



ALLIED GROUP LIMITED
(聯合集團有限公司)

(Incorporated in Hong Kong with limited liability)

DISCLOSEABLE TRANSACTION

Deemed acquisition of a maximum added 17.03% interest
in Sun Hung Kai & Co. Limited
by an indirect subsidiary of Allied Group Limited

A conditional Offer to repurchase shares by general offer will shortly be made by SHKIL on behalf of SHK as stated in SHK’s announcement dated 12 November 2002. AP Emerald is an indirect, non-wholly owned subsidiary of Allied Group and is a controlling shareholder of SHK. AP Emerald has given an irrevocable undertaking to SHK not to tender any Shares held by it for acceptance under the Offer. As a result and if the Offer becomes unconditional, AP Emerald’s proportionate shareholding in SHK will increase and it will be deemed under the Listing Rules to make an acquisition of an additional 17.03% interest in SHK (being the maximum increase in AP Emerald’s shareholding in SHK possible as a result of the Offer), although AP Emerald is not purchasing any Shares nor paying any consideration pursuant to the Offer.

AP Emerald is beneficially interested in approximately 61.67% of the issued share capital of SHK, holding 927,594,892 Shares according to the register kept by SHK under section 16(1) of the Securities (Disclosure of Interests) Ordinance. Under the Offer, if 152,760,720 Shares and 172,839,280 Shares are successfully tendered by Gold Chopsticks and the Accepting Shareholders (other than Gold Chopsticks) respectively, AP Emerald’s beneficial interest in SHK will be increased to approximately 78.7%.

The Acquisition constitutes a discloseable transaction under the Listing Rules for Allied Group. A circular containing particulars of the Acquisition will be despatched to shareholders of Allied Group as soon as practicable. Further announcement(s) will be made in relation to the Acquisition as soon as practicable.

The shares of Allied Group were suspended from trading on the Stock Exchange at 9:30 a.m. on 13 November 2002 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in Allied Group’s shares from 9:30 a.m. on 14 November 2002.

THE ACQUISITION

Pursuant to SHK’s announcement dated 12 November 2002, the directors of SHK announced that a conditional Offer would be made by SHKIL on behalf of SHK to repurchase up to 325,600,000 Shares, representing approximately 21.65% of the total issued share capital of SHK. If the Offer becomes unconditional, the shareholding in SHK held by AP Emerald, a controlling shareholder of SHK, will increase by a maximum of 17.03%, the exact amount being dependent upon the level of acceptances tendered under the Offer by other Shareholders. Due to the Acquisition, AP Emerald, the indirect non-wholly owned subsidiary of Allied Group will therefore be deemed to have acquired up to an additional 17.03% interest in the Shares under the Listing Rules, thereby constituting a discloseable transaction for Allied Group. AP Emerald is not, however, acquiring any Shares nor paying any consideration for the Acquisition. Brief terms of the Offer are set out below:

Basis of the Offer:	HK\$1.30 per Share, representing a premium of 62.5% to the closing price of Shares of HK\$0.80 each, as quoted on the Stock Exchange on 1 November 2002, being the last trading date prior to suspension of trading of the Shares on 4 November 2002 and a premium of approximately 47.7% over the five-day average (ending on 1 November 2002) closing price per Share of approximately HK\$0.88
Maximum Number of Shares offered to be repurchased:	325,600,000 Shares
Maximum Number of Shares to be tendered by Accepting Shareholders:	325,600,000 Shares
Number of Shares to be tendered by Gold Chopsticks:	at least 152,760,720 Shares, pursuant to an irrevocable undertaking made by Gold Chopsticks to SHK to tender at least that number of Shares held by it, pursuant to the Offer
Estimated consideration to be paid by SHK for the Offer:	a maximum of HK\$423.28 million

CONDITIONS OF THE OFFER

The Offer will be conditional upon the passing of ordinary resolutions by way of a poll to approve the Offer and the issue of the Loan Notes by the Independent Shareholders voting, either in person or by proxy, at the EGM, to be held on or before 8 January 2003 (or such later date as SHK may determine).

As Gold Chopsticks is treated as a connected person of SHK for the purposes of the Offer under the Listing Rules, it will not be classed as an Independent Shareholder.

Gold Chopsticks and any other persons who may be required to abstain from voting in accordance with the Repurchase Code will abstain from voting at the EGM in relation to the resolutions to approve the Offer and the issue of the Loan Notes.

If the Offer and the issue of the Loan Notes are not approved by the Independent Shareholders, the Offer will not proceed.

If the Offer becomes unconditional at the EGM, Qualifying Shareholders will be able to tender their Shares for acceptance under the Offer for a period of at least 14 days after the date of the EGM. However, SHK reserves the right to extend the time for acceptance of tenders under the Offer.

If Accepting Shareholders in aggregate tender Shares for acceptance under the Offer in respect of more than the Maximum Number, the number of Shares tendered by each Accepting Shareholder for more than his or her Assured Entitlement will be scaled down on a pro rata basis.

Tenders by Qualifying Shareholders under the Offer will be irrevocable and cannot be withdrawn after the Offer has been declared unconditional.

REASONS FOR THE ACQUISITION

In SHK’s announcement dated 24 September 2002, it was stated that AP Emerald and Gold Chopsticks held 927,594,892 and 256,164,000 Shares respectively according to the register kept by SHK under section 16(1) of the Securities (Disclosure of Interests) Ordinance as at such date, representing approximately 61.67% and 17.03% respectively of the issued share capital of SHK. Further, such announcement stated that, so far as was known to SHK, Gold Chopsticks as at the Latest Practicable Date held 270,535,000 Shares representing approximately 17.99% of the issued share capital of SHK. Accordingly, less than 25% of SHK’s issued share capital was in public hands pursuant to Rule 8.08 of the Listing Rules.

The Offer is being implemented by SHK with the purpose of restoring the requisite public float in the Shares. However, if all Qualifying Shareholders tender all their Shares under the Offer, and SHK accepts the Maximum Number, the shareholding of AP Emerald will rise to approximately 78.7% and consequently SHK’s public float will again fall below 25% (i.e. it will fall to approximately 21.3%) immediately after the closing of the Offer. To provide for this contingency, the board of directors of SHK has stated in its announcement dated 12 November 2002 that it is currently considering this issue with its professional advisers and will disclose appropriate plans to address such a scenario in the SHK Circular. A further announcement is intended to be made by SHK regarding those plans if such a scenario arises.

The book value of the consolidated net assets of SHK as at 31 December 2001 is HK\$4,488,511,000. The consolidated profits before taxation of SHK for the two financial years ended 31 December 2000 and 31 December 2001 are HK\$148,094,000 and HK\$254,132,000 respectively. Consolidated profits after taxation of SHK for the two financial years ended 31 December 2000 and 31 December 2001 are HK\$124,864,000 and HK\$220,155,000 respectively.

PRINCIPAL TERMS OF THE LOAN NOTES

Details of the Loan Notes will be set out in the SHK Circular. The principal terms of the Loan Notes are:	
Issue:	The Loan Notes will be issued in denominations of HK\$1.00 each. On the basis that the Offer in Maximum Number is fully accepted, 325,600,000 Loan Notes with an aggregate value of HK\$325.60 million will be issued.
Term:	The Loan Notes are due to mature on 30 January 2008. The Loan Notes will automatically be redeemed on 30 January 2008 or at the option of SHK at any time prior to such date on the giving of one month’s written notice by SHK, in both cases at their principal amount plus accrued interest.
Interest:	The Loan Notes will bear interest at a rate of 4% per annum on a 365 days basis on the principal amount and such interest will be paid half yearly (on 30 June and 31 December) in arrears in Hong Kong dollars with the first payment on 30 June 2003.
Listing:	In order to provide liquidity for holders of the Loan Notes, the board of SHK will consider, at a later date following the close of the Offer, whether to seek a listing of the Loan Notes on the Stock Exchange or another recognised stock exchange. However, as the number of acceptance of the Offer cannot be ascertained before the close of the Offer, SHK cannot ascertain whether or not the Loan Notes can fulfill the listing requirements of the Stock Exchange. Accordingly, SHK will explore the possibility of listing the Loan Notes on the Stock Exchange or another recognised stock exchange after completion of the Offer, and reserves the right to seek a listing of the Loan Notes. If a listing is being sought by the board of SHK, a further announcement in this respect will be made by SHK at the relevant time.
Fractions:	No fraction of a Loan Note is expected to arise from the Offer.

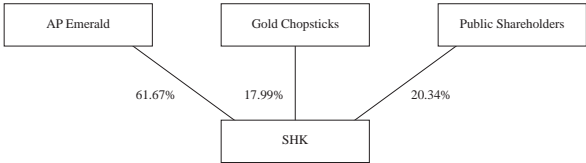
SHAREHOLDING STRUCTURES

Set out below are a table and charts showing SHK’s existing shareholding structure and shareholding structure after completion of the Offer if AP Emerald does not participate in the Offer, assuming the number of Shares in issue as at the Latest Practicable Date remains unchanged prior to completion of the Offer and there are no exercises of the outstanding warrants of SHK and also assuming (i) scenario one: all Qualifying Shareholders tender all their Shares under the Offer and SHK accepts the Maximum Number; and (ii) scenario two: Gold Chopsticks tenders 152,760,720 Shares, no public Shareholders tender their Shares under the Offer and SHK accepts Gold Chopsticks’ Tenders.

Shareholders	Existing Shareholding structure		Shareholding structure immediately after completion of the Offer (Scenario one)		Shareholding structure immediately after completion of the Offer (Scenario two)	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
AP Emerald	927,594,892	61.67	927,594,892	78.70	927,594,892	68.64
Gold Chopsticks	270,535,000	17.99	117,774,280	9.99	117,774,280	8.71
			(Note)			
Public Shareholders	306,093,573	20.34	133,254,293	11.31	306,093,573	22.65
			(Note)			
Total:	1,504,223,465	100	1,178,623,465	100	1,351,462,745	100

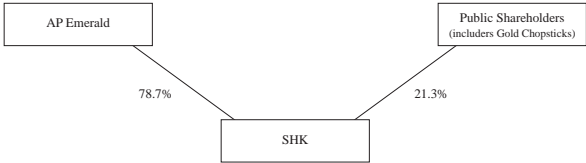
Note: This represents the existing shareholding of Gold Chopsticks and the public Shareholders less their pro rata share of the Maximum Number (i.e. 325,600,000 Shares).

Immediately before the Offer



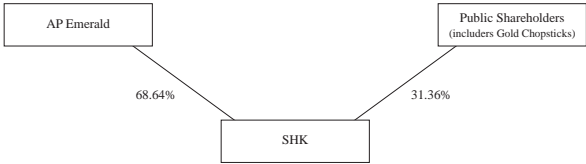
Total issued share capital: 1,504,223,465 Shares

Immediately after completion of the Offer (Scenario one)



Total issued share capital: 1,178,623,465 Shares

Immediately after completion of the Offer (Scenario two)



Total issued share capital: 1,351,462,745 Shares

SHKIL has been appointed to advise SHK in regard to the Offer. SHKIL has confirmed it is satisfied that sufficient financial resources are available to SHK from internal resources and existing bank facilities to enable it to satisfy acceptance of the Offer in full.

EFFECTS OF THE OFFER

Allied Group is principally engaged as an investment holding company, with interests in the property and financial services sectors held through its subsidiaries and associates, principally in Hong Kong and also in the People’s Republic of China.

If successful, the Offer is intended to enable SHK to achieve the requisite public float as required by Rule 8.08 of the Listing Rules. This is ultimately expected to contribute to the interests of Allied Group as an indirect shareholder of SHK. If the Offer becomes unconditional, AP Emerald, a controlling shareholder of SHK and an indirect non-wholly owned subsidiary of Allied Group, will make a deemed acquisition of up to a further 17.03% interest in SHK.

GENERAL

The Acquisition constitutes a discloseable transaction of Allied Group under the Listing Rules. A circular containing particulars of the Acquisition will be despatched to the shareholders thereof as soon as practicable. Further announcement(s) will be made in relation to the Acquisition as soon as practicable.

The shares of Allied Group were suspended from trading on the Stock Exchange at 9:30 a.m. on 13 November 2002 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in Allied Group’s shares from 9:30 a.m. on 14 November 2002.

DEFINITIONS

As used in this announcement, the following words and phrases shall have the following meanings:

“Accepting Shareholders”	Qualifying Shareholders who accept the Offer
“Acquisition”	the proposed deemed acquisition by AP Emerald of a maximum added 17.03% interest in the Shares for nil consideration
“Allied Group”	Allied Group Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange and which holds approximately 73% of the issued share capital of Allied Properties
“Allied Properties”	Allied Properties (H.K.) Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange and which holds 100% of the issued share capital of AP Emerald

“AP Emerald”	AP Emerald Limited, a company incorporated in the British Virgin Islands and the controlling shareholder of SHK and which is an indirect wholly owned subsidiary of Allied Properties and an indirect subsidiary of Allied Group
“Assured Entitlement”	represents entitlements to be repurchased of approximately 564 Shares for every 1,000 Shares (rounded down to the nearest whole number of Shares) tendered by the relevant Qualifying Shareholder for acceptance of the Offer at the Offer Price
“EGM”	the extraordinary general meeting of SHK to be convened in connection with the Offer
“Excluded Shareholders”	any Overseas Shareholders whose address, as shown on the register of members of SHK at the time of submission of his or her acceptance in respect of the Offer or at the latest time for submission of acceptance in respect of the Offer, is located in a jurisdiction the laws of which prohibit the making of the Offer to such Shareholders or otherwise require SHK to comply with additional requirements which are (in the opinion of the directors of SHK, but subject to the prior consent of the Executive) unduly onerous or burdensome, having regard to the number of Shareholders involved in that jurisdiction and their shareholdings in SHK
“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any delegate of the Executive Director
“Gold Chopsticks”	Gold Chopsticks Limited, a company incorporated in the British Virgin Islands and a substantial shareholder of SHK and which is an indirect wholly owned subsidiary of China Online (Bermuda) Limited, the securities of which are listed on the Stock Exchange
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Shareholders”	Shareholders other than Gold Chopsticks (and any other persons who may be required to abstain from voting in accordance with the Repurchase Code)
“Latest Practicable Date”	12 November 2002, being the latest practicable date prior to the release of this announcement for inclusive of certain information in this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Notes”	the loan notes to be issued by SHK under the Offer with a face value of HK\$1.00 each to Accepting Shareholders as part of the Offer Price and under which SHK unconditionally engages to pay such sum to the holder thereof
“Maximum Number”	the maximum number of Shares to be repurchased pursuant to the Offer, being 325,600,000 Shares in aggregate (representing approximately 21.65% of the issued Shares as at the Latest Practicable Date)
“Offer”	the offer by SHK to repurchase Shares from all Qualifying Shareholders, as stated in SHK’s announcement dated 12 November 2002
“Offer Price”	HK\$1.30 per Share, being the repurchase price at which Tenders will be invited under the Offer
“Overseas Shareholders”	Shareholders whose addresses, as shown in the register of members of SHK, are outside Hong Kong
“Qualifying Shareholders”	Shareholders, other than Excluded Shareholders, whose names appear on the register of members of SHK at the close of the Offer, which is currently expected to be 4:00 p.m. on 22 January 2003
“Repurchase Code”	the Hong Kong Code on Share Repurchases
“Shareholders”	holders of Shares
“Shares”	shares 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 under the Companies Ordinance (Chapter 32 of the laws of Hong Kong), the securities of which are listed on the Stock Exchange
“SHKIL”	Sun Hung Kai International Limited, an indirect wholly owned subsidiary of SHK which is an exempt dealer and is a registered investment adviser under the Securities Ordinance (Chapter 333 of the laws of Hong Kong), being the financial adviser to SHK in respect of the Offer
“SHK Circular”	the circular to Shareholders (including the notice of the EGM and the proxy form for the EGM) to be issued by SHK in connection with the Offer
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tenders”	tenders of Shares at the Offer Price by Qualifying Shareholders for repurchase by SHK under the Offer
“%”	per. cent.

By Order of the Board
Allied Group Limited
Sir Gordon Macwhinnie
Chairman