, 2007 (pursuant to the revised timetable of the Open Offer as stated in the announcement of Tian An dated 18th October, 2007) and ending on 9th December, 2009
Initial conversion price:	HK\$10.00 per Tian An Share
Transferability:	freely transferable

Application for listing of, and permission to deal in, the Warrants and the Tian An Shares which fall to be issued upon exercise of the Warrants will be made to the Stock Exchange.

Based on 225,853,983 Offer Shares to be issued pursuant to the Open Offer, the total number of Warrants to be issued will be 225,853,983 warrants, entitling the holders to subscribe for the same number of Tian An Shares, representing approximately 20 per cent. of the issued share capital of Tian An as at the Latest Practicable Date.

The Tian An Directors confirm that Tian An will ensure that there will be a minimum of 300 holders of the Warrants at the time the dealings of the Warrants commence on the Stock Exchange, i.e. 10th December, 2007 (pursuant to the revised timetable of the Open Offer as stated in the announcement of Tian An dated 18th October, 2007) in accordance with the Listing Rules.

Subscription Price of Warrants

The Warrants will entitle their holders to subscribe for new Tian An Shares at an initial subscription price of HK\$10.00 per Tian An Share (subject to adjustment) upon exercise of one Warrant.

The subscription price of HK\$10.00 represents:

- (i) a premium of approximately 5.26 per cent. over the closing price of HK\$9.50 per Tian An Share as quoted on the Stock Exchange on the last trading day, i.e. 24th September, 2007, of the Tian An Shares immediately before the date of the Joint Announcement;
- (ii) a premium of approximately 3.97 per cent. over the average closing price of HK\$9.618 per Tian An Share as quoted on the Stock Exchange for the last five trading days of the Tian An Shares immediately before the date of the Joint Announcement;

LETTER FROM THE BOARD

- (iii) a premium of approximately 2.87 per cent. over the average closing price of HK\$9.721 per Tian An Share as quoted on the Stock Exchange for the last ten trading days of the Tian An Shares immediately before the date of the Joint Announcement; and
- (iv) a premium of approximately 88.68 per cent. over the net asset value of HK\$5.30 per Tian An Share as stated in the audited consolidated accounts of Tian An for the year ended 31st December, 2006.

The subscription price was determined with reference to the prevailing market prices of the Tian An Shares. The Tian An Directors consider the subscription price and the terms of the Warrants to be fair and reasonable and in the interests of Tian An and the Tian An Shareholders taken as a whole.

Certificates for Warrants

Subject to the fulfilment (or waiver) of the conditions of the Open Offer set out in the section headed “Conditions of the Open Offer” above, certificates for the Warrants are expected to be posted on or before 6th December, 2007 (pursuant to the revised timetable of the Open Offer as stated in the announcement of Tian An dated 18th October, 2007) to those who have applied and paid for the Offer Shares, at their own risk.

The Warrant Issue is conditional upon completion of the Open Offer.

CHANGES IN THE SHAREHOLDING STRUCTURE OF TIAN AN

The following table sets out the changes in the shareholding structure of Tian An arising from the Open Offer and the Warrant Issue:

	As at the date of the Joint Announcement		Immediately following completion of the Open Offer assuming all the Tian An Shareholders take up all their entitlements		Immediately following completion of the Open Offer assuming all the Tian An Shareholders take up all their entitlements and the Warrants exercised in full		Immediately following completion of the Open Offer assuming none of the Qualifying Tian An Shareholders (except SHK and Penta) take up their entitlements		Immediately following completion of the Open Offer assuming none of the Qualifying Tian An Shareholders (except SHK and Penta) take up their entitlements and the Warrants exercised in full	
									Number of	
	Tian An Shares	Share-holding (%)	Tian An Shares	Share-holding (%)	Tian An Shares	Share-holding (%)	Tian An Shares	Share-holding (%)	Tian An Shares	Share-holding (%)
3V Capital	–	–	–	–	–	–	89,115,264	6.57	178,230,528	11.27
Penta	236,648,000	20.95	283,977,600	20.95	331,307,200	20.95	283,977,600	20.95	331,307,200	20.95
SHK	447,045,603	39.58	536,454,722	39.58	625,863,841	39.58	536,454,722	39.58	625,863,841	39.58
Other Tian An Shareholders	445,576,315	39.47	534,691,579	39.47	623,806,843	39.47	445,576,315	32.90	445,576,315	28.20
Total	1,129,269,918	100.00	1,355,123,901	100.00	1,580,977,884	100.00	1,355,123,901	100.00	1,580,977,884	100.00

LETTER FROM THE BOARD

Following completion of the Open Offer and assuming the Warrants are exercised in full, 3V Capital will become a substantial shareholder of Tian An if none of the Qualifying Tian An Shareholders (except SHK and Penta) is willing to take up his or her or its entitlements of such number of Offer Shares. 3V Capital will own as to approximately 6.57 per cent. of the issued share capital of Tian An as enlarged by the completion of the Open Offer, and approximately 11.27 per cent. of the issued share capital of Tian An as enlarged by the completion of the Open Offer and full exercise of the Warrants.

INFORMATION ABOUT THE COMPANY, 3V CAPITAL AND TIAN AN

The Company

The Company 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 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.

As at the Latest Practicable Date, APL was beneficially owned as to approximately 74.28 per cent. by the Company and SHK was beneficially owned as to approximately 64.33 per cent. by APL.

3V Capital

3V Capital is a company incorporated in Hong Kong with limited liability and a licensed corporation under the SFO to engage in Type 1 (dealing in securities) and Type 4 (advising on securities) activities.

3V Capital and its ultimate owners are all independent third parties who are not connected with Tian An or any of its subsidiaries, or any of its associates, or any of the connected persons of Tian An or any of their respective subsidiaries, or any of their respective associates.

Tian An

Tian An 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 of Tian An is investment holding. The Tian An Group is engaged principally in the development of high-end apartments, villas, office buildings and commercial properties, property investment, property management and hotel operations in Mainland China.

As at the Latest Practicable Date, the Company, through its interests in APL and SHK, was interested in approximately 39.58 per cent. of the issued share capital of Tian An.

LETTER FROM THE BOARD

REASONS OF THE GIVING OF THE SHK IRREVOCABLE UNDERTAKING UNDER THE OPEN OFFER AND THE USE OF PROCEEDS

The Tian An Directors consider that the Open Offer provides a good opportunity for the Tian An Group to raise funds to strengthen its capital base and improve its financial position.

Assuming that all the Tian An Shareholders take up their entitlements, the estimated proceeds from the Open Offer will be approximately HK\$1,355 million (before expenses and underwriting commission). To the best of the Directors' knowledge, the underwriting commission payable to 3V Capital is approximately HK\$11 million. Other expenses mainly include legal fees to P. C. Woo & Co., accountants fees to Deloitte Touche Tohmatsu and printing expenses to SNP Vite Limited and the total amount for such expenses will be approximately HK\$3 million. The net proceeds of approximately HK\$1,341 million are intended to be applied by Tian An as to approximately HK\$1,100 million for expanding its landbank, as to approximately HK\$150 million to repay bank loans and the balance as to approximately HK\$91 million for general working capital for daily operation.

The estimated expenses of the Open Offer of about HK\$3 million (excluding underwriting commission) will be borne by Tian An.

The Directors consider that the taking up of the Offer Shares by SHK and the giving of the SHK Irrevocable Undertaking of SHK would signify its continuing support to its associate, Tian An and its subsidiary, SHK, and in turn, benefit the Group as a whole. The Directors also consider that the terms in the SHK Irrevocable Undertaking to be fair and reasonable and in the interests of the Company and the Shareholders taken as a whole.

To the best of the Directors' knowledge, there will not be any restriction to the subsequent sale of the Offer Shares under the Open Offer.

No funds were raised by Tian An on any issue of equity securities in the 12 months immediately preceding the date of the Joint Announcement.

LETTER FROM THE BOARD

Audited consolidated net profits before tax and after tax of the Tian An Group for the two financial years ended 31st December, 2005 and 31st December, 2006 were:

- (i) approximately HK\$319,932,000 (before taxation and extraordinary items) or approximately HK\$202,533,000 (after taxation and extraordinary items) for the financial year ended 31st December, 2005; and
- (ii) approximately HK\$374,380,000 (before taxation and extraordinary items) or approximately HK\$26,270,000 (after taxation and extraordinary items) for the financial year ended 31st December, 2006.

The audited consolidated net asset value of Tian An at 31st December, 2005 and 31st December, 2006 were approximately HK\$4,656,102,000 and HK\$5,944,004,000 respectively.

The value of the Offer Shares to be taken up by SHK pursuant to the SHK Irrevocable Undertaking, based on the Subscription Price, is HK\$536,455,000.

FINANCIAL EFFECT OF THE OPEN OFFER

Following completion of the Open Offer, the assets and liabilities of the Group will increase by approximately HK\$536,455,000 respectively as a result of the increase in the number of Tian An Shares held by SHK and the additional borrowings by SHK to fund the subscription of the Offer Shares pursuant to the SHK Irrevocable Undertaking. As the shareholding of the Group in Tian An will remain unchanged following completion of the Open Offer, the earnings of the Group will remain unaffected.

LISTING RULES IMPLICATIONS

Under Chapter 14 of the Listing Rules, the giving of the SHK Irrevocable Undertaking by SHK (an indirect non-wholly owned subsidiary of the Company) constitutes a discloseable transaction for the Company, on the basis that the calculation of the consideration 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 Group Limited
Arthur George Dew
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, 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	Number of Shares held	Approximate percentage of the issued capital of the Company	Nature of interests
Lee Seng Hui	104,049,413	42.60	Personal interests (held as beneficial owner) in 22,921 Shares and other interest in 104,026,492 Shares (<i>Note 1</i>)
Lee Su Hwei	104,026,492	42.59	Other interests (<i>Note 1</i>)

Notes:

- Mr. Lee Seng Hui and Ms. Lee Su Hwei are trustees of Lee and Lee Trust, being a discretionary trust which indirectly held 104,026,492 Shares.
- The interests stated above represent long positions.

Save as disclosed above, none of the Directors or proposed directors of the Company (if any) had any interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed pursuant to the provision of Divisions 2 and 3 of Part XV of the SFO.

(b) **Substantial shareholders' and other persons' interests**

Save as disclosed below and in paragraph (a) above, 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 Division 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) *Interest in the Shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO*

Name of Shareholder	Number of Shares held	Approximate percentage of the issued share capital of the Company	<i>Notes</i>
Cashplus Management Limited ("Cashplus")	28,181,800	11.53	–
Zealous Developments Limited ("Zealous")	28,181,800	11.53	1, 2
Minty Hongkong Limited ("Minty")	75,844,692	31.02	–
Lee and Lee Trust	104,026,492	42.59	3, 4
COL Capital Limited ("COL Capital")	14,246,494	5.78	5
Chong Sok Un	14,246,494	5.78	6, 7

Notes:

- This represents the same interest of Cashplus in 28,181,800 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, both Directors, together with Mr. Lee Seng Huang are the trustees of Lee and Lee Trust and were therefore deemed to have an interest in the Shares in which Minty and Zealous were interested.

5. The interest includes the holding of: (i) an interest in 6,791,170 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) an interest in 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.
6. This represents the same interest of COL Capital in 14,246,494 Shares.
7. COL Capital was owned as to 37.32% by Vigor Online Offshore Limited, a wholly-owned subsidiary of China Spirit Limited which in turn is wholly-owned by Ms. Chong Sok Un. Ms. Chong Sok Un was therefore deemed to have an interest in the Shares in which COL Capital was interested.
8. All interests stated above represent long positions. 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 held	Approximate percentage of the relevant issued share capital
Best Decision Investments Limited	Christophe Lee Kin Ping	17,500	35.00
Dalian Allied First Financial Centre 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 Limited (“GFIA”) (in liquidation)	LOTE Limited (“LOTE”)	49	49.00 (Note)
Hardy Wall Limited	Betterhuge Limited	35	35.00
SHK Financial Data Limited	Unison Information Limited	49	49.00
United Asia Finance Limited	ITOCHU Hong Kong Limited	25,625,000	18.64

Note: Although the Group held 51% interest in GFIA, it was jointly controlled by the Group and LOTE. Its profit and loss were split 50/50 between the Group and LOTE.

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:

- (i) Mr. Arthur George Dew is a director of APL which, through a subsidiary, is partly engaged in the business of money lending;
- (ii) 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, SHK and Tian An 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;
 - SHK, through certain of its subsidiaries, is partly engaged in the businesses of money lending, provision of financial services and property investment; and
 - Tian An, through a subsidiary, is partly engaged in the business of money lending. Mr. Lee Seng Hui is a director of Tian An;
- (iii) Mr. Lee Seng Hui is a director 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; and
- (iv) 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.

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) On 10th July, 2006, the Court of Final Appeal upheld the judgment (as amended by the Court of Appeal) of the Hong Kong Court of First Instance of 1st April, 2004, that Sun Hung Kai Securities Limited (“SHKS”), a wholly-owned subsidiary of SHK, holds a 12.5 per cent. interest in a 50/50 joint venture entered into between New World Development Company Limited (“NWDC”) and IGB Corporation Berhad to purchase land and build two international hotels plus a 200-units service apartment in Kuala Lumpur, Malaysia (the “Joint Venture”), and that accordingly SHKS was liable to pay to NWDC the sums which NWDC had advanced to the joint venture company Great Union Properties Sdn. Bhd (“GUP”) on behalf of SHKS, together with interest on such monies (the “Judgment Sum”) and costs of the First Instance hearing and of the two appeals (the “Costs Order”). SHKS had previously paid to NWDC the Judgment Sum and more recently a sum in satisfaction of the Costs Order. Other claims from NWDC for amounts advanced to GUP on behalf of SHKS with respect to the Joint Venture had been paid previously by SHKS. SHKS is presently seeking the assistance of NWDC and Stapleton Developments Limited (“Stapleton”) to ensure that the legal interest of the issued shares of GUP which Stapleton holds on trust for SHKS be transferred to SHKS and that GUP acknowledges and records in its accounts in the name of SHKS the amount of the shareholders’ loans made on behalf of SHKS to it.
- (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 (or assets of equivalent value) of SHKS’s funds, pursuant to which SHKS’s shares in Chang Zhou Power Development Company Limited in China (the “Chang Zhou Shares”) (worth US\$3 million) were frozen. SHKS had sold all of its beneficial interests in the Chang Zhou Shares in 1998. SHK continues to investigate the matter.
- (c) After the interim reporting period, on 29th August, 2007, Sun Hung Kai Investment Services Limited and Cheeroll Limited (together, the “two companies”), both indirect wholly-owned subsidiaries of SHK, received Notices dated 6th June, 2007 under the hand of the then Financial Secretary, specifying the two companies as well as two staff of SHKS, and requiring the Market Misconduct Tribunal to conduct proceedings and determine matters arising out of dealings in securities that had occurred in 2003. Preliminary hearings have taken place and a substantive hearing is presently scheduled for 1st November, 2007.

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 Mr. Edwin Lo King Yau. He is an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators and a holder of a Master's Degree in Applied Finance from Macquarie University, Australia. He is currently an Executive Director of the Company.
- (c) The qualified accountant of the Company is Mr. Kelvin Lam Kam Wing. He obtained a Master's Degree in Business Administration from The Chinese University of Hong Kong in 1999 and is a fellow 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.