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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

ANNOUNCEMENT

On 28th October, 2008, the Purchaser acquired an aggregate of 41 million SHK Shares representing approximately 2.4% of the issued shares of SHK from the Vendors at the total price of HK\$139.4 million representing HK\$3.40 per SHK Share. Following completion of the Acquisition, the indirect shareholding of APL in SHK shall increase approximately from 59.97% to 62.37%.

The Purchaser is an indirect wholly-owned subsidiary of APL which is a non wholly-owned subsidiary of AGL. The transaction entered into by APL Group shall also be a transaction of AGL as the definition of listed issuer under the Listing Rules shall include the listed issuer's subsidiaries. As advised by APL, none of the Percentage Ratios for APL exceeds 5%, therefore APL advises that it will not be subject to the disclosure obligation under Chapter 14 of the Listing Rules. Given that the relevant Percentage Ratio for AGL exceeds 5% but under 25%, the Acquisition constitutes a discloseable transaction of AGL.

AGL will despatch a circular containing, amongst other things, details of the Acquisition to its shareholders as soon as practicable.

THE ACQUISITION

Date: 28th October, 2008

Parties:

- (1) Honest Opportunity Limited and Sparkling Summer Limited as Vendors
- (2) AP Emerald Limited as Purchaser

To the best knowledge, information and belief of the AGL Directors having made all reasonable enquiry, the Vendors and their ultimate beneficial owner, COL, are independent third parties not connected with SHK, APL, AGL and connected persons of SHK, APL and AGL. Pursuant to the register as required to be kept under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), COL was interested in approximately 3.06% of the issued share capital of AGL as at 18th September, 2008 and approximately 6% of the issued share capital of APL as at 21st December, 2007. Save as disclosed above and for the Acquisition, there is no other business relationship between COL and each of AGL, APL and the Purchaser.

Assets acquired

41 million SHK Shares comprising 32,344,000 SHK Shares disposed of by Sparkling Summer and 8,656,000 SHK Shares disposed of by Honest Opportunity.

The acquisition of 41 million SHK Shares by the Purchaser was effected by execution of contract notes on 28th October, 2008. Following completion of the Acquisition, the indirect shareholding of APL in SHK shall increase approximately from 59.97% to 62.37%.

Purchase price

As advised by APL, a total of HK\$139.4 million representing HK\$3.40 per SHK Share which is satisfied by cash and funded as to approximately HK\$89,400,000 by internal resources and as to approximately HK\$50,000,000 by borrowings of APL Group. It was noted that HK\$3.40 per SHK Share represents a premium of 19.7% to the closing price as at 27th October, 2008 and a premium of 13.9% to the average closing price for the last 10 trading days ended on 27th October, 2008.

For information purpose only, the average closing price of SHK Share for the last 30 trading days and 20 trading days ended on 27th October, 2008 were HK\$3.476 and HK\$3.166 respectively. As at 27th October, 2008, the closing price of SHK Share was HK\$2.84.

Based on the information provided by APL, the purchase price of the Sale Shares was arrived at on arm's length basis. Given the recent market slump, the recent fluctuation of the trading price of the SHK Shares and the global market economy, APL advises that its Directors are of the view that the recent market price may not be able to reflect the underlying value of the SHK Shares. APL has taken up all the scrip SHK Shares instead of cash for SHK's 2008 interim dividend as it considered that the reference market value of HK\$3.388 is acceptable. Given the recent fluctuation of the trading price of SHK Shares, APL Directors have taken into account the reference market value of SHK of HK\$3.388 per SHK Share for calculating the number of scrip shares for SHK's 2008 interim dividend in determining the purchase price of the Sale Shares instead of the recent trading price. In addition, APL Directors have also considered the substantial size of the block of the Sale Shares and the net asset value of SHK Shares in the process of considering the purchase price. As the record date for the interim dividend of SHK was 9th October, 2008, the Purchaser shall not be entitled to the interim dividend for the Sale Shares declared by SHK for the six months ended 30th June, 2008.

REASONS FOR AND BENEFITS OF ENTERING INTO THE ACQUISITION

SHK is a company incorporated in Hong Kong with limited liability, the securities of which 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 and brokerage, asset management, corporate finance, consumer finance as well as principal investments.

The audited net profit before and after taxation of SHK for the year ended 31st December, 2007 was HK\$2,193,826,000 and HK\$2,020,954,000 respectively and the audited net profit before and after taxation attributable to the Sale Shares for the year ended 31st December, 2007 was HK\$52,652,000 and HK\$48,503,000 respectively. The audited net profit before and after taxation of SHK for the year ended 31st December, 2006 was HK\$595,088,000 and HK\$510,686,000 respectively and the audited net profit before and after taxation attributable to the Sale Shares for the year ended 31st December, 2006 was HK\$14,282,000 and HK\$12,256,000 respectively.

The unaudited consolidated net asset value of SHK as at 30th June, 2008 was HK\$11,973,238,000 and the unaudited consolidated net asset value attributable to the Sale Shares was HK\$287,358,000 representing HK\$7.00 per SHK Share.

As advised by APL, the purchase price per SHK Share represents approximately 48.6% of the unaudited consolidated net asset value per SHK Share as at 30th June, 2008. Although the purchase price represents a premium of 19.7% to the closing price of SHK Share as at 27th October, 2008, APL Directors are of the view that the recent market price may not be able to reflect the underlying value of the SHK Shares in view of its relatively higher net asset value as at 30th June, 2008 and profitability in the last two years. The Sale Shares were acquired for long term investment and it is believed that the market price of SHK Shares will reflect its underlying value when the market sentiment improves. In view of the above and the fact that the purchase price of the Sale Shares represents a substantial discount to the net asset value of SHK Shares and the substantial size of the block of Sale Shares, APL advises that its Directors are of the view that the terms of the Acquisition are fair and reasonable and the Acquisition is in the interest of the shareholders of APL as a whole. Based on the information provided by APL, the AGL Directors concur with the view of the APL Directors that the terms of the Acquisition are fair and reasonable and the Acquisition is in the interests of the shareholders of AGL as a whole.

In view of the above, APL advises that its Directors consider that the increase of APL's indirect shareholding in SHK approximately from 59.97% to 62.37% through the Acquisition would enable APL to further increase its long term shareholding in SHK, being its major subsidiary, with the objective of increasing returns to its shareholders.

INFORMATION ABOUT AGL, APL, THE PURCHASER AND THE VENDORS

AGL

AGL is a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange. The principal business activity of AGL 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.

APL

APL is a company incorporated in Hong Kong with limited liability, the securities of which 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 date of this announcement, APL is beneficially owned as to approximately 73.84% by AGL.

The Purchaser

The Purchaser is a company incorporated in the B.V.I. with limited liability and is an indirect wholly-owned subsidiary of APL. The principal business activity of the Purchaser is investment holding.

Honest Opportunity

Based on the information provided by APL, Honest Opportunity is a company incorporated in the B.V.I. with limited liability. The principal business activities of Honest Opportunity are securities trading and investments. As at the date of this announcement, COL has advised APL that Honest Opportunity is an indirect wholly-owned subsidiary of COL.

Sparkling Summer

Based on the information provided by APL, Sparkling Summer is a company incorporated in the B.V.I. with limited liability. The principal business activities of Sparkling Summer are securities trading and investments. As at the date of this announcement, COL has advised APL that Sparkling Summer is an indirect wholly-owned subsidiary of COL.

LISTING RULES IMPLICATIONS

The Purchaser is an indirect wholly-owned subsidiary of APL which is a non wholly-owned subsidiary of AGL. The transaction entered into by APL Group shall also be a transaction of AGL as the definition of listed issuer under the Listing Rules shall include the listed issuer's subsidiaries. As advised by APL, none of the Percentage Ratios for APL exceeds 5%, therefore APL will not be subject to the disclosure obligation under Chapter 14 of the Listing Rules. Given that the relevant Percentage Ratio for AGL exceeds 5% but under 25%, the Acquisition constitutes a discloseable transaction of AGL.

AGL will despatch a circular containing, amongst other things, details of the Acquisition to its shareholders as soon as practicable.

DEFINITIONS

“Acquisition”	the acquisition of the Sale Shares by the Purchaser from the Vendors
“AGL”	Allied Group Limited, a company incorporated in Hong Kong with limited liability, with its shares listed on the Main Board of the Stock Exchange
“AGL Directors”	directors of AGL
“APL”	Allied Properties (H.K.) Limited, a company incorporated in Hong Kong with limited liability, with its securities listed on the Main Board of the Stock Exchange, and a non wholly-owned subsidiary of AGL
“APL Directors”	directors of APL
“APL Group”	APL and its subsidiaries
“B.V.I.”	British Virgin Islands
“COL”	COL Capital Limited, a company incorporated in Bermuda with limited liabilities, the securities of which are listed on the Main Board of the Stock Exchange
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Honest Opportunity”	Honest Opportunity Limited, a company incorporated in the B.V.I. with limited liability being one of the Vendors for the Acquisition
“Hong Kong”	Hong Kong Special Administrative Region of the People's Republic of China

“Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Percentage Ratio(s)”	percentage ratio(s) as set out in Rule 14.07 of the Listing Rules to be applied for determining the classification of a transaction
“Purchaser”	AP Emerald Limited, a company incorporated in the B.V.I. with limited liabilities and an indirect wholly-owned subsidiary of APL
“Sale Shares”	an aggregate of 41 million SHK Shares acquired by the Purchaser from the Vendors
“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, and an indirect non wholly-owned subsidiary of APL
“SHK Share(s)”	ordinary share(s) of HK\$0.20 each in the issued share capital of SHK
“Sparkling Summer”	Sparkling Summer Limited, a company incorporated in the B.V.I. with limited liability being one of the Vendors for the Acquisition
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendors”	Sparkling Summer and Honest Opportunity
“%”	per cent.

On behalf of the Board
Allied Group Limited
Edwin Lo King Yau
Executive Director

Hong Kong, 31st October, 2008

As at the date of this announcement, the Board comprises Messrs. Lee Seng Hui (Chief Executive), Edwin Lo King Yau and Mak Pak Hung being the Executive Directors, Mr. Arthur George Dew (Chairman) and Ms. Lee Su Hwei being the Non-Executive Directors, and Messrs. Wong Po Yan, David Craig Bartlett, John Douglas Mackie and Alan Stephen Jones being the Independent Non-Executive Directors.