

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement has been prepared pursuant to, and in order to comply with, the Listing Rules and the Repurchase Code and does not constitute an offer to buy, or the solicitation of an offer to sell or subscribe for, any securities or an invitation to enter into an agreement to do any such things, nor is it calculated to invite any offer to buy, sell or subscribe for any securities.



ALLIED GROUP LIMITED
(聯合集團有限公司)

(Incorporated in Hong Kong with limited liability)

CONDITIONAL OFFER

by



Sun Hung Kai International Limited

on behalf of the Company
to repurchase up to 750,000,000 Shares
for HK\$0.50 per Share (as to HK\$0.15 in cash and HK\$0.35 in the form of loan notes)
and
Whitewash Waiver

Subject to the fulfillment of the Conditions Precedent, an offer will be made by SHKIL on behalf of the Company in compliance with the Repurchase Code to repurchase up to the Maximum Number of Shares, being 750,000,000 Shares representing approximately 22% of the total issued capital of the Company as at the Latest Practicable Date.

Due to the general concern regarding the present market liquidity of securities of listed companies in Hong Kong, the Company has decided to seek a means whereby any Qualifying Shareholder who wishes to dispose of all or part of his or her shareholding will be given an opportunity to sell his or her Shares at a premium above the recent market price. The Board considers that the Offer is the most practicable method of achieving this aim.

The Qualifying Shareholders may accept the Offer by the submission of Tender Forms for the sale of their Shares to the Company at the Offer Price of HK\$0.50 per Share, representing a premium of approximately 38.9% over the closing price of the Shares of HK\$0.36 each as quoted on the Stock Exchange on 17 December 2002, being the last trading date prior to the suspension of the trading of the Shares on 18 December 2002, and a premium of approximately 35.1% over the average price of HK\$0.37, being the average closing price of the Shares as quoted on the Stock Exchange for the five consecutive trading days immediately prior to and including 17 December 2002.

The Shares repurchased by the Company will not exceed the Maximum Number of Shares. There is no minimum number of Shares proposed to be repurchased under the Offer. If the Offer is fully accepted, it will result in the Company paying to the Accepting Shareholders who have submitted Tender Forms HK\$375 million, which will be paid as to HK\$112.5 million in cash and as to HK\$262.5 million in the form of the Loan Notes to be issued to them.

The Trustees, on behalf of the Lee and Lee Trust, were beneficially interested in 1,018,836,926 Shares, representing approximately 29.88% of the issued capital of the Company as at the Latest Practicable Date. The Trustees have given an irrevocable undertaking to the Company on behalf of the Lee and Lee Trust that they will not tender Shares held by the Lee and Lee Trust for acceptance under the Offer.

Lee Seng Hui, one of the Trustees and a Director, was beneficially interested in 229,216 Shares, representing approximately 0.0067% of the issued capital of the Company as at the Latest Practicable Date. Lee Seng Hui is deemed to be acting in concert with the Trustees for the purposes of the Takeovers Code and he has given an irrevocable undertaking to the Company that he will not tender Shares held by him for acceptance under the Offer.

Assuming that all of the Shareholders other than the Trustees and Lee Seng Hui are Accepting Shareholders, each of the Accepting Shareholders will be assured of being able to sell to the Company at least 313 out of every 1,000 Shares he or she owns. In the event that not all Qualifying Shareholders submit Tender Forms, the Surplus Shares, being the Maximum Number of Shares less the aggregate Assured Entitlements received, will then be available for acceptance by those Accepting Shareholders who have stated in their Tender Forms an Excess Number of Shares which they wish to accept for repurchase under the Offer.

The Company does not presently have sufficient distributable reserves to implement the Offer in full. However, the Company intends to apply to the Court for the confirmation of the reduction of its share premium account by the amount of HK\$375 million and to credit the reduced amount to its distributable reserves for the purpose of the Offer or such other purpose as the Board may think fit.

The Offer will be subject to the fulfillment of the following Conditions Precedent:

- (a) the passing of an ordinary resolution by the Independent Shareholders voting in person or by proxy at the EGM to approve:
 - (i) the Offer (by way of a poll);
 - (ii) the issue of the Loan Notes; and
 - (iii) the Whitewash Waiver (by way of a poll);
- (b) the passing of a special resolution by the Independent Shareholders voting in person or by proxy at the EGM to approve a reduction of the share premium account of the Company by HK\$375 million;
- (c) the granting of the Whitewash Waiver by the Executive and all conditions attaching thereto being fulfilled;
- (d) the confirmation by the Court of the reduction of the share premium account as mentioned in (b) above and registration of the order of the Court by the Companies Registry;
- (e) the approval of the SFC to the proposed change in the identity of the substantial shareholder of the Registered Persons as required by section 26A of the SFC Ordinance and/or section 14A of the LFET Ordinance; and
- (f) the approval of any other appropriate regulatory authorities whose consent is required under any applicable laws and regulations in order for the Company to validly make the Offer.

The Offer will not be conditional on any minimum number of Tender Forms submitted.

The Trustees, Lee Seng Hui and any party acting in concert with any of them will abstain from voting at the EGM on the resolutions for approving the Offer, the issue of the Loan Notes, the Whitewash Waiver and the reduction of the Company's share premium account as described above.

A notice convening the EGM will be included in the Circular, which will be despatched to all of the Shareholders as soon as practicable.

Upon the fulfillment of the Conditions Precedent, the Company will send out the Offer Documents which will contain details of the Offer and the Tender Forms.

As the Offer will constitute a securities exchange offer as part of the consideration payable by the Company thereunder will be satisfied by the issue of the Loan Notes, the Company intends to register the Offer Documents as a prospectus in accordance with the requirements of the Companies Ordinance.

Moreover, as the Offer will constitute the purchase by a listed issuer of its own listed securities and will be conducted as a general offer to all of the Qualifying Shareholders made in accordance with the Repurchase Code, pursuant to Rule 14.24(9)(b) of the Listing Rules, the Offer will not be subject to any disclosure or shareholders' approval requirements as a connected transaction.

It should be noted that dealings in the Shares will continue during the period when the Conditions Precedent remain unfulfilled. Those Shareholders selling their Shares and persons purchasing the Shares during such period will accordingly bear the risk that the Offer may not become unconditional. If any Shareholder or other person contemplating selling or purchasing any of the Shares during this period is in any doubt about his or her position, it is recommended that he or she should consult his or her professional adviser.

The Shares were suspended from trading on the Stock Exchange at 9:30 a.m. on 18 December 2002 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares from 9:30 a.m. on Friday, 17 January 2003.

WARNING: As the Offer is subject to the fulfillment of all of the Conditions Precedent, it may or may not become unconditional. Accordingly, the Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

INTRODUCTION

The Company announces that subject to fulfillment of the Conditions Precedent, an offer will be made by SHKIL on behalf of the Company in compliance with the Repurchase Code to repurchase up to the Maximum Number of Shares, being 750,000,000 Shares representing approximately 22% of the total issued capital of the Company as at the Latest Practicable Date.

The Qualifying Shareholders may accept the Offer by the submission of Tender Forms for the sale of their Shares to the Company at the Offer Price of HK\$0.50 per Share, representing a premium of approximately 38.9% over the closing price of the Shares of HK\$0.36 each as quoted on the Stock Exchange on 17 December 2002, being the last trading date prior to the suspension of trading of the Shares on 18 December 2002, and a premium of approximately 35.1% over the average price of HK\$0.37, being the average closing price of the Shares as quoted on the Stock Exchange for the five consecutive trading days immediately prior to and including 17 December 2002.

The Shares repurchased by the Company will not exceed the Maximum Number of Shares. If the Offer is fully accepted, it will result in the Company paying to the Accepting Shareholders who have submitted Tender Forms HK\$375 million, which will be paid as to HK\$112.5 million in cash and as to HK\$262.5 million in the form of Loan Notes to be issued to them.

The Offer will be satisfied from financial resources available to the Group. The Board and SHKIL are of the opinion that sufficient financial resources are available to the Company to implement the Offer in full if the Maximum Number of Shares is repurchased upon satisfaction of conditions (b) and (d) referred to in the section entitled "Major Terms and Conditions Precedent to the Offer" below.

REASONS FOR THE OFFER

Due to the general concern regarding the present market liquidity of securities of listed companies in Hong Kong, the Company has decided to seek a means whereby any Qualifying Shareholder who wishes to dispose of all or part of his or her shareholding will be given an opportunity to sell his or her Shares

at a premium above the recent market price. The Board considers that the Offer is the most practicable method of achieving this aim.

Given the above factor and having considered other ways of enhancing shareholder value with its professional advisers, the Company considers that it is in the best interest of the Shareholders to return a substantial part of the surplus funds to the Shareholders pursuant to the Offer.

The Board believes that the Offer is in the Company’s best interest as it will:

- (a) create a more efficient capital structure for the Company whilst maintaining a strong balance sheet;
- (b) provide an opportunity for the Qualifying Shareholders either to sell their Shares at a premium above the recent market price and receive cash in part and Loan Notes in part, or to increase their proportionate interests in the Company by retaining their holdings and participating in the future prospects of the Company; and
- (c) have the effect of increasing the net asset value per Share and earnings per Share.

THE OFFER

The Offer will be made by SHKIL on behalf of the Company to repurchase the Shares at the Offer Price up to the Maximum Number of Shares. All Qualifying Shareholders are entitled to accept the Offer by submitting to SHKIL Tender Forms for the sale of any number of their Shares to the Company.

Assuming that all of the Shareholders other than the Trustees and Lee Seng Hui are Accepting Shareholders, their Assured Entitlements will be 313 out of every 1,000 Shares owned by them.

The principal features of the Offer will be as follows:

- (a) The Company will repurchase up to the Maximum Number of Shares at the Offer Price.
- (b) The Qualifying Shareholders may submit Tender Forms in respect of any number of his or her Shares.
- (c) The Offer Price will be paid in the proportion of HK\$0.15 in cash and HK\$0.35 in the form of Loan Notes.
- (d) Tender Forms which have been duly completed and received by or on behalf of the Company will be irrevocable.
- (e) The Shares specified in a Tender Form will be repurchased in the following order:
 - (i) first, all the Shares up to the Assured Entitlement of an Accepting Shareholder; and
 - (ii) secondly, on condition that there are Surplus Shares, that number of the Excess Number of Shares as is equal to the proportion which the Excess Number of Shares specified in the relevant Tender Form bears to the aggregate Excess Number of Shares in all the Tender Forms.
- (f) All Shares will be repurchased free of commissions and dealing charges, but seller’s stamp duty on the repurchase will be deducted by the Company from the amount of cash payable to an Accepting Shareholder, and the Company will pay the same to the Stamp Duty Office in accordance with the Stamp Duty Ordinance.
- (g) All repurchased Shares will be cancelled.
- (h) The Shares will be repurchased free from all liens, charges, encumbrances, equitable interests, rights of pre-emption or other third party rights of any nature. Accordingly, the submission of a Tender Form by an Accepting Shareholder will be deemed to constitute a warranty by him or her to SHKIL and the Company that his or her Shares are sold free from all liens, charges, encumbrances, equitable interests, rights of pre-emption or other third party rights of any nature and together with all rights attaching thereto on or after the date of this announcement (including the right to all dividends and distributions (if any) declared, made or paid on or after the date of this announcement).

In compliance with Rule 3 of the Repurchase Code and Section 49BA of the Companies Ordinance, the Offer will be subject to the approval of the Independent Shareholders by way of a poll. The Offer will also be subject to the other terms and conditions referred to under the section entitled “Major Terms and Conditions Precedent to the Offer” below.

Moreover, as the Offer will constitute the purchase by a listed issuer of its own listed securities and will be conducted as a general offer to all Qualifying Shareholders made in accordance with the Repurchase Code, pursuant to Rule 14.24(9)(b) of the Listing Rules, the Offer will not be subject to any disclosure or shareholder approval requirements as a connected transaction.

THE OFFER PRICE

The Offer Price (being HK\$0.50 per Share) will be paid as to HK\$0.15 in cash and as to HK\$0.35 in the form of Loan Notes. The maximum amount payable by the Company under the Offer is therefore HK\$375 million, which will be paid as to HK\$112.5 million in cash and as to HK\$262.5 million in the form of Loan Notes.

The Company will finance the Offer from financial resources available to the Group.

The Offer Price represents:

- (a) a premium of approximately 38.9% over the closing price of Shares of HK\$0.36 each, as quoted on the Stock Exchange on 17 December 2002, being the last trading date prior to the suspension of trading of the Shares on 18 December 2002;
- (b) a premium of approximately 35.1% over the five-day average (ending on 17 December 2002) closing price per Share of approximately HK\$0.37;
- (c) a premium of approximately 35.1% over the one-month average (ending on 17 December 2002) closing price per Share of approximately HK\$0.37; and
- (d) a premium of approximately 47.1% over the three-month average (ending on 17 December 2002) closing price per Share of approximately HK\$0.34.

PRINCIPAL TERMS OF THE LOAN NOTES

Details of the Loan Notes will be set out in the Circular and in the Offer Documents. The principal terms of the Loan Notes are:

| | |
|-----------|--|
| Issue: | The Loan Notes will be issued in denominations of HK\$0.35 each. On the basis that the Maximum Number of Shares is repurchased, 750 million Loan Notes with an aggregate value of HK\$262.5 million will be issued. |
| Term: | The Loan Notes will mature and be redeemed by the Company on 20 May 2008. The Loan Notes may also be redeemed at the option of the Company at any time prior to maturity (in whole or in part) on the giving of one month’s written notice by the Company, in both cases in their principal amount plus accrued interest. |
| Interest: | The Loan Notes will bear interest at a rate of 2.25% per annum on a 365 days basis on the principal amount and payable 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 the holders of the Loan Notes, the Board will consider, following the completion 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 the Shares that will ultimately be repurchased by the Company cannot be ascertained before the completion of the Offer, the Company cannot ascertain at present whether or not the Loan Notes can fulfill the listing requirements of the Stock Exchange. Accordingly, the Company will explore the possibility of listing the Loan Notes on the Stock Exchange or other recognised stock exchange after completion of the Offer. Accordingly, the Shareholders should be aware that the Loan Notes may remain unlisted until their maturity. If a listing is sought by the Board, a further announcement in this respect will be made at the relevant time. |

Transferability: The Loan Notes are transferable by instrument of transfer in any usual or common form as may be approved by the Board or, where the Loan Notes are subsequently listed on the Stock Exchange (or other recognised stock exchange) and the transferor or the transferee is HKSCC Nominees Limited, the transfers may be executed by machine imprinted signature or under the hand of an authorised person.

Fractions: No fraction of a Loan Note is expected to arise from the Offer.

ASSURED ENTITLEMENTS AND EXCESS NUMBER OF SHARES

The Maximum Number of Shares, being 750,000,000 Shares, represents approximately 22% of the total issued capital of the Company as at the Latest Practicable Date.

As the Trustees and Lee Seng Hui have irrevocably undertaken to the Company that they will not accept the Offer to tender the Shares held by them in trust for the Lee and Lee Trust and held by Lee Seng Hui respectively, the Maximum Number of Shares represents approximately 31.37% of the total number of the Shares owned by all of the Shareholders save the Trustees and Lee Seng Hui.

Assuming that all of the Shareholders other than the Trustees and Lee Seng Hui are Accepting Shareholders, the Assured Entitlement of an Accepting Shareholder represents 313 Shares for every 1,000 Shares (rounded down to the nearest whole number of Shares) owned by him or her.

The number of the Shares which may be acquired from an Accepting Shareholder may be in excess of his or her Assured Entitlement in the event that there are Excluded Shareholders or when there are Qualifying Shareholders other than the Trustees and Lee Seng Hui not submitting Tender Forms or the number of the Shares specified in some of the Tender Forms is less than the Assured Entitlements of the relevant Accepting Shareholders. The number of the Shares so acquired will be dependent on the size of the Surplus Shares.

If the aggregate Excess Number of Shares falls below the Surplus Shares, all of the Excess Number of Shares will be purchased by the Company. In the event of the aggregate Excess Number of Shares exceeding the Surplus Shares, each Accepting Shareholder whose Tender Form consists of Excess Number of Shares will be entitled to the repurchase by the Company of that number of the Excess Number of Shares as is equal to the proportion which the Excess Number of Shares specified in his or her Tender Form bears to the aggregate Excess Number of Shares calculated in accordance with the formula below, save that the Company may in its absolute discretion round such figure up or down with the intention of avoiding (as far as practicable) Shares being held by Accepting Shareholders in odd lots or fractional entitlements:

E x S

A

E = Excess Number of Shares specified in a Tender Form

A = Aggregate Excess Number of Shares specified in all of the Tender Forms

S = Surplus Shares

The total number of the Shares which will be repurchased by the Company will not exceed the Maximum Number of Shares.

OVERSEAS SHAREHOLDERS

In order to address the implications of overseas securities laws on the Offer to Overseas Shareholders (which implications may include illegality, filing and registration requirements or the need for compliance with other requirements), subject to the prior consent of the Executive, the Offer will not be made to the Excluded Shareholders nor will the Offer be capable of being accepted by such Excluded Shareholders, nor will the Offer Documents be sent to the Excluded Shareholders. Applications will be made to the Executive under Note 3 to Rule 8 of the Takeovers Code for consent if the Company considers that there are Excluded Shareholders at the time. The Executive would not normally consent to such an application unless the Executive is satisfied that it would be unduly burdensome for the Company to do so in relation to an overseas jurisdiction.

As the Offer to Overseas Shareholders may be affected by foreign laws, Overseas Shareholders should inform themselves about and observe any applicable legal requirements.

It is the responsibility of each Overseas Shareholder who wishes to submit a Tender Form to satisfy himself or herself as to the full observance of the laws of the relevant jurisdictions in that connection, including the obtaining of any governmental or other consents which may be required or the compliance with other necessary formalities or legal requirements.

The Company reserves the right to notify any matter in relation to the Offer to the Overseas Shareholders by announcement or advertisement in a newspaper which may not be circulated in the jurisdictions in which the Overseas Shareholders are resident. The notice will be deemed to have been sufficiently given, despite any failure by an Overseas Shareholder to receive or see that notice.

A copy of the Circular, but not the Offer Documents, will be sent to the Excluded Shareholders for the purpose of the EGM. Each of the Excluded Shareholders (if any) will be entitled to attend and vote at the EGM, whether in person or by proxy.

NOMINEE REGISTRATION OF SHARES

To ensure equality of treatment of all Qualifying Shareholders, those registered holders of the Shares who hold the Shares as nominees for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. In order for the beneficial owners of the Shares whose investments are registered in nominee names to accept the Offer, it is essential that they provide instructions to their nominee agents of their intentions with regard to the Offer.

WHITEWASH WAIVER

As at the Latest Practicable Date, the Trustees, on behalf of the Lee and Lee Trust, were beneficially interested in 1,018,836,926 Shares, representing approximately 29.88% of the issued capital of the Company. Lee Seng Hui, one of the Trustees and a Director, was beneficially interested in 229,216 Shares, representing approximately 0.0067% of the issued capital of the Company as at the Latest Practicable Date. Lee Seng Hui is deemed to be acting in concert with the Trustees for the purposes of the Takeovers Code and he has given an irrevocable undertaking to the Company that he will not tender Shares held by him for acceptance under the Offer.

The Trustees have irrevocably undertaken to the Company on behalf of the Lee and Lee Trust that they will not tender Shares held by the Lee and Lee Trust for acceptance under the Offer.

Rule 32 of the Takeovers Code and Rule 6 of the Repurchase Code provide that where, as a result of share repurchase, a shareholder’s proportionate interest in the voting rights of the repurchasing company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Consequently, the beneficial interest in the Company’s issued capital held by the Trustees may rise from its current level of approximately 29.88% to a maximum of approximately 38.30%, depending upon the level of the Shares for repurchase by the Company as stated in the Tender Forms. An increase of the Trustees’ interests in the Company’s issued capital to 30% or more after the completion of the Offer would (but for a waiver from the Executive) give rise to an obligation under Rule 26 of the Takeovers Code on the part of the Trustees to make a mandatory general offer for all of the Shares not beneficially owned by the Lee and Lee Trust.

Accordingly, an application for the Whitewash Waiver will be made to the Executive by or on behalf of the Trustees.

The Offer and the grant of the Whitewash Waiver will be subject to the approval of the Independent Shareholders to be obtained by way of a poll. **If the Whitewash Waiver is not approved by the Independent Shareholders or if it is not granted by the Executive, the Offer will lapse.**

REDUCTION OF SHARE PREMIUM ACCOUNT

The Company does not presently have sufficient distributable reserves to implement the Offer in full. However, the Company intends to apply to the Court for the confirmation of the reduction of its share premium account by an amount of HK\$375 million and to credit the reduced amount to its distributable reserves for the purpose of the Offer or such other purpose as the Board may think fit.

Accordingly, the Offer is also conditional upon the confirmation by the Court of the reduction of the Company’s share premium account by the amount of HK\$375 million. As a precondition for the Court’s confirmation, the reduction must be approved by the Shareholders in the form of a special resolution to be passed at a general meeting. The Company therefore intends to seek such approval at the EGM. Details of the proposed reduction of the share premium account will be contained in the Circular.

The Company has also been advised by its legal advisers that, depending on the Court’s schedule, it may take approximately one month from the date of the EGM for the hearing of the petition to the Court for the reduction. Accordingly, the Offer Documents will only be issued by the Company when all of the Conditions Precedent, including Court approval of the reduction in share premium and the registration of the Court order at the Companies Registry have been obtained. The Company will make a separate announcement when all of the Conditions Precedent are satisfied.

SFC APPROVAL

As at the Latest Practicable Date, several of the Company’s indirect subsidiaries constituted Registered Persons. Upon completion of the Offer, the Lee and Lee Trust would become the beneficial owner of more than 35% of Shares. Pursuant to section 26A of the SFC Ordinance and section 14A of the LFET Ordinance, a person shall not become a substantial shareholder (as defined in the SFC Ordinance and the LFET Ordinance) of a Registered Person that is a corporation unless (among other things) the SFC has approved in writing his or her being a substantial shareholder in the Registered Person.

Accordingly, an application will be made to the SFC to obtain its prior written approval to the Lee and Lee Trust being deemed to become a substantial shareholder of the Registered Persons pursuant to section 26A of the SFC Ordinance and/or section 14A of the LFET Ordinance as appropriate and this constitutes one of the Conditions Precedent of the Offer.

OTHER APPROVALS

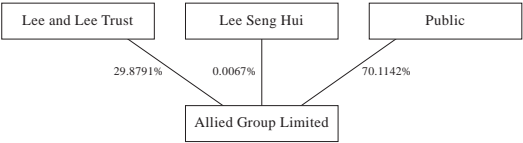
The Offer is also subject to the Company obtaining the approval of any other appropriate regulatory authorities whose consent is required under any applicable laws and regulations in order for the Company to validly make the Offer.

SHAREHOLDING STRUCTURES

Set out below are a table and charts showing the Company’s existing shareholding structure and the shareholding structure after completion of the Offer on the assumption that the number of the Shares repurchased reaches the Maximum Number of Shares and the number of the Shares in issue as at the Latest Practicable Date remains unchanged prior to completion of the Offer.

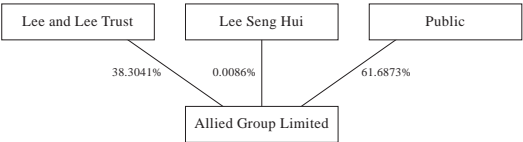
| Shareholders | Existing shareholding structure | | Shareholding structure immediately after completion of the Offer | |
|---|---------------------------------|------------|--|------------|
| | No. of Shares | % | No. of Shares | % |
| The Trustees in trust for the Lee and Lee Trust | 1,018,836,926 | 29.8791 | 1,018,836,926 | 38.3041 |
| Directors | | | | |
| Lee Seng Hui (Personal interests) | 229,216 | 0.0067 | 229,216 | 0.0086 |
| Aggregate of Trustees/Concert Parties | 1,019,066,142 | 29.8858 | 1,019,066,142 | 38.3127 |
| Public | 2,390,800,166 | 70.1142 | 1,640,800,166 | 61.6873 |
| Total: | <u>3,409,866,308</u> | <u>100</u> | <u>2,659,866,308</u> | <u>100</u> |

Immediately before the Offer



Total issued share capital: 3,409,866,308 Shares

Immediately after completion of the Offer



Total issued share capital: 2,659,866,308 Shares

FINANCIAL EFFECT OF THE OFFER

The tables below summarise the financial effects of the Offer based on the results of the Group for the year ended 31 December 2001, prior to and upon successful completion of the Offer (assuming the repurchase of 750,000,000 Shares). The audited net asset value as at 31 December 2001 has been adjusted to include the unaudited consolidated net profit for the six month period ended 30 June 2002 and the cost of the Offer of HK\$375 million, and the audited consolidated net profit for the year ended 31 December 2001 has been adjusted to include the estimated annual interest expense incurred for the Offer and the Loan Notes. Save as disclosed, no other adjustments have been made to the audited net asset value as at 31 December 2001 and the audited consolidated net profit for the year ended 31 December 2001. The figures set out below relating to “Completion of the Offer” in sections A, B and C cover the situation under which the Company will repurchase the Maximum Number of Shares.

A. Net asset value

| | Prior to the Offer HK\$'000 | Completion of the Offer HK\$'000 |
|---|--------------------------------|-------------------------------------|
| Audited net asset value as at 31 December 2001 | 4,274,027 | 4,274,027 |
| Adjusted for: | | |
| Unaudited consolidated net profit for the six month period ended 30 June 2002 | 133,183 | 133,183 |
| Cost of the Offer | – | (375,000) |
| Adjusted net asset value of the Group | 4,407,210 | 4,032,210 |
| Number of Shares in issue | 3,409,866,308 | 2,659,866,308 |
| Adjusted net asset value per Share | HK\$1.29 | HK\$1.52 |
| An increase of: | | 18% |

B. Earnings per share

| | Prior to the Offer HK\$'000 | Completion of the Offer HK\$'000 |
|---|--------------------------------|-------------------------------------|
| Audited consolidated net profit for the year ended 31 December 2001 | 103,437 | 103,437 |
| Adjusted for: | | |
| Annual interest expense incurred | – | (8,352) |
| Adjusted consolidated net profit for the Group | 103,437 | 95,085 |
| Weighted average number of Shares in issue during the year | 3,421,373,908 | 2,671,373,908 |
| Adjusted net earnings per Share | 3.0 cents | 3.6 cents |
| An increase of: | | 20% |

C. Return on shareholders’ funds

| | Prior to the Offer HK\$'000 | Completion of the Offer HK\$'000 |
|--|--------------------------------|-------------------------------------|
| Adjusted consolidated net profit (as calculated above) | 103,437 | 95,085 |
| Adjusted net asset value (Shareholders’ funds) (as calculated above) | 4,407,210 | 4,032,210 |
| Return on shareholders’ funds | 2.35% | 2.36% |
| An increase of: | | 0.4% |

Further details of the financial impact of the Offer will be set out in the Circular.

ODD LOTS ARRANGEMENTS

Currently the Shares are traded in board lots of 2,000 Shares each. Such lot size will not change as a result of the Offer. This may result in some of the Accepting Shareholders holding odd lots of the Shares. The Company will make arrangements and appoint SHKIS to match sales and purchases of odd lots of the Shares for a reasonable period after the completion of the Offer in order to enable such Accepting Shareholders to dispose of their odd lots or to top up their odd lots to whole board lots. Further details of this arrangement will be described in the Circular and the Offer Documents, and by subsequent announcement.

THE LISTING OF THE COMPANY

It is the intention of the Board to maintain the listing of the Shares on the Stock Exchange following the completion of the Offer.

If the Stock Exchange believes that a false market exists or may exist in the trading of the Shares or that there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend dealings in the Shares.

The Board expects that even if the Maximum Number of Shares is repurchased by the Company, the Company’s public float will not fall below 25% (in fact it is expected that it will be approximately in the region of 61.7% to 70.1%) immediately after the completion of the Offer. However, in the unlikely event that the Company’s public float does fall below 25%, the Board will address this issue at that time, and appropriate plans will be disclosed in a circular or by further announcement.

TIMETABLE

The expected timetable for the Offer set out below is indicative only and is subject to change. Any changes to the expected timetable will be announced separately by the Company.

| | |
|---|--------------------------------------|
| Offer period begins | Thursday, 16 January 2003 |
| Despatch of the Circular | Thursday, 20 February 2003 |
| Latest time to lodge form of proxy for the EGM | 9:00 a.m. on Saturday, 15 March 2003 |
| EGM | 9:00 a.m. on Monday, 17 March 2003 |
| Announcement of the results of the EGM | Tuesday, 18 March 2003 |
| Announcement of the results of the Court application for reduction of share premium, and whether the Offer has become unconditional# | Thursday, 17 April 2003 |
| Despatch of the Offer Documents# | Monday, 28 April 2003 |
| Latest time for submission of Tender Form (i.e. close of Offer)# | 4:00 p.m. on Monday, 12 May 2003 |
| Announcement of results of the Offer through the Stock Exchange# | 7:00 p.m. on Monday, 12 May 2003 |
| Announcement of results of the Offer in newspapers# | Tuesday, 13 May 2003 |
| Latest date for despatch of cheques and Loan Notes to Accepting Shareholders and return of share certificates to partly unsuccessful Tenders# | Tuesday, 20 May 2003 |

Assuming that the Offer is approved by the Independent Shareholders and the Conditions Precedent are satisfied resulting in the Offer becoming unconditional on 17 April 2003. This date is subject to change since satisfaction of the Conditions Precedent depends on the Court’s schedule, which is beyond the control of the Company.

A timetable of the Offer will be set out in the Circular and the Offer Documents.

It should be noted that dealings in the Shares will continue during the period when the Conditions Precedent remain unfulfilled. Those Shareholders selling their Shares and persons purchasing the Shares during such period will accordingly bear the risk that the Offer may not become unconditional. If any Shareholder or other person contemplating selling or purchasing any of the Shares during this period is in any doubt about his or her position, it is recommended that he or she should consult his or her professional adviser.

MAJOR TERMS AND CONDITIONS PRECEDENT TO THE OFFER

The Offer will be conditional upon the following conditions being fulfilled on or before the date which is expected to be 17 April 2003 (or such later date as the Company may determine):

- the passing of an ordinary resolution by the Independent Shareholders voting in person or by proxy at the EGM to approve:
 - the Offer (by way of a poll);
 - the issue of the Loan Notes; and
 - the Whitewash Waiver (by way of a poll);
- the passing of a special resolution by the Independent Shareholders voting in person or by proxy at the EGM to approve a reduction of the share premium account of the Company by HK\$375 million;
- the granting of the Whitewash Waiver by the Executive and all conditions attaching thereto being fulfilled;
- the confirmation by the Court of the reduction of the share premium account as mentioned in (b) above and the registration of the order of the Court by the Companies Registry;
- the approval of the SFC to the proposed change in the identity of the substantial shareholder of the Registered Persons as required by section 26A of the SFC Ordinance and/or section 14A of the LFET Ordinance; and
- the approval of any other appropriate regulatory authorities whose consent is required under any applicable laws and regulations in order for the Company to validly make the Offer.

The Trustees, Lee Seng Hui and any party acting in concert with any of them will abstain from voting at the EGM on the resolutions for approving the Offer, the issue of the Loan Notes, the Whitewash Waiver and the reduction of the Company’s share premium account as described above.

If the Offer, the issue of the Loan Notes, the Whitewash Waiver, or the reduction of the share premium account is not approved by the Independent Shareholders or if the Whitewash Waiver is not granted by the Executive or if the reduction in share premium is not confirmed by the Court, the Offer will lapse.

If the Conditions Precedent are satisfied, the Company will issue the Offer Documents within 10 days after the last one of the Conditions Precedent (expected to be the registration of the order of the Court confirming the reduction of the share premium account at the Companies Registry) is satisfied. As explained above, the issue of the Offer Documents may be approximately 4-5 weeks after the date of the EGM. An application will be made by the Company to the Executive pursuant to Note 2 to Rule 8.2 of the Takeovers Code to permit such an extension of the time within which an offer document must otherwise be posted by an offeror. The Accepting Shareholders will be able to submit Tender Forms for acceptance of the Offer for a period of at least 14 days thereafter. However, the Company reserves the right to extend the time for submitting Tender Forms.

Submission of Tender Forms by Accepting Shareholders will be irrevocable and cannot be withdrawn.

The Offer will not be conditional on any minimum number of Tender Forms submitted.

The Shares will be repurchased free from all liens, charges, encumbrances, equitable interests, rights of pre-emption or other third party rights of any nature. Accordingly, the submission of a Tender Form will be deemed to constitute a warranty by the relevant Accepting Shareholder to SHKIL and the Company that his or her Shares are sold free from all liens, charges, encumbrances, equitable interests, rights of pre-emption or other third party rights of any nature and together with all rights attaching thereto on or after the date of this announcement (including the right to all dividends and distributions (if any) declared, made or paid on or after the date of this announcement).

The consideration under the Offer will not be dispatched until after the Tender Form is completed in all respects and the share certificate(s), and/or transfer receipt(s) and/or other document(s) of title satisfactory to the Company have been received.

The full terms and conditions of the Offer will be set out in the Offer Documents.

As the Offer will constitute a securities exchange offer as part of the consideration payable by the Company thereunder will be satisfied by the issue of the Loan Notes, the Company intends to register the Offer Documents as a prospectus in accordance with the requirements of the Companies Ordinance.

The Circular will contain full details of the terms and conditions of the Offer, including letters from the Independent Financial Adviser and the Independent Board Committee. The Offer Documents will contain such information as is required under the Takeovers Code, the Repurchase Code and the Companies Ordinance and, for the avoidance of doubt, shall include Tender Forms and appropriate information outlining the required procedures for acceptance of the Offer.

INFORMATION ON THE GROUP

The principal activity of the Company is primarily investment holding. The principal activities of the subsidiaries and associates include property investment and development, healthcare and financial services. The following table sets out a summary of the audited consolidated results of the Group for each of the two years ended 31 December 2001 and the unaudited published consolidated interim results of the Group for the six months ended 30 June 2002:

| | (Unaudited) For the six months ended 30 June 2002 HK\$'000 | (Audited) For the year ended 31 December 2001 HK\$'000 | 2000 HK\$'000 |
|--|--|--|------------------|
| Turnover | 903,255 | 1,743,774 | 1,267,520 |
| Profit before taxation | 265,199 | 395,424 | 16,411 |
| Profit (loss) attributable to shareholders | 133,183 | 103,437 | (119,174) |
| Earnings (loss) per share | | | |
| – Basic | 3.9 cents | 3.0 cents | (3.5) cents |
| – Diluted | N/A | N/A | N/A |
| The Company’s consolidated shareholders’ funds | 4,409,176 | 4,274,027 | 4,312,656 |

As at 30 June 2002, the Group had approximately HK\$603.5 million bank deposits, cash and bank balances.

FUTURE PROSPECTS OF THE GROUP

The outlook for the Hong Kong economy for 2003 is likely to remain uncertain. Accordingly, the Group will continue to adopt a cautious and conservative approach for the foreseeable future.

NO CHANGE OF BOARD COMPOSITION

The Company does not expect that there will be any change in the composition of the Board as a result of the Offer.

EXTRAORDINARY GENERAL MEETING

A notice convening the EGM will be included in the Circular, which will be despatched to all of the Shareholders as soon as practicable. The Trustees, Lee Seng Hui 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 on the resolutions to approve the Offer, the issue of the Loan Notes, the Whitewash Waiver and the reduction of the Company’s share premium account as described above.

An Independent Board Committee will be appointed to advise the Independent Shareholders in respect of the approval of the Offer, the issue of the Loan Notes and the Whitewash Waiver. An Independent Financial Adviser will be appointed to advise the Independent Board Committee and the Company will make an announcement upon the appointment of the Independent Financial Adviser.

GENERAL

SHKIL has been appointed to advise the Company with regard to the Offer. SHKIL is satisfied that sufficient financial resources are available to the Group to enable the Company to implement the Offer in full.

The Offer Documents setting out details of the Offer will be despatched to the Qualifying Shareholders as soon as practicable once the Conditions Precedent have all been satisfied in accordance with the Repurchase Code.

The Company has been informed by the Trustees and Lee Seng Hui that none of them has dealt in the Shares during the 6 month period immediately before the Latest Practicable Date.

There has been no repurchase of any Shares by the Company during the 12 month period immediately before the Latest Practicable Date and the Company will not conduct any on-market share repurchase from the date of this announcement up to and including the date when the Offer closes, lapses or is withdrawn.

As at the Latest Practicable Date, the Company had no outstanding share options, warrants or conversion rights affecting Shares in the Company.

The Shareholders and potential investors should be aware that the Offer is subject to the fulfillment of all of the Conditions Precedent. The Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

SUSPENSION OF TRADING

At the request of the Company, the Shares were suspended from trading on the Stock Exchange at 9:30 a.m. on 18 December 2002 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares from 9:30 a.m. on Friday, 17 January 2003.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context otherwise requires:

| Definition | Meaning |
|---------------------------|--|
| “Accepting Shareholder” | Qualifying Shareholder who accepts the Offer by submitting a Tender Form |
| “Assured Entitlement” | the entitlement of an Accepting Shareholder to be repurchased at the Offer Price by the Company of 313 Shares out of every 1,000 Shares (rounded down to the nearest whole number of Shares) specified in his or her Tender Form |
| “Board” | board of Directors |
| “Circular” | the circular to the Shareholders describing the terms and conditions of the Offer (including the notice of the EGM and the proxy form for voting at the EGM, together with letters from the Independent Financial Adviser and Independent Board Committee) to be issued in connection with the Offer |
| “Companies Ordinance” | Companies Ordinance (Chapter 32 of the Laws of Hong Kong) |
| “Company” | Allied Group Limited, a company incorporated in Hong Kong with limited liability under the Companies Ordinance and the Shares of which are listed on the Stock Exchange |
| “Conditions Precedent” | conditions set out under the heading “Major Terms and Conditions Precedent to the Offer” to which the Offer is subject |
| “Court” | Court of First Instance of Hong Kong |
| “Director(s)” | director(s) of the Company |
| “EGM” | extraordinary general meeting of the Company to be convened in connection with the Offer |
| “Excess Number of Shares” | the number of the Shares specified in a Tender Form which is in excess of the Assured Entitlement of the relevant Accepting Shareholder |

“Excluded Shareholder”

“Executive”

“Group”

“HK\$” and “cents”

“Hong Kong”

“Independent Board Committee”

“Independent Financial Adviser”

“Independent Shareholders”

“Latest Practicable Date”

“Lee and Lee Trust”

“LFET Ordinance”

“Listing Rules”

“Loan Notes”

“Maximum Number of Shares”

“Offer”

“Offer Documents”

“Offer Price”

“Overseas Shareholders”

“PRC”

“Qualifying Shareholders”

“Registered Persons”

“Registrar”

“Repurchase Code”

“SFC”

“SFC Ordinance”

“Shareholders”

“Shares”

“SHKIL”

“SHKIS”

“Stamp Duty Ordinance”

“Stock Exchange”

“Surplus Shares”

“Takeovers Code”

“Tender Form”

“Trustees”

“Whitewash Waiver”

an Overseas Shareholder whose address, as shown on the register of members of the Company at the time of the receipt by the Company of his or her Tender Form is located in a jurisdiction the laws of which prohibit the making of the Offer to such Overseas Shareholder or otherwise require the Company to comply with additional requirements which are (in the opinion of the Board, but subject to the prior consent of the Executive) unduly onerous or burdensome, having regard to the number of the Overseas Shareholders involved in that jurisdiction and the size of their shareholdings in the Company the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director

the Company and its subsidiaries

Hong Kong dollar(s) and Hong Kong cent(s) respectively, being the lawful currency of Hong Kong

Hong Kong Special Administrative Region of the PRC

an independent committee of the Board

an independent financial adviser to be appointed to advise the Independent Board Committee in relation to the Offer

Shareholders other than the Trustees and Lee Seng Hui and parties acting in concert with any of them

16 January 2003, being the latest practicable date prior to the release of this announcement for inclusion of certain information in this announcement

Lee and Lee Trust, a substantial shareholder of the Company which was interested in 1,018,836,926 Shares, representing approximately 29.88% of the issued capital of the Company, as at the Latest Practicable Date and which is a discretionary trust

Leveraged Foreign Exchange Trading Ordinance (Chapter 451 of the Laws of Hong Kong)

Rules Governing the Listing of Securities on the Stock Exchange

loan notes with a face value of HK\$0.35 each to be issued to the Accepting Shareholders as part of the Offer Price and under which the Company will pay to the holder of each note an amount equivalent to its face value on the date of its maturity

the maximum number of the Shares to be repurchased pursuant to the Offer, being 750,000,000 Shares in aggregate, representing approximately 22% of the issued Shares as at the Latest Practicable Date

the offer by the Company to repurchase the Shares at the Offer Price from the Qualifying Shareholders up to the Maximum Number of Shares

a second circular, together with a Tender Form, to be sent to each of the Qualifying Shareholders subsequent to the despatch of the Circular pursuant to the Repurchase Code following the satisfaction of the Conditions Precedent, the content of which shall comprise the material terms of the Offer as set out in the Circular, the letters from the Independent Board Committee and the Independent Financial Adviser and such other information as may be required by the Takeovers Code, the Repurchase Code and the Companies Ordinance

HK\$0.50 per Share, being the repurchase price under the Offer

Shareholders whose addresses, as shown in the register of members of the Company, are outside Hong Kong

People’s Republic of China

Shareholders, other than the Excluded Shareholders, whose names appear on the register of members of the Company at the close of the Offer, which is currently expected to be 4:00 p.m. on Monday, 12 May 2003

those persons defined as “registered persons” under the SFC Ordinance and/or defined as a “licensed leveraged foreign exchange trader” under the LFET Ordinance

share registrar of the Company, being Computershare Hong Kong Investor Services Limited of Shop 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong

Hong Kong Code on Share Repurchases

the Securities and Futures Commission of Hong Kong

Securities and Futures Commission Ordinance (Chapter 24 of the Laws of Hong Kong)

holders of the Shares

ordinary shares of HK\$0.20 each in the share capital of the Company

Sun Hung Kai International Limited, an indirect non wholly-owned subsidiary of the Company which is an exempt dealer and a registered investment adviser under the Securities Ordinance, being the financial adviser to the Company in respect of the Offer

Sun Hung Kai Investment Services Limited, an indirect non wholly-owned subsidiary of the Company which engages in the share broking business and is a registered dealer and investment adviser under the Securities Ordinance

the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong)

The Stock Exchange of Hong Kong Limited

being the Maximum Number of Shares less the aggregate of the Assured Entitlements

Hong Kong Code on Takeovers and Mergers

a form to be sent to the Qualifying Shareholders as part of the Offer Documents for acceptance of the Offer

Lee Seng Hui, Lee Seng Huang and Lee Su Hwei, the trustees of the Lee and Lee Trust

a waiver by the Executive in respect of the obligation of the Trustees to make a mandatory general offer in accordance with Rule 26 of the Takeovers Code for all the Shares not held by the Trustees in trust for the Lee and Lee Trust, which obligation may otherwise arise as a result of the completion of the Offer

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

Hong Kong, 16 January 2003

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any statements in this announcement misleading.