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Allco HIT Limited



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Allco HIT Limited (ASX: AHI) – update

We refer to advice received last night from Allco Principals Investments Pty Ltd (API), a wholly owned subsidiary of the Allco Principals Trust (APT) regarding the sale by two margin lenders of 22.1 million Allco Finance Group (Allco) shares. As stated, this sale has been driven as a result of extreme market volatility and the current AFG share price. This sale is not reflective of AFG's business, performance and prospects but is reflective of the fact that APT is a closed-end investment fund and is constrained from accessing further capital at short notice.

Allco HIT Limited (AHI) operates the Hybrid Investment Trust, which holds APT preference units. APT's assets comprised 45.8 million Allco shares and 24.9 million AHI shares prior to yesterday's actions, and co-investments in Allco's core asset classes. AHI notes that it provides no guarantees or other financial support in relation to the margin loans referred to in the API letter.

Since inception, the PoD Hybrid holders have also had the benefit of the Charged Assets, defined in the PoD Hybrid's Prospectus dated 6 December 2004, being 8.9 million Allco shares and 4.8 million AHI shares.

Following yesterday's margin lending sales, API's shareholdings have been reduced to approximately 23.7 million shares in Allco and 2.3 million shares in AHI, while still having the benefit of the Charged Assets.

The ordinary unitholders in APT (the former Allco principals) continue to support their investment in APT and the long term prospects and value of Allco. This is reflected in the fact that in December 2007 they provided further security over 20.1 million Allco shares as additional assets to secure certain of the margin loans. Furthermore, the ordinary unitholders in APT have undertaken in favour of APT to mortgage the 20.1 million Allco shares by way of top up of the Charged Assets (referred to above) for which the PoD Hybrid holders will have the benefit, should the margin lenders release this security.

In total, this means that the position of the PoD Hybrid holders remains supported by approximately 52.8 million Allco shares as well as other assets.

The PoD Hybrids mature in December 2010. On maturity, PoD Hybrid holders should receive \$102.50 of Allco shares or 102.50 ordinary \$1 units in APT for each PoD Hybrid held. As always, the value realised by the PoD Hybrid Holders at the time of maturity will be materially influenced by the value of APT's holdings in Allco and AHI. Prior to June 2008, the AHI Board will determine whether to reset or convert the PoD Hybrids as per the terms of issue.

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The June 2008 distribution of \$4.50 per PoD Hybrid (payable in July 2008) is fully covered by cash held in relevant approved investments.

The half yearly results and accounts of AHI are expected to be released to the market on 14 February 2008. As part of this process, AHI will review whether there is any impairment associated with the preference units it holds in APT. Should there be any impairment, it will have no adverse impact on AHI's financial performance or ability to pay the June 2008 distribution of \$4.50 per PoD Hybrid.

We also note previous advice that on 29 June 2007, AHI advanced a 2 year loan of \$45 million to a subsidiary of the APT. The loan is indirectly secured over a portfolio of Allco's core assets including aircraft, ships, wind farms, rail, and real estate. If sold, the net value of these assets would be more than sufficient to repay the loan from AHI. The margin lenders holding security over API's shares in Allco and AHI do not have recourse to the assets that support the security held by AHI.

We will keep the market informed as and when further announcements are required.

Yours sincerely
Allco HIT Limited



Tom Lennox
Company Secretary

For further information please contact:

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About Allco HIT Limited

Allco HIT Limited (AHI) is a diversified finance company newly listed on the Australian Securities Exchange (ASX: AHI). AHI's primary objective is to build a portfolio of diversified revenue streams that will provide consistent earnings delivered through exposure to different geographies, asset classes and sectors within the financial services industry.

Initially, AHI will develop, own and operate a diverse group of businesses that provide asset financing and property-related lending services in Australia and the Asia Pacific. AHI will also build an investment portfolio of mezzanine loans and subordinated debt instruments, specifically in the asset & equipment finance; property finance and financial asset sectors.