
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 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)

DISCLOSEABLE TRANSACTION

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

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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
“Best Delta”	Best Delta International Limited, a company incorporated in the B.V.I. with limited liability and an indirect wholly-owned subsidiary of SHK
“Board”	board of Directors
“B.V.I.”	British Virgin Islands
“Cheeroll”	Cheeroll Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of SHK
“Company”	Allied 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
“Disposal”	the disposal of an aggregate of 43,950,000 Lippo Shares by Best Delta, Cheeroll and Upstand through a number of on-market transactions on the Stock Exchange at an aggregate consideration of HK\$131,850,000
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	13th February, 2007, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular

DEFINITIONS

“Lippo”	Lippo Limited, a company incorporated in Hong Kong with limited liability, with its shares listed on the Main Board of the Stock Exchange (Stock Code: 226)
“Lippo Shares”	ordinary shares of nominal value of HK\$0.10 each in the issued share capital of Lippo
“Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholders”	shareholders of the Company
“Shares”	ordinary shares of nominal value of HK\$2 each in the share capital of the Company
“SHK”	Sun Hung Kai & Co. Limited, a company incorporated in Hong Kong with limited liability, with its securities listed on the Main Board of the Stock Exchange
“SHK Directors”	directors of SHK
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	having the meaning ascribed to it under the Listing Rules
“Upstand”	Upstand Assets Limited, a company incorporated in the B.V.I. with limited liability and a direct wholly-owned subsidiary of SHK

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

16th February, 2007

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION

DISPOSAL OF A 10.13 PER CENT. INTEREST IN LIPPO LIMITED

INTRODUCTION

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

LETTER FROM THE BOARD

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

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

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

THE DISPOSAL

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

Dates

25th and 26th January, 2007

Parties

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

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

The Lippo Shares disposed of by SHK

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

LETTER FROM THE BOARD

Consideration

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

Completion

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

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

INFORMATION ABOUT LIPPO

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

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

INFORMATION ABOUT 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, the provision of financial services and the provision of healthcare services.

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

LETTER FROM THE BOARD

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 wealth management (incorporating brokerage), asset management, corporate finance, consumer finance, provision of healthcare services as well as principal investments.

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

REASONS FOR AND BENEFITS OF THE DISPOSAL

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

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

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

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

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

LETTER FROM THE BOARD

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

LISTING RULES IMPLICATIONS

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

ADDITIONAL INFORMATION

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

Yours faithfully,
On behalf of the Board
Allied 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. 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	Approximate percentage of the issued capital of the Company	Nature of interests
Lee Seng Hui	101,906,613	41.26	Personal interests (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	41.25	Other interests (<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.
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 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	Approximate percentage of the issued share capital of the Company	<i>Notes</i>
Cashplus Management Limited ("Cashplus")	26,039,000	10.54	–
Zealous Developments Limited ("Zealous")	26,039,000	10.54	1, 2
Minty Hongkong Limited ("Minty")	75,844,692	30.70	–
Lee and Lee Trust	101,883,692	41.25	3, 4
COL Capital Limited ("COL Capital")	24,770,494	10.02	5
Chong Sok Un	24,770,494	10.02	6, 7

Notes:

- This represented the same interest of Cashplus in 26,039,000 Shares.
- Cashplus is a wholly-owned subsidiary of Zealous. Zealous was therefore deemed to have an interest in the Shares in which Cashplus was interested.
- Minty and Zealous are wholly-owned by the trustees of Lee and Lee Trust, being a discretionary trust.
- Mr. Lee Seng Hui and Ms. Lee Su Hwei, 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 17,029,170 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; (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; and (iii) an interest in 286,000 Shares held by Sparkling Summer Limited (“Sparkling Summer”), a wholly-owned subsidiary of Classic Fortune. COL Capital was therefore deemed to have an interest in the Shares in which Honest Opportunity, Classic Fortune, Focus Clear, Besford and Sparkling Summer were interested.
6. This represented the same interest of COL Capital in 24,770,494 Shares.
7. COL Capital was owned as to 37.65% 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 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	Approximate percentage of the relevant issued share capital
Best Decision Investments Limited	Christophe Lee Kin Ping	17,500	35.00
Dalian Allied First Financial Center Co., Ltd.	大連商業集團總公司	N/A	30.00
Dalian Lianhua Plaza Development Co., Ltd.	大連民興房地產發展有限公司	N/A	20.00
GFIA – SHK Managers Ltd.	LOTE Limited	49	49.00
Hardy Wall Limited	Betterhuge Limited	35	35.00
SHK	Penta Investment Advisers Limited	158,843,000	10.63
SHK Financial Data Limited	Unison Information Limited	49	49.00
United Asia Finance Limited	ITOCHU Hong Kong Limited	25,625,000	18.64

3. DIRECTORS' SERVICE CONTRACTS

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

4. DIRECTORS' INTERESTS IN COMPETING BUSINESSES

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

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

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

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

6. GENERAL

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