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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)



ALLIED PROPERTIES (H.K.) LIMITED

(聯合地產(香港)有限公司)

(incorporated in Hong Kong

with limited liability)

(Stock Code: 56)

Discloseable Transaction

Discloseable Transaction



新鴻基有限公司

SUN HUNG KAI & CO. LIMITED

(incorporated in Hong Kong with limited liability)

(Stock Code: 86)

Exempted Connected Transaction

**PLACING OF EXISTING SHARES
AND
TOP-UP SUBSCRIPTION OF NEW SHARES
AND
RESUMPTION OF TRADING**

JOINT ANNOUNCEMENT

On 31 October, 2007, SHK, the Vendor and the Placee entered into the Placing and Subscription Agreement. Pursuant to the Placing and Subscription Agreement, the Vendor has agreed to place the Placing Shares, being an aggregate of 166,000,000 existing Shares to the Placee at the Placing Price of HK\$11.50 per Placing Share. The Vendor has conditionally agreed to subscribe for the Subscription Shares, being an aggregate of 166,000,000 new Shares at the Subscription Price of HK\$11.50 per Subscription Share. The Top-up Subscription is a connected transaction for SHK but is exempt from approval by the independent shareholders of SHK under the Listing Rules if the Top-up Subscription is completed within 14 days of the date of the Placing and Subscription Agreement.

The Placing Shares represent (i) approximately 10.97% of the issued share capital of SHK of 1,513,554,790 Shares as at the date of this announcement and (ii) approximately 9.88% of the issued share capital of SHK of 1,679,554,790 Shares as enlarged by the Top-up Subscription.

Trading in the securities of SHK on the Stock Exchange was suspended at its request with effect from 9:30 a.m. on 31 October, 2007 pending the release of this announcement. SHK has applied for a resumption of trading in its securities with effect from 2:30 p.m. on 1 November, 2007.

A. PLACING AND SUBSCRIPTION AGREEMENT

On 31 October, 2007, SHK, the Vendor and the Placee entered into the Placing and Subscription Agreement. Pursuant to the Placing and Subscription Agreement, the Vendor has agreed to place the Placing Shares, being an aggregate of 166,000,000 existing Shares to the Placee at the Placing Price of HK\$11.50 per Placing Share. The Vendor has conditionally agreed to subscribe for the Subscription Shares, being an aggregate of 166,000,000 new Shares at the Subscription Price of HK\$11.50 per Subscription Share.

Further information relating to the Placing and the Top-up Subscription is set out below:

Parties:

The parties to the Placing and Subscription Agreement are the Vendor, SHK and the Placee.

The Vendor is an investment holding company and the controlling shareholder (as defined in the Listing Rules) of SHK. The Vendor is an indirect wholly-owned subsidiary of APL and an indirect non wholly-owned subsidiary of AGL.

The Placee is Dubai Ventures LLC. To the best knowledge, information and belief of the SHK Directors having made all reasonable enquiries, the Placee and its ultimate beneficial owners are third parties independent of each of AGL, APL and SHK and their subsidiaries and connected persons (as defined in the Listing Rules) of each of AGL, APL and SHK and their subsidiaries.

Placing Shares:

166,000,000 Placing Shares, representing approximately 10.97% of the issued share capital of SHK of 1,513,554,790 Shares as at the date of this announcement, and approximately 9.88% of the issued share capital of SHK of 1,679,554,790 Shares as enlarged by the Top-up Subscription.

Placing Price:

The Placing Price of HK\$11.50 per Placing Share represents:

- a discount of 8% to the closing price of HK\$12.50 per Share as quoted on the Stock Exchange on 30 October, 2007;
- a discount of approximately 3.94% to the average closing price of HK\$11.972 per Share as quoted on the Stock Exchange for the last 5 trading days up to and including 30 October, 2007; and
- a discount of approximately 0.07% to the average closing price of HK\$11.508 per Share as quoted on the Stock Exchange for the last 10 trading days up to and including 30 October, 2007.

The Placing Price was negotiated on an arm's length basis between the Vendor, SHK and the Placee by reference to the recent performance of the price of the Shares.

Rights of the Placing Shares:

The Placing Shares will be sold free from all third party rights, liens, charges, equities and encumbrances and together with all rights attaching thereto from the date of the Placing and Subscription Agreement, including the right to receive all dividends and distributions declared, made or paid on or after that date.

Completion of the Placing:

The Placing is unconditional. Completion of the Placing is expected to take place on 12 November, 2007 or such other date as the Vendor and the Placee shall agree.

Other term of the Placing:

SHK has agreed to, on or shortly after completion of the Placing, convene a meeting or circulate a written resolution of the Board to appoint one person nominated by the Placee to be a non-executive SHK Director (and one other person to be the alternate director to such non-executive SHK Director).

Subscription Shares:

166,000,000 Subscription Shares, representing approximately 10.97% of SHK's issued share capital of 1,513,554,790 Shares as at the date of this announcement, and approximately 9.88% of the issued share capital of SHK of 1,679,554,790 Shares as enlarged by the Top-up Subscription.

The Subscription Shares will be allotted and issued pursuant to the general mandate granted to the SHK Directors at the annual general meeting of SHK held on 12 June, 2007, to allot and issue up to 298,841,941 Shares representing approximately 20% of the issued Shares on that date. No Shares have been issued under the general mandate on or before the date of this announcement.

Subscription Price:

The Subscription Price is HK\$11.50 per Subscription Share, which is the same as the Placing Price. The net proceeds upon completion of the Top-up Subscription are estimated to be approximately HK\$1,906 million, being the aggregate Subscription Price net of expenses in relation to the Placing and the Top-up Subscription.

Ranking of the Subscription Shares:

The Subscription Shares, when issued and fully paid, will rank pari passu with the existing Shares, including as to dividends.

Conditions of the Top-up Subscription:

Completion of the Top-up Subscription is conditional upon:

- (a) the completion of the Placing; and
- (b) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Subscription Shares.

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

Completion of the Top-up Subscription:

The conditions to the Top-up Subscription are expected to be fulfilled on or before 13 November, 2007, or such later date as may be agreed by the Vendor and SHK. If the conditions are not fulfilled on or before such date, the obligations of SHK and the Vendor to proceed with the Top-up Subscription will cease and no parties shall have any claim against the others.

Subject to completion of the Top-up Subscription, SHK will bear the Vendor's costs and expenses in connection with the Placing and the Top-up Subscription, up to a maximum of HK\$3,000,000.

B. CHANGES IN THE SHAREHOLDING STRUCTURE OF SHK

The shareholding in SHK before and after the Placing and the Top-up Subscription (assuming no other changes to the shareholdings of the parties named below and the share capital of SHK) are summarised as follows:

	At as the date of this announcement and based on disclosure under Part XV of the SFO		Immediately after the Placing but before the Top-up Subscription		Immediately after the Placing and the Top-up Subscription	
	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>
The Vendor*	973,772,892	64.34	807,772,892	53.37	973,772,892	57.98
Public Shareholders						
(i) Placee	0	0	166,000,000	10.97	166,000,000	9.88
(ii) Other Public Shareholders (except Placee)	539,781,898	35.66	539,781,898	35.66	539,781,898	32.14
Sub-total	539,781,898	35.66	705,781,898	46.63	705,781,898	42.02
Total	<u>1,513,554,790</u>	<u>100</u>	<u>1,513,554,790</u>	<u>100</u>	<u>1,679,554,790</u>	<u>100</u>

* *Mr. Lee Seng Huang, a SHK Director, is one of the trustees of the Lee and Lee Trust, being a discretionary trust which indirectly owned approximately 42.59% interest in the issued share capital of AGL and was therefore deemed to have interest in the Shares and underlying Shares in which the Vendor, being an indirect non wholly-owned subsidiary of AGL, was interested. Save as aforesaid, no other SHK Director is interested in any Share.*

The net profits attributable to the disposal by APL and by AGL (through its interest in APL) of 10.97% shareholding in SHK for the two financial years ended 31 December, 2006 were:

- (i) approximately HK\$47,889,000 (before taxation) or approximately HK\$44,139,000 (after taxation) for the financial year ended 31 December, 2005; and

- (ii) approximately HK\$73,318,000 (before taxation) or approximately HK\$62,654,000 (after taxation) for the financial year ended 31 December, 2006.

As at 30 June, 2007 (being the date up to which the latest published consolidated accounts of APL and AGL were prepared), the carrying value of the 10.97% shareholding in SHK disposed of by APL and AGL (through its interest in APL) was approximately HK\$990,518,000 (calculated on the basis of 10.97% of the consolidated net asset value of SHK as at 30 June, 2007). Accordingly, this will give rise to an estimated gain of approximately HK\$915,482,000 for APL and AGL (through its interest in APL).

The market value of the 10.97% shareholding in SHK disposed of by APL and by AGL (through its interest in APL) is approximately HK\$2,075,000,000 (calculated on the basis of HK\$12.5 per Share).

As at the date of this announcement, the Vendor is an indirect wholly-owned subsidiary of APL, and an indirect non wholly-owned subsidiary of AGL, which directly and indirectly owns approximately 74.17% of the issued share capital of APL. Following completion of each of the Placing and the Top-up Subscription, SHK will continue to be a subsidiary of each of APL and AGL.

Under Chapter 14 of the Listing Rules, the Placing and the Top-up Subscription respectively constitute a discloseable transaction for each of APL and AGL. The Top-up Subscription constitutes an exempted connected transaction for SHK pursuant to the Listing Rules. Each of APL and AGL has applied to the Stock Exchange for a waiver from strict compliance with the circular requirements under Chapter 14 of the Listing Rules in respect of the Placing and the Top-up Subscription.

C. NET PROCEEDS AND REASONS FOR THE PLACING AND THE TOP-UP SUBSCRIPTION

The principal business activity of AGL is investment holding. The principal business activities of its major subsidiaries are property investment and development, hospitality related activities and the provision of financial services.

The principal business activity of APL is investment holding. The principal business activities of its major subsidiaries are property investment and development, hospitality related activities and the provision of financial services.

SHK is a company incorporated in Hong Kong with limited liability, the securities of which are listed on the Main Board of the Stock Exchange. The principal business activity of SHK is investment holding. The principal business activities of its major subsidiaries are wealth management and brokerage, asset management, corporate finance, consumer finance as well as principal investments.

The net proceeds from the Top-up Subscription are estimated to be approximately HK\$1,906 million (or net price of approximately HK\$11.48 per Subscription Share), which will be used by SHK as to approximately HK\$536.5 million for subscribing to all its entitlements (by itself or through its subsidiaries and nominees) under the proposed open offer of shares by Tian An China Investments Company Limited, an associate of SHK, as set out in its joint announcements with AGL dated 2 October, 2007 and 30 October, 2007, and as to the balance of approximately HK\$1,369.5 million for general working capital purposes.

The Placing and Top-up Subscription will enlarge the capital base of SHK and enable it to further expand its business and operations. In addition, the Placee is a well-established international investor which could facilitate and support the business development of SHK, in particular efforts to tap the growing interest of Middle Eastern investors in the capital markets of and investment opportunities in Hong Kong and China. The SHK Directors believe that a strategic partner with the calibre, experience and network of the Placee will positively contribute to the continued growth of SHK's asset management, principal investments and corporate finance businesses.

The principal business activity of the Placee is to identify investment opportunities for DIG, with a focus on the Indian subcontinent, South East Asia and North Asian markets. With offices in Kuala Lumpur and Hong Kong, the Placee invests in equity, while concentrating on capital expansion for established companies. The Placee executes its investments via pre-IPO and IPO placements, and stakes in listed equities.

DIG is a Dubai Group company, structured as a conglomerate of investment companies with core investment expertise in the industrial, finance, global securities, real estate and hospitality sectors. Dubai Group, with offices in Dubai, New York, London, Hong Kong and Kuala Lumpur, is the leading diversified financial company of Dubai Holding. The principal business activity of the Dubai Group is to create and manage a diversified and rapidly expanding portfolio of direct and indirect investments.

The SHK Directors (including the independent non-executive directors) consider that the terms of the Placing and the Top-up Subscription are fair and reasonable.

D. FUND RAISING IN LAST 12 MONTHS

Save for receipts of an aggregate of approximately HK\$115.7 million of subscription moneys during 1 November, 2006 to 31 October, 2007 upon exercise of warrants issued by SHK in May 2006 and expiring on 31 May, 2009 the proceeds of which are used for general working capital purposes, SHK has not raised any funds on any issue of equity securities in the 12 months immediately preceding the date of this announcement.

E. RESUMPTION OF TRADING

Trading in the securities of SHK on the Stock Exchange was suspended at its request with effect from 9:30 a.m. on 31 October, 2007 pending the release of this announcement. SHK has applied for a resumption of trading in its securities with effect from 2:30 p.m. on 1 November, 2007.

F. DEFINITIONS

In this announcement, the following terms have the meanings set opposite them below.

“AGL” Allied Group Limited, a company incorporated in Hong Kong with limited liability, with its shares listed on the Main Board of the Stock Exchange

“AGL Directors” directors of AGL

“APL”	Allied Properties (H.K.) Limited, a company incorporated in Hong Kong with limited liability, with its securities listed on the Main Board of the Stock Exchange and a non wholly-owned subsidiary of AGL
“APL Directors”	directors of APL
“DIG”	Dubai Investment Group
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Placee”	Dubai Ventures LLC, the placee who has agreed to purchase the Placing Shares under the Placing and Subscription Agreement
“Placing”	the placing of the Placing Shares by the Vendor pursuant to the Placing and Subscription Agreement
“Placing and Subscription Agreement”	a placing and subscription agreement dated 31 October, 2007 entered into between SHK, the Vendor and the Placee
“Placing Price”	HK\$11.50 per Placing Share
“Placing Share(s)”	166,000,000 existing Shares to be placed by the Vendor under the Placing
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SHK”	Sun Hung Kai & Co. Limited, a company incorporated in Hong Kong with limited liability, with its securities listed on the Main Board of the Stock Exchange
“SHK Directors”	directors of SHK
“Share(s)”	ordinary share(s) with a nominal value of HK\$0.20 each in the share capital of SHK
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$11.50 per Subscription Share, which is equivalent to the Placing Price
“Subscription Share(s)”	166,000,000 new Shares to be allotted and issued to the Vendor or its nominee under the Top-up Subscription, which number is equal to the number of Placing Shares

“Top-up Subscription”	the subscription of the Subscription Shares by the Vendor pursuant to the Placing and Subscription Agreement
“Vendor”	AP Emerald Limited, a company incorporated in the British Virgin Islands with limited liability, the vendor of the Placing Shares and an indirect wholly-owned subsidiary of APL and the controlling shareholder of SHK. It is also an indirect non wholly-owned subsidiary of AGL
“%”	per cent.

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

On behalf of the Board
Allied Properties (H.K.) Limited
Li Chi Kong
Executive Director

On behalf of the Board
Sun Hung Kai & Co. Limited
Joseph Tong Tang
Executive Director

Hong Kong, 31 October, 2007

As at the date of this announcement, the AGL Directors are:

Executive Directors:

Mr. Lee Seng Hui (Chief Executive), Mr. Edwin Lo King Yau, Mr. Mak Pak Hung

Non-executive Directors:

Mr. Arthur George Dew (Chairman), Ms. Lee Su Hwei

Independent non-executive Directors:

Mr. Wong Po Yan, Mr. David Craig Bartlett, Mr. John Douglas Mackie, Mr. Alan Stephen Jones

As at the date of this announcement, the APL Directors are:

Executive Directors:

Mr. Patrick Lee Seng Wei (Chief Executive), Mr. Li Chi Kong

Non-executive Directors:

Mr. Arthur George Dew (Chairman), Mr. Henry Lai Hin Wing, Mr. Steven Lee Siu Chung

Independent non-executive Directors:

Mr. John Douglas Mackie, Mr. Steven Samuel Zoellner, Mr. Alan Stephen Jones

As at the date of this announcement, the SHK Directors are:

Executive Directors:

Mr. Lee Seng Huang (Chairman), Mr. Joseph Tong Tang

Non-executive Director:

Mr. Patrick Lee Seng Wei

Independent non-executive Directors:

Mr. David Craig Bartlett, Mr. Alan Stephen Jones, Mr. Carlisle Caldow Procter, Mr. Peter Wong Man Kong