
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

SHORT-TERM LOAN TO NEW GOLD HOLDINGS 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
“associates”	having the meaning ascribed to it under the Listing Rules
“Bali”	Bali International Finance Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of SHK
“Board”	board of Directors
“Company”	Allied Group Limited, a company incorporated in Hong Kong with limited liability, with its shares listed on the Main Board of the Stock Exchange and is the ultimate holding company of APL
“Directors”	directors of the Company
“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”	23rd May, 2007, 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
“Loan Agreement”	the loan agreement dated 4th May, 2007 made between Bali, New Gold and Mr. Lin in relation to the grant of the Loan Facility
“Loan Facility”	a short-term loan facility of up to HK\$1,000,000,000
“Mr. Lin”	Mr. Lin Xu Ming, the ultimate beneficial owner of the entire issued share capital of New Gold

DEFINITIONS

“New Gold”	New Gold Holdings Limited, a company incorporated in Hong Kong with limited liability
“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 and is a subsidiary of APL
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	having the meaning ascribed to it under the Listing Rules

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

28th May, 2007

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION

SHORT-TERM LOAN TO NEW GOLD HOLDINGS LIMITED

INTRODUCTION

On 4th May, 2007, Bali (an indirect wholly-owned subsidiary of SHK) entered into the Loan Agreement with New Gold, pursuant to which Bali had agreed to make available to New Gold the Loan Facility (being a short-term loan facility of up to HK\$1,000,000,000) which New Gold had advised was for the purpose of general working capital. The Loan Facility was secured by a first fixed charge created by New Gold in favour of Bali over a bank account of New Gold and by a personal guarantee given by Mr. Lin (being the ultimate beneficial owner of the entire issued share capital of New Gold) in respect of New Gold's obligations under the Loan Agreement and the charge.

LETTER FROM THE BOARD

The principal and other sums (including the arrangement fee) under the Loan Agreement were repaid in full on 7th May, 2007.

Under Chapter 14 of the Listing Rules, the grant of the Loan Facility constituted a discloseable transaction for the Company, on the basis that calculations of the assets and consideration ratios for the Company are 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 Loan Facility and other information in accordance with the requirements of the Listing Rules.

THE LOAN AGREEMENT

- Date:** 4th May, 2007
- Parties:**
- (1) Bali as lender
 - (2) New Gold as borrower
 - (3) Mr. Lin as guarantor
- Loan Facility:** a short-term loan facility up to HK\$1,000,000,000
- Purpose of Loan Facility:** for the general working capital of New Gold
- Term:** a term of 14 days from the date of the Loan Agreement, and the principal and other sums payable under the Loan Agreement would be repaid on or before 18th May, 2007 (or such later date as might be agreed by Bali and New Gold)
- Arrangement Fee and Interest:** an arrangement fee of HK\$4,500,000 (equivalent to 0.45 per cent. of the Loan Facility) but interest-free, which was arrived at after arm's length negotiation between Bali and New Gold and reflects normal commercial terms
- Security:**
- (1) a first fixed charge created by New Gold in favour of Bali over a bank account of New Gold in which the loan funds were held
 - (2) a personal guarantee given by Mr. Lin (being the ultimate beneficial owner of the entire issued share capital of New Gold) in respect of New Gold's obligations under the Loan Agreement and the first fixed charge

LETTER FROM THE BOARD

To the best of the knowledge of the Directors, New Gold and its ultimate beneficial owner are independent third parties not connected with the Company, any of its respective subsidiaries or any of its respective associates, or any of the connected persons of the Company, any of its respective subsidiaries or any of its respective associates.

The principal and other sums (including the arrangement fee) under the Loan Agreement were repaid in full on 7th May, 2007.

INFORMATION ABOUT NEW GOLD

The Directors were advised that New Gold is a company incorporated in Hong Kong with limited liability. It is engaged principally in investment on Mainland China.

INFORMATION ABOUT THE COMPANY, APL, SHK AND BALI

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.

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 and brokerage, asset management, capital markets, consumer finance as well as principal investments.

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

LETTER FROM THE BOARD

Bali

Bali is a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of SHK.

Bali is engaged principally in the money lending business and holds a money lenders licence under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong).

REASONS FOR AND BENEFITS OF THE LOAN AGREEMENT

Bali is a licensed money lender. The grant of the Loan Facility was a transaction carried out as part of the ordinary and usual course of business activities of Bali. The Loan Facility had generated an income of approximately HK\$4,500,000, offering a substantial income to Bali within a relatively short period of time.

Having regard to the terms of the Loan Facility, the security available and the benefits resulting from the grant of the Loan Facility, the Directors believe that the terms of the Loan Facility are fair and reasonable and in the interests of the Shareholders taken as a whole.

FINANCIAL EFFECT OF THE TRANSACTION

The Directors consider that the transaction under the Loan Agreement represents an opportunity to generate profit resulting from the arrangement fee received for the Loan Facility and that this would increase the revenue, earnings and net asset value of the Group.

Further, the Directors are of the view that the grant of the Loan Facility had a short term effect on the assets and liabilities of the Group during the period from 4th May, 2007 to 7th May, 2007, in that the assets and liabilities of the Group had increased as a result.

LISTING RULES IMPLICATIONS

Under Chapter 14 of the Listing Rules, the grant of the Loan Facility constituted a discloseable transaction for the Company, on the basis that the calculations of the assets and consideration ratios for the Company are within the range of 5 per cent. and 25 per cent.

ADDITIONAL INFORMATION

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

Yours faithfully,
On behalf of the Board
Allied Group Limited
Arthur George Dew
Chairman

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts the omission of which would make any statement in this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' interests

Save as disclosed below, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions, if any, which they were taken or deemed to have under such provisions of the SFO); (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to in such provisions of the SFO; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules to be notified to the Company and the Stock Exchange:

Name of Director	Number of Shares held	Approximate percentage of the issued capital of the Company	Nature of interests
Lee Seng Hui	102,956,613	42.07	Personal interests (held as beneficial owner) in 22,921 Shares and other interest in 102,933,692 Shares (<i>Note 1</i>)
Lee Su Hwei	102,933,692	42.06	Other interests (<i>Note 1</i>)

Notes:

- Mr. Lee Seng Hui and Ms. Lee Su Hwei are trustees of Lee and Lee Trust, being a discretionary trust which indirectly held 102,933,692 Shares.
- The interests stated above represent long positions.

(b) Substantial shareholders' and other persons' interests

Save as disclosed below and in paragraph (a) above, the Directors and the chief executive of the Company were not aware that there was any person who, as at the Latest Practicable Date, had an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO, or who, as at the Latest Practicable Date, was directly and indirectly interested in ten per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Group.

(i) Interest in the Shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO

Name of Shareholder	Number of Shares held	Approximate percentage of the issued share capital of the Company	Notes
Cashplus Management Limited ("Cashplus")	27,089,000	11.07	–
Zealous Developments Limited ("Zealous")	27,089,000	11.07	1, 2
Minty Hongkong Limited ("Minty")	75,844,692	30.70	–
Lee and Lee Trust	102,933,692	42.06	3, 4
COL Capital Limited ("COL Capital")	14,246,494	5.78	5
Vigor Online Offshore Limited ("Vigor Online")	14,246,494	5.78	6, 7
China Spirit Limited ("China Spirit")	14,246,494	5.78	6, 8
Chong Sok Un	14,246,494	5.78	6, 9

Notes:

- This represents the same interest of Cashplus in 27,089,000 Shares.
- Cashplus is a wholly-owned subsidiary of Zealous. Zealous is therefore deemed to have an interest in the Shares in which Cashplus is 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 are therefore deemed to have an interest in the Shares in which Minty and Zealous are interested.

5. The interest includes the holding of: (i) an interest in 6,791,170 Shares held by Honest Opportunity Limited (“Honest Opportunity”), a wholly-owned subsidiary of Classic Fortune Limited (“Classic Fortune”) which in turn is a wholly-owned subsidiary of COL Capital; and (ii) an interest in 7,455,324 Shares held by Focus Clear Limited (“Focus Clear”), a wholly-owned subsidiary of Besford International Limited (“Besford”) which in turn is a wholly-owned subsidiary of COL Capital. COL Capital is therefore deemed to have an interest in the Shares in which Honest Opportunity, Classic Fortune, Focus Clear and Besford are interested.
6. This represents the same interest of COL Capital in 14,246,494 Shares.
7. Vigor Online held 37.32% interest in COL Capital and is therefore deemed to have an interest in the Shares in which COL Capital is interested.
8. Vigor Online is a wholly-owned subsidiary of China Spirit. China Spirit is therefore deemed to have an interest in the Shares in which Vigor Online is interested.
9. China Spirit is wholly-owned by Ms. Chong Sok Un. Ms. Chong Sok Un is therefore deemed to have an interest in the Shares in which China Spirit is interested.
10. All interests stated above represent 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	35.00
Dalian Allied First Financial Centre Co. Ltd.	大連商業集團總公司	N/A	30.00
Dalian Lianhua Plaza Development Co. Ltd.	大連民興房地產發展有限公司	N/A	20.00
GFIA – SHK Managers Limited (“GFIA”)	LOTE Limited (“LOTE”)	49	49.00 (Note)
Hardy Wall Limited	Betterhuge Limited	35	35.00
SHK Financial Data Limited	Unison Information Limited	49	49.00
United Asia Finance Limited	ITOCHU Hong Kong Limited	25,625,000	18.64

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

3. DIRECTORS' SERVICE CONTRACTS

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

4. DIRECTORS' INTERESTS IN COMPETING BUSINESSES

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

- (i) Mr. Arthur George Dew is a director of APL which, through a subsidiary, is partly engaged in the business of money lending;
- (ii) Mr. Lee Seng Hui and Ms. Lee Su Hwei are two of the trustees of Lee and Lee Trust which is a deemed substantial shareholder of each of APL, SHK and Tian An 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. Mr. Lee Seng Hui is a director of Tian An;
- (iii) Mr. Lee Seng Hui is a director of Allied Kajima Limited, which through certain of its subsidiaries, is partly engaged in the businesses of property rental, management services and hospitality related activities; and
- (iv) Mr. Edwin Lo King Yau is a director of Tian An which, through a subsidiary, is partly engaged in the business of money lending.

As the Board is independent from the boards of the abovementioned companies and none of the above Directors can control the Board, the Group is capable of carrying on its businesses independently of, and at arm's length from, the businesses of such companies.

5. LITIGATION

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

- (a) By the Judgment of the High Court on 1st April, 2004 (the “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 wholly-owned subsidiary of SHK, the Court held that SHKS had a 12.5% interest in a 50/50 joint venture entered into between NWDC and IGB Corporation Berhad to purchase land and build 2 international hotels plus a 200-unit service apartment in Kuala Lumpur, Malaysia (the “Joint Venture”) including, among other things (i) as to SHKS’s interest in Great Union Properties Sdn. Bhd. (“GUP”) that SDL, a corporation ultimately owned 100% by NWDC, holds 12.5% of the issued shares of GUP (the “GUP Shares”) on trust for SHKS, and that SHKS is entitled to the transfer to it of the legal title to the GUP Shares, upon payment of certain amounts to NWDC; (ii) as to certain shareholder’s loans, that SHKS beneficially owns 25% of the loans advanced to GUP by SDL in a principal amount equivalent to HK\$114,904,023.60. SHKS was ordered to pay NWDC the sum of HK\$105,534,018.22 together with interest until payment, pursuant to the terms of an oral agreement which the Court found. SHKS duly paid the Judgment amounts. The Judgment was further appealed to the Court of Appeal and Court of Final Appeal, both of which dismissed the appeal substantially but made adjustments to the amounts due from SHKS. Pursuant to the judgment of the Court of Final Appeal, SHKS was ordered to pay costs of the appeal. The final amount of NWDC’s costs and disbursements, that SHKS is liable to pay has yet to be determined. SHKS also received notice of further claims from NWDC for amounts advanced by NWDC on behalf of SHKS as pro-rata contributions to shareholders’ loans in the sum of HK\$37,498,011.41, together with interest thereon. SHKS has now paid all amounts of principal and interest due to be paid to NWDC with respect to these further claims. SHKS has given notice to NWDC and SDL, among other things, of its demand that the legal interest in the GUP Shares be transferred to it and that its portion of the shareholder’s loans be assigned to it.
- (b) In June 2006, SHK received notice of a 2001 order made by the Hubei Province Higher Peoples Court in China freezing US\$3 million (or assets of equivalent value) of SHKS’s funds pursuant to which SHKS’s shares in Chang Zhou Power Development Company Limited in China (the “Chang Zhou Shares”) (worth US\$3 million) were frozen. SHKS had sold the Chang Zhou Shares in 1998. SHK continues to investigate the matter.

6. GENERAL

- (a) The registered office of the Company is 22nd Floor, Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong.
- (b) The company secretary of the Company is Mr. Edwin Lo King Yau. He is an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators and a holder of a Master's Degree in Applied Finance from Macquarie University, Australia. He is currently an Executive Director of the Company.
- (c) The qualified accountant of the Company is Mr. Kelvin Lam Kam Wing. He obtained a Master's Degree in Business Administration from The Chinese University of Hong Kong in 1999 and is a fellow of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants.
- (d) The share registrar of the Company is Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (e) This circular is prepared in both English and Chinese. In the event of inconsistency, the English text shall prevail.