
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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ALLIED GROUP LIMITED

(聯合集團有限公司)

(Incorporated in Hong Kong with limited liability)

(Stock Code: 373)

MAJOR TRANSACTION

PLACING OF EXISTING SHARES AND SUBSCRIPTION OF NEW SHARES IN SUN HUNG KAI & CO. LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 86)

A letter from the board of directors of Allied Group Limited is set out on pages 4 to 19 of this circular.

A notice convening the extraordinary general meeting of Allied Group Limited to be held at Plazas 1 to 3, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Tuesday, 1st August, 2006 at 10:30 a.m. is set out on pages 31 and 32 of this circular. Whether or not you are able to attend the meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the registered office of Allied Group Limited at 22nd Floor, Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong as soon as possible, and in any event not less than 48 hours before the time appointed for holding of the meeting or any adjournment of the meeting. Completion and return of the form of proxy will not preclude the Shareholders from attending and voting in person at the meeting or any adjournment of the meeting if they so wish.

14th July, 2006

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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
“APL Directors”	directors of APL
“associates”	having the meaning ascribed to it under the Listing Rules
“Board”	board of Directors
“C\$”	Canadian dollars, the lawful currency of Canada
“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
“Directors”	directors of the Company
“EGM”	an extraordinary general meeting of the Company to be held at Plazas 1 to 3, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Tuesday, 1st August, 2006 at 10:30 a.m. for the purpose of considering and, if thought fit, approving the 2nd Placing Agreement and the Subscription Agreement pursuant to the Listing Rules
“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”	11th July, 2006, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“SFC”	Securities and Futures Commission

DEFINITIONS

“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\$0.20 each in the share capital of SHK
“SHK”	Sun Hung Kai & Co. Limited, a company incorporated in Hong Kong with limited liability, with its securities listed on the Main Board of the Stock Exchange
“SHK Directors”	directors of SHK
“SHK Group”	SHK and its subsidiaries
“SHKIS”	Sun Hung Kai Investment Services Limited, a licensed corporation under the SFO permitted to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities and an indirect wholly-owned subsidiary of SHK
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription for the Subscription Shares by the Vendor pursuant to the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 12th May, 2006 made between the Vendor and SHK in relation to the Subscription (as supplemented on 17th May, 2006)
“Subscription Shares”	the 248,000,000 new Shares to be subscribed for by the Vendor pursuant to the Subscription Agreement
“US\$”	United States dollars, the lawful currency of the United States of America
“Vendor”	AP Emerald Limited, a company incorporated in the British Virgin Islands with limited liability, an indirect wholly-owned subsidiary of APL and the controlling shareholder of SHK
“1st Announcement”	the joint announcement of the Company, APL and SHK dated 17th May, 2006

DEFINITIONS

“1st Placing”	the placing of the 1st Tranche Placing Shares at a price of HK\$7.00 per Share pursuant to the 1st Placing Agreement
“1st Placing Agreement”	the placing agreement dated 12th May, 2006 made between the Vendor and 3V Capital in relation to the 1st Placing (as supplemented on 17th May, 2006)
“1st Tranche Placing Shares”	the 169,000,000 Shares placed by the Vendor through 3V Capital pursuant to the 1st Placing Agreement
“2nd Announcement”	the joint announcement of the Company, APL and SHK dated 18th May, 2006
“2nd Placing”	the placing of the 2nd Tranche Placing Shares at a price of HK\$7.00 per Share pursuant to the 2nd Placing Agreement
“2nd Placing Agreement”	the placing agreement dated 18th May, 2006 made between the Vendor and SHKIS in relation to the 2nd Placing
“2nd Tranche Placing Shares”	the 79,000,000 Shares to be placed by the Vendor through SHKIS pursuant to the 2nd Placing Agreement
“3V Capital”	3V Capital Limited, a licensed corporation under the SFO permitted to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities



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:

Lee Su Hwei

Arthur George Dew

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

14th July, 2006

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION

**PLACING OF EXISTING SHARES AND
SUBSCRIPTION OF NEW SHARES IN
SUN HUNG KAI & CO. LIMITED**

(Incorporated in Hong Kong with limited liability)

(Stock Code: 86)

INTRODUCTION

On 17th May, 2006, by the 1st Announcement, the Directors, the APL Directors and SHK Directors jointly announced that the 1st Placing Agreement was executed by the Vendor and 3V Capital on 12th May, 2006, pursuant to which the Vendor agreed to place, through 3V Capital as placing agent, 248,000,000 Shares to independent investors at a price of HK\$7.00 per Share. On completion, the Vendor would subscribe for 248,000,000 new Shares at the same price pursuant to the Subscription Agreement.

LETTER FROM THE BOARD

On 17th May, 2006, as announced in the 1st Announcement, there was a change to the overall placing structure and a supplement was executed correspondingly to amend the 1st Placing Agreement. The 248,000,000 Shares to be placed under the 1st Placing Agreement were divided into two portions: 169,000,000 Shares placed by way of the 1st Placing and the remaining 79,000,000 Shares intended to be placed by way of the 2nd Placing. As a result, a supplement was also correspondingly executed on 17th May, 2006 to amend the Subscription Agreement. The 248,000,000 new Shares to be subscribed for under the Subscription Agreement were divided into two portions: only 169,000,000 new Shares will be subscribed for by the Vendor on completion of the 1st Placing, and the remaining 79,000,000 new Shares will only be subscribed for by the Vendor if the 2nd Placing proceeds.

On 18th May, 2006, it was announced in the 2nd Announcement that the 2nd Placing proceeded and became a placing of an additional 79,000,000 Shares of a legally-binding nature. The 2nd Placing Agreement was executed by the Vendor and SHKIS, pursuant to which the Vendor agreed to place, through SHKIS as placing agent, 79,000,000 Shares to independent investors at a price of HK\$7.00 per Share. Accordingly, the subscription of the additional 79,000,000 new Shares by the Vendor at the same price of HK\$7.00 per Share contemplated in the Subscription Agreement will also proceed on completion of the 2nd Placing.

The 1st Placing constitutes a discloseable transaction for the Company, on the basis that the calculations of the consideration ratio for the Company is within the range of 5 per cent. and 25 per cent. A circular dated 8th June, 2006 of the Company has been despatched to the Shareholders for their information.

The 2nd Placing, when aggregated with the 1st Placing, constitutes a major transaction for the Company, on the basis that the calculations of the consideration ratio for the Company is within the range of 25 per cent. and 75 per cent., and the 2nd Placing Agreement is therefore subject to the approval of the Shareholders. The trustees of Lee and Lee Trust, who together have an approximately 40.83 per cent. interest in the Company as at the Latest Practicable Date, have consented to approve such major transaction and to vote in favour of the resolution for approving such major transaction.

In addition, under Rule 14.29 of the Listing Rules, a reduction of shareholding percentage following an allotment of new shares by a subsidiary of a listed issuer may be regarded as a deemed disposal by that listed issuer, which may fall to be treated as a notifiable transaction for the purposes of Chapter 14 of the Listing Rules. Following completion of the 1st Placing, the 2nd Placing and the Subscription, the shareholding percentage of the Vendor and the parties acting in concert with it in SHK will be diluted from approximately 74.99 per cent. to approximately 62.55 per cent. Accordingly, such reduction of shareholding percentage will be regarded as a deemed disposal by the Company (through its interest in APL) of a 12.44 per cent. shareholding in SHK and a material dilution in the interest in SHK as a major subsidiary of the Company (through its interest in APL).

LETTER FROM THE BOARD

Such deemed disposal and material dilution in the interest in SHK also constitute a major transaction for the Company, on the basis that the calculations of the consideration ratio for the Company is within the range of 25 per cent. and 75 per cent., and the Subscription Agreement is therefore subject to the approval of the Shareholders under Rules 14.40 and 13.36(1)(a)(ii) of the Listing Rules. The trustees of Lee and Lee Trust, who together have an approximately 40.83 per cent. interest in the Company as at the Latest Practicable Date, have consented to approve such major transaction and to vote in favour of the resolution for approving such major transaction.

The purpose of this circular is (i) to provide the Shareholders with details of the terms of the 1st Placing Agreement, 2nd Placing Agreement and the Subscription Agreement; and (ii) to give the Shareholders notice of the EGM and other information in accordance with the requirements of the Listing Rules.

PLACING OF 169,000,000 EXISTING SHARES (THE 1ST PLACING)

Placing Agreement dated 12th May, 2006 made between the Vendor and 3V Capital (as supplemented on 17th May, 2006)

On 12th May, 2006, the 1st Placing Agreement was executed, pursuant to which the Vendor has agreed to place, through 3V Capital, 248,000,000 Shares to independent investors at a price of HK\$7.00 per Share. On 17th May, 2006, as announced in the 1st Announcement, there was a change to the overall placing structure and a supplement was correspondingly executed to amend the 1st Placing Agreement. The 248,000,000 Shares to be placed under the 1st Placing Agreement were divided into two portions: 169,000,000 Shares placed by way of the 1st Placing and the remaining 79,000,000 Shares intended to be placed by way of the 2nd Placing.

Vendor:	The Vendor, which is the controlling shareholder of SHK.
Number of 1st Tranche Placing Shares:	169,000,000 Shares placed, representing approximately 13.56 per cent. of the issued share capital of SHK as at the Latest Practicable Date.
Underwriting:	The 1st Placing was fully underwritten by 3V Capital.
Placing price:	HK\$7.00 per Share, which was agreed after arm's length negotiations and represents: (i) a discount of approximately 10.83 per cent. to the closing price of HK\$7.85 per Share (on a cum dividend and cum warrant basis) as quoted on the Stock Exchange on 11th May, 2006 being the last trading day of the Shares immediately before the date of the 1st Announcement, or a discount of approximately 9.74 per cent. to HK\$7.755 (being such closing price calculated on an ex dividend basis);

LETTER FROM THE BOARD

- (ii) a discount of approximately 8.26 per cent. to the average closing price of HK\$7.63 per Share (on a cum dividend and cum warrant basis) as quoted on the Stock Exchange for the last ten trading days of the Shares immediately before the date of the 1st Announcement, or a discount of approximately 7.10 per cent. to HK\$7.535 (being such average closing price calculated on an ex dividend basis); and
- (iii) a premium of approximately 2.19 per cent. over the closing price of HK\$6.85 per Share as quoted on the Stock Exchange as at the Latest Practicable Date.

Placing agent:

3V Capital.

3V Capital and its ultimate owners were all:

- (i) independent of, and not acting in concert with, the Vendor and parties acting in concert with it; and
- (ii) independent third parties not connected with SHK or its subsidiaries or any of their respective associates, or any of the connected persons of SHK or its subsidiaries or any of their respective associates.

Placing commission:

3V Capital received a placing commission of 2.5 per cent. on the gross proceeds of the 1st Placing.

Placees:

The 1st Tranche Placing Shares were placed to not less than six placees (which were individual, corporate or institutional investors or a combination of them).

Such placees and their respective ultimate owners were all:

- (i) independent of, and not acting in concert with, the Vendor and parties acting in concert with it; and
- (ii) independent third parties not connected with SHK or its subsidiaries or any of their respective associates, or any of the connected persons of SHK or its subsidiaries or any of their respective associates.

LETTER FROM THE BOARD

None of such placees became a substantial shareholder of SHK as a result of the 1st Placing, except that on 29th May, 2006, the Company was notified that Penta Investment Advisers Limited became a substantial shareholder of SHK as a result of the 1st Placing.

Based on the information available to the Company, Penta Investment Advisers Limited was incorporated in the British Virgin Islands and is beneficially owned by Mr. John Zwaanstra. It was beneficially interested in approximately 1.41 per cent. of the issued share capital of SHK before the 1st Placing and was beneficially interested in approximately 11.45 per cent. of the issued share capital of SHK immediately following completion of the 1st Placing.

Completion:

The 1st Placing Agreement was unconditional, and completion of the 1st Placing took place on 22nd May, 2006.

Completion of the 1st Placing was not conditional upon the Vendor's proceeding with the 2nd Placing.

PLACING OF 79,000,000 EXISTING SHARES (THE 2ND PLACING) AND SUBSCRIPTION OF 248,000,000 NEW SHARES

Placing Agreement dated 18th May, 2006 made between the Vendor and SHKIS

On 18th May, 2006, it was announced in the 2nd Announcement that the 2nd Placing proceeded and became a placing of an additional 79,000,000 Shares of a legally-binding nature. The 2nd Placing Agreement was executed by the Vendor and SHKIS, pursuant to which the Vendor agreed to place, through SHKIS as placing agent, 79,000,000 Shares to independent investors at a price of HK\$7.00 per Share. Accordingly, the subscription of the additional 79,000,000 new Shares by the Vendor at the same price of HK\$7.00 per Share contemplated in the Subscription Agreement will also proceed on completion of the 2nd Placing.

Vendor:

The Vendor, which is the controlling shareholder of SHK.

Number of 2nd Tranche Placing Shares:

79,000,000 Shares to be placed, representing approximately 6.34 per cent. of the issued share capital of SHK as at the Latest Practicable Date and approximately 5.29 per cent. of the issued share capital of SHK as at the Latest Practicable Date as enlarged by the allotment and issue of the Subscription Shares (being a total of 248,000,000 new Shares agreed to be subscribed for by the Vendor pursuant to the Subscription Agreement).

Underwriting:

The 2nd Placing is fully underwritten by SHKIS.

LETTER FROM THE BOARD

- Placing price:** HK\$7.00 per Share, which was agreed after arm's length negotiations and represents:
- (i) a discount of approximately 10.83 per cent. to the closing price of HK\$7.85 per Share as quoted on the Stock Exchange on the last trading day of the Shares immediately before the date of the 2nd Announcement;
 - (ii) a discount of approximately 8.26 per cent. to the average closing price of HK\$7.63 per Share as quoted on the Stock Exchange for the last ten trading days of the Shares immediately before the date of the 2nd Announcement; and
 - (iii) a premium of approximately 2.19 per cent. over the closing price of HK\$6.85 per Share as quoted on the Stock Exchange as at the Latest Practicable Date.
- Placing agent:** SHKIS, which is an indirect wholly-owned subsidiary of SHK.
- Placing commission:** SHKIS will receive a placing commission of 2.5 per cent. on the gross proceeds of the 2nd Placing.
- Placees:** The 2nd Tranche Placing Shares will be placed to not less than six placees (which will be individual, corporate or institutional investors or a combination of them).
- Such placees and their respective ultimate owners will all be:
- (i) independent of, and not acting in concert with, the Vendor and parties acting in concert with it; and
 - (ii) independent third parties not connected with SHK or its subsidiaries or any of their respective associates, or any of the connected persons of SHK or its subsidiaries or any of their respective associates.
- None of such placees is expected to become a substantial shareholder of SHK as a result of the 2nd Placing.

LETTER FROM THE BOARD

- Conditions:** The 2nd Placing is conditional upon:
- (i) shareholders of the Company and APL approving the 2nd Placing Agreement in accordance with all applicable requirements under the Listing Rules;
 - (ii) independent shareholders of SHK approving the 2nd Placing Agreement (including the appointment by the Vendor of SHKIS as placing agent for the 2nd Placing); and
 - (iii) completion of the 1st Placing.

None of the above conditions can be waived.

The 2nd Placing is conditional and may or may not proceed. Accordingly, shareholders and prospective investors are reminded to exercise extreme caution when trading in the securities of the Company, APL and SHK.

- Completion:** The 2nd Placing must be completed on or before 16th August, 2006 (or such later date as may be agreed by the Vendor and SHKIS subject to compliance with the Listing Rules), failing which the 2nd Placing will cease and terminate.

Subscription Agreement dated 12th May, 2006 made between the Vendor and SHK (as supplemented on 17th May, 2006)

As a result of the amendment to the 1st Placing Agreement on 17th May, 2006, a supplement was also correspondingly executed on 17th May, 2006 to amend the Subscription Agreement. The 248,000,000 new Shares to be subscribed for under the Subscription Agreement were divided into two portions: 169,000,000 new Shares will be subscribed for by the Vendor on completion of the 1st Placing, and 79,000,000 new Shares will be subscribed for by the Vendor on completion of the 2nd Placing.

Following the execution of the 2nd Placing Agreement, the subscription of the additional 79,000,000 new Shares by the Vendor at the same price of HK\$7.00 per Share contemplated in the Subscription Agreement will also proceed on completion of the 2nd Placing.

- Subscriber:** The Vendor.

- Number of Subscription Shares:** 248,000,000 new Shares, representing approximately 19.90 per cent. of the issued share capital of SHK as at the Latest Practicable Date and approximately 16.60 per cent. of the issued share capital of SHK as at the Latest Practicable Date as enlarged by the allotment and issue of the Subscription Shares.

LETTER FROM THE BOARD

- Subscription price:** HK\$7.00 per Subscription Share, which is the same as the placing price of the 1st Tranche Placing Shares and the 2nd Tranche Placing Shares.
- Ranking of Subscription Shares:** The Subscription Shares will rank equally with the Shares in issue at the time of allotment and issue of the Subscription Shares.
- Use of proceeds:** Net proceeds from the Subscription of approximately HK\$1,685,500,000, comprising approximately HK\$1,148,500,000 from the subscription of the 169,000,000 new Shares (being a net placing price of approximately HK\$6.80 per Share) in connection with the 1st Placing and approximately HK\$537,000,000 from the subscription of the 79,000,000 new Shares (being a net placing price of approximately HK\$6.80 per Share) in connection with the 2nd Placing, will be applied by the SHK Group to fund the proposed acquisition of the entire issued share capital of UAF Holdings Limited as announced in the joint announcement of the Company, APL and SHK dated 19th June, 2006 and further detailed in the circular of the Company dated 30th June, 2006 or, if such acquisition does not proceed, to fund new investments and acquisitions in future as and when opportunities arise and require and for general working capital purposes.
- Conditions:** The Subscription is conditional upon:
- (i) shareholders of the Company and APL approving the Subscription Agreement in accordance with all applicable requirements under the Listing Rules;
 - (ii) independent shareholders of SHK approving the Subscription Agreement in accordance with all applicable requirements under the Listing Rules;
 - (iii) independent shareholders of SHK approving the grant of a specific mandate for the allotment and issue of the Subscription Shares in accordance with all applicable requirements under the Listing Rules;
 - (iv) the Stock Exchange granting listing of and permission to deal in the Subscription Shares; and
 - (v) completion of the 1st Placing and the 2nd Placing.
- None of the above conditions can be waived.

LETTER FROM THE BOARD

Application has been made to the Stock Exchange to grant the listing of and permission to deal in the Subscription Shares.

The Subscription is conditional and may or may not proceed. Accordingly, shareholders and prospective investors are reminded to exercise extreme caution when trading in the securities of the Company, APL and SHK.

Completion:

The Subscription must be completed on or before 16th August, 2006 (or such later date as may be agreed by SHK and the Vendor subject to compliance with the Listing Rules), failing which the Subscription will cease and terminate.

Costs and expenses

Subject to completion of the Subscription, SHK will bear the costs and expenses in connection with the 1st Placing, the 2nd Placing and the Subscription, which are estimated to be approximately HK\$50,500,000. Any interest earned by the Vendor on the monies raised by the 1st Placing and the 2nd Placing, between the respective dates of completion of the 1st Placing and the 2nd Placing and the date of completion of the Subscription, will be paid to SHK.

EFFECT OF THE 1ST PLACING, THE 2ND PLACING AND THE SUBSCRIPTION

The shareholding structure of SHK immediately before completion of the 1st Placing and immediately after completion of the 1st Placing but before completion of the Subscription are as follows:

Parties	Approximate shareholding percentage in SHK (Note 1)	
	Immediately before the 1st Placing and the Subscription	Immediately after the 1st Placing but before the Subscription
The Vendor and parties acting in concert with it	74.99 (Note 2)	61.43 (Note 3)
Placees for the 1st Placing (Note 4)	–	13.56
Other public shareholders of SHK	25.01	25.01
Total	<u>100.00</u>	<u>100.00</u>

LETTER FROM THE BOARD

Notes:

1. The figures assume that other than the Subscription Shares, no new Shares are issued or purchased by SHK and that other than the 1st Tranche Placing Shares, no Shares are sold or purchased by the Vendor and parties acting in concert with it, in each case, after the Latest Practicable Date up to the date of completion of the Subscription.
2. The interests comprise 934,239,892 Shares which were held and beneficially owned as to 934,198,892 Shares by the Vendor and as to 41,000 Shares by a corporation wholly owned by Mr. Steven Samuel Zoellner, an APL Director.
3. The interests comprise 765,248,092 Shares which were held and beneficially owned as to 765,198,892 Shares by the Vendor and as to 49,200 Shares by a corporation wholly owned by Mr. Steven Samuel Zoellner, an APL Director.
4. One of the placees, Penta Investment Advisers Limited, was beneficially interested in 17,516,000 Shares, representing approximately 1.41 per cent. of the issued share capital of SHK before the 1st Placing. Its shareholding increased to 142,623,000 Shares, representing approximately 11.45 per cent. of the issued share capital of SHK after the 1st Placing. In addition, based on the information available to the Company, as at the Latest Practicable Date, it held an interest in 152,198,000 Shares representing approximately 12.22 per cent. of the issued share capital of SHK and 3,808,200 units of warrants of SHK giving rise to an interest in 3,808,200 underlying Shares.

The shareholding structure of SHK immediately before completion of the 2nd Placing, immediately after completion of the 2nd Placing but before completion of the Subscription, and immediately after completion of both the 2nd Placing and the Subscription are and will be as follows:

**Approximate shareholding
percentage in SHK (Note 1)**

Parties	Immediately before the 2nd Placing and the Subscription	Immediately after the 2nd Placing but before the Subscription	Immediately after the 2nd Placing and the Subscription
The Vendor and parties acting in concert with it	61.43 <i>(Note 2)</i>	55.09 <i>(Note 3)</i>	62.55 <i>(Note 4)</i>
Penta Investment Advisers Limited <i>(Note 5)</i>	12.22	12.22	10.19
Placees for the 2nd Placing	–	6.34	5.29
Other public shareholders of SHK	26.35	26.35	21.97
Total	100.00	100.00	100.00

LETTER FROM THE BOARD

Notes:

1. The figures assume that other than the Subscription Shares, no new Shares are issued or purchased by SHK and that other than the 2nd Tranche Placing Shares, no Shares are sold or purchased by the Vendor and parties acting in concert with it, in each case, after the Latest Practicable Date up to the date of completion of the Subscription.
2. The interests comprise 765,248,092 Shares which were held and beneficially owned as to 765,198,892 Shares by the Vendor and as to 49,200 Shares by a corporation wholly owned by Mr. Steven Samuel Zoellner, an APL Director.
3. The interests comprise 686,248,092 Shares which were held and beneficially owned as to 686,198,892 Shares by the Vendor and as to 49,200 Shares by a corporation wholly owned by Mr. Steven Samuel Zoellner, an APL Director.
4. The interests comprise 934,248,092 Shares which will be held and beneficially owned as to 934,198,892 Shares by the Vendor and as to 49,200 Shares by a corporation wholly owned by Mr. Steven Samuel Zoellner, an APL Director.
5. Penta Investment Advisers Limited, was beneficially interested in 17,516,000 Shares, representing approximately 1.41 per cent. of the issued share capital of SHK before the 1st Placing. Its shareholding increased to 142,623,000 Shares, representing approximately 11.45 per cent. of the issued share capital of SHK after the 1st Placing. In addition, based on the information available to the Company, as at the Latest Practicable Date, it held an interest in 152,198,000 Shares representing approximately 12.22 per cent. of the issued share capital of SHK and 3,808,200 units of warrants of SHK giving rise to an interest in 3,808,200 underlying Shares.

The aggregate beneficial interest of the Vendor and parties acting in concert with it in the issued share capital of SHK was reduced from approximately 74.99 per cent. to approximately 61.43 per cent. immediately following completion of the 1st Placing.

The aggregate beneficial interest of the Vendor and parties acting in concert with it in the issued share capital of SHK will be reduced from approximately 61.43 per cent. to approximately 55.09 per cent. immediately following completion of the 2nd Placing, but will increase to approximately 62.55 per cent. immediately following completion of the Subscription.

If completion of the Subscription does not take place, the aggregate beneficial interest of the Vendor and parties acting in concert with it in the issued share capital of SHK will be reduced from approximately 61.43 per cent. to approximately 55.09 per cent., but will not be increased to approximately 62.55 per cent.

INFORMATION ABOUT THE COMPANY, APL AND SHK

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, and the provision of financial services.

LETTER FROM THE BOARD

APL

APL is a company incorporated in Hong Kong with limited liability. Its securities are listed on the Main Board of the Stock Exchange.

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

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

SHK

SHK is a company incorporated in Hong Kong with limited liability. Its securities are listed on the Main Board of the Stock Exchange.

The principal business activity of SHK is investment holding. The principal business activities of its major subsidiaries are securities, leveraged forex, bullion, commodities, futures and options broking, provision of online financial services and online financial information, share margin and structured financing, financial planning and wealth management, asset management, corporate finance, strategic investment, and insurance broking.

As at the Latest Practicable Date, SHK was beneficially owned as to approximately 61.42 per cent. by APL.

REASONS FOR AND BENEFITS OF THE 1ST PLACING, THE 2ND PLACING AND THE SUBSCRIPTION

The 1st Placing, the 2nd Placing and the Subscription were the different steps of a “top-up” placing arrangement of SHK.

In view of current market conditions, the SHK Directors consider that the “top-up” placing arrangement represents a good opportunity to raise further working capital for SHK while at the same time broadening its shareholder and capital base.

Net proceeds from the Subscription of approximately HK\$1,685,500,000, comprising approximately HK\$1,148,500,000 from the subscription of the 169,000,000 new Shares (being a net placing price of approximately HK\$6.80 per Share) in connection with the 1st Placing and approximately HK\$537,000,000 from the subscription of the 79,000,000 new Shares (being a net placing price of approximately HK\$6.80 per Share) in connection with the 2nd Placing, will be applied by the SHK Group to fund the proposed acquisition of the entire issued share capital of UAF Holdings Limited as announced in the joint announcement of the Company, APL and SHK dated 19th June, 2006 and further detailed in the circular of the Company dated 30th June, 2006 or, if such acquisition does not proceed, to fund new investments and acquisitions in future as and when opportunities arise and require and for general working capital purposes.

LETTER FROM THE BOARD

Net profits attributable to the disposal by the Company (through its interest in APL) of 6.34 per cent. shareholding in SHK for the two financial years ended 31st December, 2005 were:

- (i) approximately HK\$26,174,000 (before taxation and extraordinary items) or approximately HK\$24,043,000 (after taxation and extraordinary items) for the financial year ended 31st December, 2004; and
- (ii) approximately HK\$27,677,000 (before taxation and extraordinary items) or approximately HK\$25,510,000 (after taxation and extraordinary items) for the financial year ended 31st December, 2005.

As at 31st December, 2005 (being the date up to which the latest published audited consolidated accounts of the Company was made), the carrying value of the 6.34 per cent. shareholding in SHK disposed of by the Company (through its interest in APL) was approximately HK\$370,312,000 (calculated on the basis of 6.34 per cent. of the consolidated net asset value of SHK as at 31st December, 2005). This will give rise to an estimated gain of approximately HK\$166,688,000 for the Company (through its interest in APL).

The market value of the 6.34 per cent. shareholding in SHK disposed of by the Company (through its interest in APL) is approximately HK\$612,645,000 (calculated on the basis of HK\$7.755 per Share (on an exdividend basis)).

Following completion of the 1st Placing, the 2nd Placing and the Subscription, the shareholding percentage of the Vendor and the parties acting in concert with it in SHK will be diluted from approximately 74.99 per cent. to approximately 62.55 per cent. Under the Listing Rules, such reduction of shareholding percentage will be regarded as a deemed disposal by the Company (through its interest in APL) of a 12.44 per cent. shareholding in SHK. Net profits attributable to such deemed disposal for the two financial years ended 31st December, 2005 were:

- (i) approximately HK\$51,357,000 (before taxation and extraordinary items) or approximately HK\$47,175,000 (after taxation and extraordinary items) for the financial year ended 31st December, 2004; and
- (ii) approximately HK\$54,306,000 (before taxation and extraordinary items) or approximately HK\$50,054,000 (after taxation and extraordinary items) for the financial year ended 31st December, 2005.

As at 31st December, 2005 (being the date up to which the latest published audited consolidated accounts of the Company was made), the carrying value of the 12.44 per cent. shareholding in SHK deemed to be disposed of by the Company (through its interest in APL) was approximately HK\$726,605,000. This will give rise to an estimated gain of approximately HK\$327,675,000 for the Company (being the difference between 74.99 per cent. of the consolidated net asset value of SHK as at 31st December, 2005 of HK\$5,840,879,000 and 62.55 per cent. of the consolidated net asset value of SHK as adjusted by the net proceeds of the Subscription amounting to HK\$7,526,379,000 attributable to APL).

LETTER FROM THE BOARD

Following completion of the 1st Placing, the 2nd Placing and the Subscription, the market value of the 12.44 per cent. shareholding in SHK deemed to be disposed of by the Company (through its interest in APL) is approximately HK\$1,441,008,000 (calculated on the basis of HK\$7.755 per Share (on an ex dividend basis)). The assets of the Group will be increased by approximately HK\$1,685,500,000. The liabilities and earnings of the Group will remain unchanged after the completion of the 1st Placing, the 2nd Placing and the Subscription.

FUND RAISING ACTIVITIES IN THE PAST 12 MONTHS

No funds were raised by the Company on any issue of equity securities in the 12 months immediately preceding the Latest Practicable Date.

LISTING RULES IMPLICATIONS

The 1st Placing 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. A circular dated 8th June, 2006 of the Company has been despatched to the Shareholders for their information.

The 2nd Placing, when aggregated with the 1st Placing, constitutes a major transaction for the Company, on the basis that the calculations of the consideration ratio for the Company is within the range of 25 per cent. and 75 per cent., and the 2nd Placing Agreement is therefore subject to the approval of the Shareholders. The trustees of Lee and Lee Trust, who together have an approximately 40.83 per cent. interest in the Company as at the Latest Practicable Date, have consented to approve such major transaction and to vote in favour of the resolution for approving such major transaction.

In addition, under Rule 14.29 of the Listing Rules, a reduction of shareholding percentage following an allotment of new shares by a subsidiary of a listed issuer may be regarded as a deemed disposal by that listed issuer, which may fall to be treated as a notifiable transaction for the purposes of Chapter 14 of the Listing Rules. Following completion of the 1st Placing, the 2nd Placing and the Subscription, the shareholding percentage of the Vendor and the parties acting in concert with it in SHK will be diluted from approximately 74.99 per cent. to approximately 62.55 per cent. Accordingly, such reduction of shareholding percentage will be regarded as a deemed disposal by the Company (through its interest in APL) of a 12.44 per cent. shareholding in SHK and a material dilution in the interest in SHK as a major subsidiary of the Company (through its interest in APL).

Such deemed disposal and material dilution in the interest in SHK also constitute a major transaction for the Company, on the basis that the calculations of the consideration ratio for the Company is within the range of 25 per cent. and 75 per cent., and the Subscription Agreement is therefore subject to the approval of the Shareholders under Rules 14.40 and 13.36(1)(a)(ii) of the Listing Rules. The trustees of Lee and Lee Trust, who together have an approximately 40.83 per cent. interest in the Company as at the Latest Practicable Date, have consented to approve such major transaction and to vote in favour of the resolution for approving such major transaction.

LETTER FROM THE BOARD

EGM

A notice convening the EGM is set out on pages 31 and 32 of this circular. Ordinary resolution in respect of the 2nd Placing Agreement and the Subscription Agreement will be proposed at the EGM.

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

PROCEDURES FOR DEMANDING A POLL

Pursuant to Article 75 of the Articles of Association of the Company, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded:

- (i) by the chairman of the meeting; or
- (ii) by at least three Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy for the time being entitled to vote at the meeting; or
- (iii) by any Shareholder or Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy and representing not less than one-tenth of the total voting rights of all the Shareholders having the right to vote at the meeting; or
- (iv) by a Shareholder or Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

LETTER FROM THE BOARD

RECOMMENDATION

The Board considers that the 2nd Placing Agreement and the Subscription Agreement are in the interests of the Company and the Shareholders as a whole and the terms of which are fair and reasonable so far as the Shareholders are concerned. Accordingly, the Directors recommend all the Shareholders to vote in favour of the ordinary resolution set out in the notice of the EGM.

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
Edwin Lo King Yau
Executive Director

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. FINANCIAL INFORMATION OF THE GROUP

Working capital

The Directors are of the opinion that in the absence of unforeseen circumstances and after taking into account the top up placing of the 248,000,000 SHK Shares, the proposed acquisition of the entire issued share capital of UAF Holdings Limited (“Proposed Acquisition”) by the SHK Group from AG Capital Holding Limited, a wholly-owned subsidiary of the Company and the issue of bonds by the SHK Group (“Bonds”) (details of the Proposed Acquisition and the Bonds are set out in the circular of the Company dated 30th June, 2006), the Group’s current cash balance and resources as well as its available banking facilities, the Group has sufficient working capital for at least the next 12 months from the date of publication of this circular.

Statement of indebtedness

At the close of business on 30th April, 2006, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had outstanding borrowings of approximately HK\$2,707.8 million, comprising secured bank loans and overdrafts of approximately HK\$1,678.9 million, unsecured bank loans and overdrafts of approximately HK\$755.7 million, 4 per cent. unlisted loan notes of approximately HK\$65.0 million, 2.25 per cent. unlisted loan notes of approximately HK\$42.7 million, unsecured borrowings of approximately HK\$91.1 million from a jointly controlled entity, unsecured borrowings of approximately HK\$62.9 million from associates, unsecured borrowings of approximately HK\$2.5 million from investee companies, unsecured borrowings of approximately HK\$1.0 million from a minority shareholder and unsecured other borrowings of approximately HK\$8.0 million. The Group’s banking facilities were secured by charges over its assets, including investment properties, hotel property, land and buildings, prepaid land lease payments, properties held for sale, short-term bank deposits and listed investments belonging to the Group and margin clients, together with certain securities in respect of listed subsidiaries held by the Group.

In addition, the Group had contingent liabilities in the sum of approximately HK\$20.8 million in respect of guarantees for a banking facility granted to an investee company, indemnities on bank guarantees made available to a clearing house and regulatory body and other guarantees. There were also claims arising from litigation with New World Development Company Limited and Shanghai Finance Holdings Limited, further particulars of which are set out in the section headed "Litigation" in this Appendix.

Foreign currency amounts have been translated into Hong Kong dollars at the rates of exchange prevailing at the close of business on 30th April, 2006.

Save as aforesaid and apart from intra-group liabilities, the Group did not have any outstanding mortgages, charges, debentures or other loan capital or bank overdrafts, loans or other similar indebtedness or hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities at the close of business on 30th April, 2006.

Financial and trading prospects

In view of the current market conditions, the Directors consider that the 1st Placing and the 2nd Placing, together with Subscription, represent good opportunities to raise further working capital for SHK while at the same time broadening its shareholder and capital base. The net proceeds from the Subscription of approximately HK\$1,685.5 million will be applied by SHK Group to fund the proposed acquisition of the entire issued share capital of UAF Holdings Limited as announced in the joint announcement of the Company, APL and SHK dated 19th June, 2006 and further detailed in the circular of the Company dated 30th June, 2006 or, if such acquisition does not proceed, to fund new investments and acquisitions in future as and when opportunities arise and require and for general working capital purposes.

As stated in the 2005 annual report, the Hong Kong economy is expected to continue to enjoy benefits from the stable local economic environment and the vigorous growth in the Mainland economy. With the improved employment situation, rising labour income and enhanced economic co-operation with the Pan-Pearl River Delta, the local economy is benefiting from solid growth in private expenditure. However, the persistently high global oil prices and interest rates are still the factors that may negatively influence the market sentiment in 2006.

The Group will continue to maintain its stated strategy of the ongoing development of its financial services and property investment and development businesses in both Hong Kong and the PRC for the benefit of the Company and Shareholders as a whole.

3. 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); or (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 in the Company	Approximate percentage of the issued share capital of the Company	Nature of interest
Lee Seng Hui	101,906,613	40.83	Personal interest (held as beneficial owner) in 22,921 shares and other interest in 101,883,692 shares <i>(Note 1)</i>
Lee Su Hwei	101,883,692	40.82	Other interest <i>(Note 1)</i>

Notes:

1. Mr. Lee Seng Hui and Ms. Lee Su Hwei are trustees of Lee and Lee Trust, being a discretionary trust which indirectly held 101,883,692 shares of the Company.
2. The interests stated above represented long positions.

(b) Substantial shareholders' 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 of the Company

Name of Shareholder	Number of shares held in the Company	Approximate percentage of the issued share capital of the Company	<i>Notes</i>
Cashplus Management Limited ("Cashplus")	26,039,000	10.43	–
Zealous Developments Limited ("Zealous")	26,039,000	10.43	1, 2
Minty Hongkong Limited ("Minty")	75,844,692	30.38	–
Lee and Lee Trust	101,883,692	40.82	3, 4
COL Capital Limited ("COL Capital")	24,272,494	9.72	5
Vigor Online Offshore Limited ("Vigor Online")	24,272,494	9.72	6, 7
Chong Sok Un	24,272,494	9.72	6, 8

Notes:

1. This figure referred to the same interest of Cashplus in 26,039,000 shares of the Company.
2. Cashplus is a wholly-owned subsidiary of Zealous. Zealous was therefore deemed to have an interest in the shares in which Cashplus was interested.
3. Minty and Zealous are wholly owned by the trustees of Lee and Lee Trust, being a discretionary trust.

4. 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) 16,817,170 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.
6. This figure referred to the same interest of COL Capital in 24,272,494 shares of the Company.
7. COL Capital is a subsidiary of Vigor Online. Vigor Online was therefore deemed to have an interest in the shares in which COL Capital was interested.
8. Vigor Online is a subsidiary of China Spirit Limited (“China Spirit”) which in return is wholly owned by Ms. Chong Sok Un. Ms. Chong Sok Un was therefore deemed to have an interest in the shares in which Vigor Online was interested.
9. All interests stated above represented long positions.

(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
Dalian Allied First Financial Centre Co. Ltd.	大連商業集團總公司	N/A	30
Dalian Lianhua Plaza Development Co. Ltd.	大連民興房地產發展有限公司	N/A	20
Hardy Wall Limited	Betterhuge Limited	35	35
SHK Financial Data Limited	Unison Information Limited	49	49
United Asia Finance Limited	ITOCHU Hong Kong Limited	25,625,000	19

4. 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).

5. 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:

- (i) 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 (as defined in the Listing Rules) of each of APL, SHK, 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;
 - SHK, through certain of its subsidiaries, is 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 investment, money lending, provision of financial and other related services;
- (ii) 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;
- (iii) Mr. Arthur George Dew is a director of SHK which, through certain of its subsidiaries, is partly engaged in the businesses of money lending, provision of financial services and property investment; 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.

6. LITIGATION

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

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

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

- (b) On 4th February, 2004, Sun Tai Cheung Credits Limited (“STCC”) and SHKIS, both indirect wholly-owned subsidiaries of SHK, were served with a writ attaching statement of claim (“200/2004”) by Shanghai Finance Holdings Limited (“SFHL”), claiming, inter alia, that the sale of 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 in a total sum not exceeding HK\$15,700,000 which might have been payable one year from the date of completion under certain conditions) pursuant to a sale and purchase agreement dated 25th June, 2003 be set aside, or alternatively, against STCC for damages and an account as to 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 believe that the claim is not soundly based and have applied to have the claim struck-out. The proceedings have now been stayed until further order by the court.
- (c) Shun Loong Finance Limited and SLHL (together the “Petitioners”), both indirect wholly-owned subsidiaries of SHK, filed a winding-up petition on 19th February, 2004 in the British Virgin Islands (“B.V.I.”) seeking an order that SFHL be wound up by reason of its failure to pay debts owing to the Petitioners. The B.V.I. proceedings were stayed by order of the B.V.I. court. The Petitioners have appealed that decision but have agreed not to pursue the appeal during the stay of 200/2004.
- (d) SHK, STCC and SHKIS filed a writ on 7th 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.
- (e) SHKIS filed a notice of action on 8th June, 2004 in Canada naming as defendants Sung Chun (“Sung”), Song Lei (“Song”) and the Bank of Montreal claiming from Sung and Song reimbursement for funds totaling US\$1,300,000 transferred by them in addition to costs, and against the Bank of Montreal for an injunction freezing the subject funds or alternatively for payment of the funds into court, SHKIS discontinued the action in respect of the Bank of Montreal, and agreed to a dismissal of the action against Song. On 31st March, 2005, the Court granted summary judgment to SHKIS (“Summary Judgment”) in the amount of Canadian currency sufficient to purchase HK\$10,533,000 plus prejudgment and postjudgment interest thereon. On 24th January, 2006, SHKIS received in partial satisfaction of the Summary Judgment order C\$14,070.99 and US\$1,288,555.31 (i.e. together HK\$10,008,867.89) that had been held in the custody of the Superior Court of Justice.
- (f) SHKIS filed a writ on 23rd July, 2004 in Hong Kong naming as defendants Sellon Enterprises Limited (“Sellon”), Sung and Song and seeking a declaration that Sellon holds property wholly or in part on trust for SHKIS. The case remains at an early stage.

7. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Group within the two years immediately preceding the Latest Practicable Date and are or may be material:

- (a) A provisional sale and purchase agreement dated 19th October, 2004 was entered into between Chilatin Pte Ltd. as vendor and AP Sapphire Limited (an indirect non wholly-owned subsidiary of the Company) as purchaser in relation to the sale of two shares of HK\$1.00 each in the share capital of Gilmore Limited and the associated companies loans in an aggregate amount of approximately HK\$34,909,446 for an aggregate consideration of HK\$124,887,296. Further details were disclosed in the joint announcement of the Company and APL dated 28th October, 2004 and their respective circulars dated 18th November, 2004.
- (b) A loan agreement dated 2nd March, 2005 was entered into between (i) Ranbridge Finance Limited (“Ranbridge”) as lender; (ii) Join View Development Limited (“Join View”) as borrower; and (iii) Tian An as guarantor in relation to the granting of a revolving loan facility up to an amount of HK\$100,000,000.00 for a period of 36 months at the interest rate of prime rate plus 1 per cent. per annum. Further details were disclosed in a joint announcement of the Company, APL and SHK dated 8th November, 2005 and their respective circulars dated 25th November, 2005.
- (c) A sale and purchase agreement dated 18th June, 2005 was entered into between (i) HKCB Corporation Limited as vendor; (ii) Lippo China Resources Limited as warrantor; (iii) Island New Finance Limited (“INFL”) as purchaser; and (iv) United Asia Finance Limited as guarantor in relation to the conditional acquisition of 168,313,038 ordinary shares in the issued share capital of The Hong Kong Building and Loan Agency Limited at a consideration of HK\$184,000,000.00. Further details were disclosed in a joint announcement of the Company and INFL dated 6th July, 2005 and the circular of the Company dated 28th July, 2005.
- (d) A supplemental loan agreement dated 7th November, 2005 was entered into between (i) Ranbridge as lender; (ii) Join View as borrower; and (iii) Tian An, Sky Full Enterprises Limited and Tian An Real Estate Agency (China) Limited collectively as guarantors in relation to amending the loan agreement dated 2nd March, 2005 and increasing the amount of the loan facility to HK\$280,000,000.00. Further details were disclosed in a joint announcement of the Company, APL and SHK dated 8th November, 2005 and their respective circulars dated 25th November, 2005.

- (e) A call option agreement dated 3rd April, 2006 (as supplemental on 18th May, 2006) was entered into between (i) CLSA Capital Limited (“CLSA”) as grantor; and (ii) Wah Cheong Development (B.V.I.) Limited (“Wah Cheong”) as grantee in relation to an option granted by CLSA to Wah Cheong. Such option will entitle Wah Cheong to require CLSA to sell all the shares held by CLSA in Quality HealthCare Asia Limited (“QHA”) at an aggregate exercise price of HK\$99,908,248.05; and to exercise all or part of the number of warrants held by CLSA in QHA which would, if exercised, lead to the subscription of 7,056,232 shares in QHA at the adjusted subscription price of HK\$2.46 per share in QHA. Further details were disclosed in the joint announcements of the Company, APL and SHK dated 7th April, 2006 and 18th May, 2006 and their respective circulars dated 29th June, 2006.
- (f) The 1st Placing Agreement.
- (g) The Subscription Agreement.
- (h) The 2nd Placing Agreement.
- (i) A sale and purchase agreement dated 13th June, 2006 was entered into between (i) AG Capital Holding Limited as vendor; (ii) Swan Islands Limited as purchaser; (iii) the Company as warrantor; and (iv) SHK as guarantor in relation to the conditional sale and purchase of the entire issued share capital of UAF Holdings Limited. Further details were disclosed in a joint announcement of the Company, APL and SHK dated 19th June, 2006 and their respective circulars dated 30th June, 2006.

8. DIRECTORS’ INTERESTS IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, there was no contract or arrangement subsisting in which any Director was materially interested and which was significant in relation to the business of the Group.

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 31st December, 2005 (being the date to which the latest published audited accounts of the Group were made up), (i) acquired or disposed of by; or (ii) leased to; or (iii) proposed to be acquired or disposed of by; or (iv) proposed to be leased to, any member of the Group.

9. GENERAL

- (a) The registered office of the Company is 22nd Floor, Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong.
- (b) The company secretary of the Company is Ms. Phoebe Lau Mei Yi. She is an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators.

- (c) The qualified accountant of the Company is Mr. 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.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of P. C. Woo & Co. at 12th Floor, Prince's Building, 10 Chater Road, Central, Hong Kong during normal business hours on any business day from the date of this circular up to and including the date of the EGM:

- (a) the memorandum and articles of association of the Company;
- (b) the material contracts referred to under the paragraph headed "Material Contracts" in this Appendix;
- (c) the annual reports of the Company for the two financial years ended 31st December, 2004 and 31st December, 2005; and
- (d) (i) the circular issued by the Company on 8th June, 2006 regarding the discloseable transaction for the 1st Placing; (ii) the circular issued by the Company on 29th June, 2006 regarding the major transaction for the conditional grant of option over shares and warrants in QHA; (iii) the circular issued by the Company on 30th June, 2006 regarding the major transaction for the conditional sale and purchase of the entire issued share capital of UAF Holdings Limited; and (iv) this circular.



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 Plazas 1 to 3, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Tuesday, 1st August, 2006 at 10:30 a.m. for the purpose of considering and, if thought fit, passing with or without modification, the following resolution of the Company:

ORDINARY RESOLUTION

“**THAT:**

- (a) the placing agreement dated 18th May, 2006 (“2nd Placing Agreement”) made between AP Emerald Limited (“APE”) as the vendor and Sun Hung Kai Investment Services Limited as the placing agent in relation to the placing of 79,000,000 shares in Sun Hung Kai & Co. Limited (“SHK”) at a price of HK\$7.00 per share, a copy of which has been produced at the Meeting marked “A” and signed by the chairman of the Meeting for identification purpose, be and is hereby approved, confirmed and ratified, the transactions contemplated in the 2nd Placing Agreement be and are hereby approved, and the directors of the Company be and are hereby authorised to do such acts and execute such other documents as they may consider necessary, desirable or expedient to carry out or give effect to or otherwise in connection with or in relation to the 2nd Placing Agreement; and
- (b) the subscription agreement dated 12th May, 2006 (“Subscription Agreement”) (as supplemented by a letter on 17th May, 2006 (“Supplemental Letter”)) made between APE and SHK in relation to the subscription for 248,000,000 new shares in SHK, copies of which have been produced at the Meeting marked “B” and signed by the chairman of the Meeting for identification purpose, be and is hereby approved, confirmed and ratified, the transactions contemplated in the Subscription Agreement be and are hereby approved, and the directors of the Company be and are hereby authorised to do such acts and execute such other documents as they may consider necessary, desirable or expedient to carry out or give effect to or otherwise in connection with or in relation to the Subscription Agreement (as supplemented by the Supplemental Letter).”

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

Hong Kong, 14th July, 2006

NOTICE OF THE EGM

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 in 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.
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 or authority, 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 any share, any one of such joint holders may vote at the Meeting either personally or by proxy in respect of such share as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the Meeting personally or by proxy, that one of such joint 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.