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If you have sold or transferred all your shares in Allied Group Limited, you should at once hand this circular to the purchaser or transferee, or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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ALLIED GROUP LIMITED

(聯合集團有限公司)

(Incorporated in Hong Kong with limited liability)

(Stock Code: 373)

MAJOR TRANSACTION

**DISPOSAL BY WAH CHEONG DEVELOPMENT (B.V.I.) LIMITED OF
APPROXIMATELY 74.52% INTEREST IN ALLIED OVERSEAS LIMITED**

AND

**DISCLOSEABLE TRANSACTION
ACQUISITION BY ALLIED OVERSEAS LIMITED OF
SKYLEAF HOLDINGS LIMITED**

Capitalised terms used on this cover page shall have the same meanings as those defined in this circular.

A letter from the Board is set out on pages 7 to 31 of this circular.

As no Shareholder has any material interest in the Share Agreement and Project Acquisition Agreement and transactions contemplated thereunder and no Shareholder is required to abstain from voting if an extraordinary general meeting is to be convened to consider and approve the Share Agreement and Project Acquisition Agreement and transactions contemplated thereunder, the Company has obtained written shareholder's approval from a shareholder, pursuant to Rule 14.44 of the Listing Rules, to approve the Share Agreement and Project Acquisition Agreement and transactions contemplated thereunder in lieu of holding an extraordinary general meeting. As such, no extraordinary general meeting will be held.

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“AOL”	Allied Overseas Limited, a company incorporated in Bermuda with limited liability, the issued securities of which are listed on the main board of the Stock Exchange (Stock Code: 593 and Warrant Code: 664)
“AOL Announcement”	the announcement jointly published by AOL and SkyOcean dated 30 October 2013 in connection with, among other matters, the transactions contemplated under the Share Agreement and the Project Acquisition Agreement, and the Offer
“AOL Board”	the board of directors of AOL
“AOL Group”	AOL and its subsidiaries
“AOL Share(s)”	ordinary share(s) of HK\$0.10 each in the issued share capital of AOL
“AOL Shareholder(s)”	holder(s) of AOL Share(s)
“APL”	Allied Properties (H.K.) Limited, a company incorporated in Hong Kong with limited liability, the securities of which are listed on the main board of the Stock Exchange (Stock Code: 56 and Warrant Code: 1183) and a non wholly-owned subsidiary of the Company
“Attractive Gain”	Attractive Gain Limited, an indirect wholly-owned subsidiary of AOL
“A\$”	Australian dollars, the lawful currency of the Commonwealth of Australia
“Board”	the board of Directors
“Business Day(s)”	a day on which banks in Hong Kong are open for business, other than (i) a Saturday or a Sunday; or (ii) a day on which a tropical cyclone warning signal no. 8 or above or a black rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.
“BVI”	British Virgin Islands

DEFINITIONS

“Company”	Allied Group Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the main board of the Stock Exchange (Stock Code: 373)
“connected person(s)”	having the meaning ascribed to it under the Listing Rules
“Construction Work Planning Permit(s)”	建設工程規劃許可證(construction work planning permit) issued by local construction committees or equivalent authorities in the PRC
“Deposit”	HK\$147,356,385, the deposit paid by SkyOcean to Wah Cheong pursuant to the Share Agreement
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Joint Announcement”	the joint announcement of the Company and APL dated 30 October 2013 in relation to (i) the proposed disposal by Wah Cheong of approximately 74.52% interest in AOL; (ii) the proposed acquisition by AOL of Skyleaf; and (iii) resumption of trading in the securities of the Company and APL
“Land”	five parcels of land held by SkyOcean Real Estate and bound in the west by Yanshan Avenue, in the east by Fengqing Road, in the south by Huichang Street and in the north by Huixing Street in Qian’an, Hebei Province, the PRC
“Latest Practicable Date”	4 December 2013, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Lee and Lee Trust”	Lee and Lee Trust, a discretionary trust and is beneficially interest in approximately 68.14% of the issued share capital of the Company as at the Latest Practicable Date
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange

DEFINITIONS

“Material Warranties”	the warranties contained in the Share Agreement provided by Wah Cheong relating to (1) the Sale Shares and the Sale Warrants; (2) the share capital of AOL; (3) litigation; and (4) cash position of AOL
“Mr. Zhou”	Mr. Zhou Zheng
“Offer”	the possible mandatory unconditional cash offer to be made by CCB International Capital Limited on behalf of SkyOcean (and parties acting in concert with it) in accordance with the Takeovers Code for the Offer Shares and the Offer Warrants
“Offer Shares”	the existing issued AOL Shares and the AOL Shares to be issued upon exercise of any Warrants before the close of Offer but excluding the Sale Shares and any other AOL Shares owned by SkyOcean and persons acting in concert (within the meaning of the Takeovers Code) with it on the Share Completion Date and/or acquired or agreed to be acquired by SkyOcean and persons acting in concert with it while the Offer remains open for acceptance
“Offer Warrants”	the existing and outstanding Warrants (the number of which is subject to the exercise of the subscription right attaching to the Warrants by the holders thereof before the close of the Offer) but excluding the Sale Warrants and any other Warrants owned by SkyOcean and persons acting in concert (within the meaning of the Takeovers Code) with it on the Share Completion Date and/or acquired or agreed to be acquired by SkyOcean and persons acting in concert with it while the Offer remains open for acceptance
“percentage ratio(s)”	percentage ratio(s) as set out in Rule 14.07 of the Listing Rules to be applied for determining the classification of a transaction
“PRC”	People’s Republic of China, which for the purpose of this circular, shall exclude Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Project”	the property development project of the Skyleaf Group in respect of the Land

DEFINITIONS

“Project Acquisition Agreement”	the conditional sale and purchase agreement dated 15 October 2013 entered into among Sheng Bang, AOL and Mr. Zhou in relation to the sale and purchase of Project Acquisition Share
“Project Acquisition Completion”	completion of the sale and purchase of the Project Acquisition Share under the Project Acquisition Agreement
“Project Acquisition Consideration”	the consideration for the Project Acquisition Share payable by AOL to Sheng Bang pursuant to the Project Acquisition Agreement being HK\$450,000,000
“Project Acquisition Share”	one share in the issued share capital of Skyleaf legally and beneficially owned by Sheng Bang, representing the entire issued and fully paid-up share capital of Skyleaf
“Project Acquisition Transaction”	the transactions contemplated under the Project Acquisition Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	166,165,776 AOL Shares to be sold by Wah Cheong to SkyOcean pursuant to the Share Agreement, representing approximately 74.52% of the existing issued share capital of AOL as at the Latest Practicable Date subject to change as a result of the exercise of the Warrants
“Sale Warrants”	11,877,153 Warrants to be sold by Wah Cheong to SkyOcean pursuant to the Share Agreement
“Savills”	Savills Valuation and Professional Services Limited, an independent property valuer appointed by AOL in respect of the Project Acquisition Transaction
“SFC”	Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of nominal value of HK\$2.00 each in the share capital of the Company

DEFINITIONS

“Share Agreement”	the conditional sale and purchase agreement dated 15 October 2013 entered into among Wah Cheong, SkyOcean, APL and Mr. Zhou in relation to the sale and purchase of the Sale Shares and the Sale Warrants
“Share Completion”	completion of the sale and purchase of the Sale Shares and the Sale Warrants under the Share Agreement
“Share Completion Date”	the date of the Share Completion
“Share Consideration”	the consideration for the sale and purchase of the Sale Shares and the Sale Warrants, being HK\$1,473,563,853
“Share Offer”	the possible mandatory unconditional cash offer to be made by CCB International Capital Limited on behalf of SkyOcean for all the AOL Shares other than those already owned or agreed to be acquired by SkyOcean pursuant to Rule 26.1 of the Takeovers Code
“Share Transaction”	the transactions contemplated under the Share Agreement
“Shareholder(s)”	holder(s) of Share(s)
“Sheng Bang”	Sheng Bang Holdings Limited (勝邦控股有限公司), a company incorporated in the BVI with limited liability
“SHK”	Sun Hung Kai & Co. Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the main board of the Stock Exchange (Stock Code: 86) and an indirect non wholly-owned subsidiary of each of the Company and APL. As at the Latest Practicable Date, SHK was beneficially owned as to approximately 55.99% by APL
“Skyleaf”	Skyleaf Holdings Limited (天葉控股有限公司), a company incorporated in the BVI with limited liability
“Skyleaf Group”	Skyleaf and its subsidiaries as at the Latest Practicable Date, i.e. SkyOcean International, SkyOcean Real Estate and Tangshan Management
“SkyOcean”	SkyOcean Investment Holdings Limited (天洋投資控股有限公司), a company incorporated in the BVI with limited liability

DEFINITIONS

“SkyOcean International”	Skyocean International Holdings Limited (天洋國際控股有限公司), a company incorporated in Hong Kong with limited liability
“SkyOcean International Group”	SkyOcean International and its subsidiaries, SkyOcean Real Estate and Tangshan Management
“SkyOcean Real Estate”	Skyocean Real Estate (Tangshan) Co., Ltd. (天洋地產(唐山)有限公司), a company established in the PRC with limited liability
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	Hong Kong Code on Takeovers and Mergers
“Tangshan Management”	Tangshan SkyOcean Commercial Management Co., Ltd. [#] (唐山天洋商業管理有限公司), a company established in the PRC with limited liability
“US\$”	United States dollars, the lawful currency of the United States
“Wah Cheong”	Wah Cheong Development (B.V.I.) Limited, a company incorporated under the laws of the BVI with limited liability, an indirect wholly-owned subsidiary of APL
“Warrant Offer”	the possible mandatory unconditional cash offer to be made by CCB International Capital limited on behalf of SkyOcean to purchase the Warrants other than those already owned or to be acquired by SkyOcean
“Warrants”	the warrants issued by AOL on the basis of one warrant for every five ordinary shares approved by the AOL Board on 7 February 2011, which entitle the holders to subscribe for new ordinary shares at an initial subscription price of HK\$5.00 per ordinary share in cash, subject to normal capital adjustments, and expiring on 4 March 2016
“%”	per cent

For the purpose of this circular, unless otherwise specified or the context requires otherwise, “#” denotes an English translation of a Chinese name and is for identification purposes only. If there is any inconsistency between the Chinese name and the English translation, the Chinese version shall prevail.

“For the purpose of this circular, unless otherwise specified, translations of Renminbi into Hong Kong dollars or vice versa have been calculated by using an exchange rate of RMB1.00 equal to HK\$1.255 and translations of US dollars into Hong Kong dollars or vice versa have been calculated by using an exchange rate of US\$1.00 equal to HK\$7.80. Such exchange rates have been used, where applicable, for the purpose of illustration only and do not constitute a representation that any amounts were, may have been or will be exchanged at such rates or any other rates or at all.”

LETTER FROM THE BOARD



ALLIED GROUP LIMITED
(聯合集團有限公司)

(Incorporated in Hong Kong with limited liability)

(Stock Code: 373)

Executive Directors:

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. David Craig Bartlett
Mr. Alan Stephen Jones
Ms. Yang Lai Sum Lisa

Registered Office:

22nd Floor
Allied Kajima Building
138 Gloucester Road
Wanchai
Hong Kong

6 December 2013

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION
DISPOSAL BY WAH CHEONG DEVELOPMENT (B.V.I.) LIMITED OF
APPROXIMATELY 74.52% INTEREST IN ALLIED OVERSEAS LIMITED
AND
DISCLOSEABLE TRANSACTION
ACQUISITION BY ALLIED OVERSEAS LIMITED OF
SKYLEAF HOLDINGS LIMITED

INTRODUCTION

References are made to the AOL Announcement and the Joint Announcement.

LETTER FROM THE BOARD

The Share Agreement

On 15 October 2013, pursuant to the Share Agreement, SkyOcean has conditionally agreed to purchase and Wah Cheong has conditionally agreed to sell the Sale Shares and the Sale Warrants at a total consideration of HK\$1,473,563,853. As at the Latest Practicable Date, the Sale Shares represent approximately 74.52% of the existing issued share capital of AOL, subject to change as a result of the exercise of the Warrants.

The Project Acquisition Agreement

On 15 October 2013 and pursuant to the Project Acquisition Agreement, Sheng Bang has conditionally agreed to sell and AOL has conditionally agreed to purchase the Project Acquisition Share at a total consideration of HK\$450,000,000. The Project Acquisition Share represents the entire issued and fully paid-up share capital of Skyleaf.

The Share Agreement and the Project Acquisition Agreement are inter-conditional with each other. Share Completion is intended to take place simultaneously with Project Acquisition Completion.

The purpose of this circular is to provide you with, among other things, further details of the disposal by Wah Cheong of approximately 74.52% interest in AOL and the acquisition by AOL of Skyleaf.

THE SHARE AGREEMENT

Date

15 October 2013

Parties

Vendor: Wah Cheong

Purchaser: SkyOcean

Vendor Guarantor: APL

Purchaser Guarantor: Mr. Zhou

To the best of knowledge, information and belief of the Directors, after making reasonable enquiries, SkyOcean and its ultimate beneficial owners, and Mr. Zhou are third parties independent of the Company and its connected persons.

Subject matters

Pursuant to the Share Agreement, SkyOcean has conditionally agreed to purchase and Wah Cheong has conditionally agreed to sell the Sale Shares and the Sale Warrants. As at the Latest Practicable Date, the Sale Shares represent approximately 74.52% of the existing issued share capital of AOL, subject to change as a result of the exercise of the Warrants.

LETTER FROM THE BOARD

Share Consideration

The Share Consideration is HK\$8.61 per Sale Share and HK\$3.61 per Sale Warrant, which amounts to HK\$1,473,563,853 in total.

The consideration of HK\$8.61 per Sale Share represents:

- (i) a premium of approximately 16.35% over the closing price of HK\$7.40 per AOL Share as at 11 October 2013, being the last trading date of the AOL Shares prior to the entering into of the Share Agreement (the “Last Trading Date”);
- (ii) a premium of approximately 18.11% over the average closing price of approximately HK\$7.29 per AOL Share for the last five trading days immediately prior to and including the Last Trading Date;
- (iii) a premium of approximately 19.09% over the average closing price of approximately HK\$7.23 per AOL Share for the last ten trading days immediately prior to and including the Last Trading Date;
- (iv) a premium of approximately 26.62% over the average closing price of approximately HK\$6.80 per AOL Share for the last thirty trading days immediately prior to and including the Last Trading Date;
- (v) a premium of approximately 13.29% over the audited net asset value of approximately HK\$7.60 per AOL Share as at 31 December 2012 and a premium of approximately 24.24% over the unaudited net asset value of approximately HK\$6.93 per AOL Share as at 30 June 2013; and
- (vi) a premium of approximately 0.23% over the closing price of HK\$8.59 per AOL Share as at the Latest Practicable Date.

The closing price of AOL Shares increased from HK\$7.40 per AOL Share on the Last Trading Date to HK\$8.48 per AOL Share on the date immediately after the publish of the Joint Announcement and HK\$8.59 per AOL Share on the Latest Practicable Date, which represents an increase of approximately 14.59% and 16.08% during the foregoing period, respectively.

The Share Consideration was determined following arm’s length negotiation between Wah Cheong and SkyOcean, taking into account factors including, but not limited to, the financial position (including the net asset value) and performance of the AOL Group and the prevailing market price prior to the entering into the Share Agreement.

The Share Consideration is payable by SkyOcean to Wah Cheong in the following manner:

- (i) on the Business Day following the date of the Share Agreement, the Deposit has been paid by SkyOcean to Wah Cheong, which shall, upon Share Completion, be applied as part payment of the Share Consideration; and
- (ii) at Share Completion, subject to Wah Cheong having performed its obligations in relation to Share Completion, HK\$1,326,207,468 being the balance of the Share Consideration shall be paid to Wah Cheong.

LETTER FROM THE BOARD

Wah Cheong shall, as soon as practicable after taking into account of the circumstances, refund in cash the Deposit, together with the interest accrued thereon from the date of the Share Agreement, to SkyOcean if Share Completion does not take place as a result of any of the condition(s) not being fulfilled (or, where applicable, waived) or as a result of Wah Cheong not complying with its obligations regarding Share Completion. The said interest shall accrue at the rate of 0.001% per annum and be calculated on a yearly basis.

Conditions Precedent

Share Completion is conditional upon, among other things:

- (i) save as disclosed pursuant to the Share Agreement, the Material Warranties remaining true and accurate and not misleading as given as at the date of the Share Agreement and as at Share Completion;
- (ii) all approvals, authorisations, consents, licences, certificates, permits, concessions, agreements or other permissions of any kind of, from or by any governmental authority, regulatory body or other third party necessary for the consummation of the transactions contemplated in the Share Agreement having been obtained by Wah Cheong and AOL and remaining in full force and effect;
- (iii) all necessary consents and approvals (including the shareholders' approvals (with the relevant shareholders to abstain from voting as required by the Listing Rules)) required to be obtained on the part of AOL, Wah Cheong, APL and the Company in respect of the sale and purchase of the Sale Shares and Sale Warrants and the transactions under the Share Agreement and the Project Acquisition Agreement having been obtained;
- (iv) there being no applicable law or regulations which prohibits, restricts or imposes conditions or limitations on, or is reasonably expected to operate to prohibit, restrict or impose conditions or limitations on, the consummation of any of the transactions contemplated in the Share Agreement;
- (v) there being no bona fide legal, administrative or arbitration action, suit, complaint, charge, hearing, injunction, enquiry, investigation or proceedings in effect, pending or to the best knowledge of Wah Cheong, SkyOcean, APL and Mr. Zhou, genuinely threatened as of Share Completion before any court, tribunal or arbitrator of a competent jurisdiction or by any governmental authority which seek to prohibit, restrict, impose condition or limitation on or otherwise challenge any of the transactions contemplated in the Share Agreement;
- (vi) the listing of the AOL Shares not having been withdrawn, the AOL Shares continuing to be traded on the Stock Exchange prior to the Share Completion Date (save for any suspension for no longer than ten consecutive trading days or such other period as SkyOcean may agree in writing or the suspension in connection with transactions contemplated under the Share Agreement) and neither the Stock Exchange nor the SFC having indicated that either one of them will object to such continued listing for reasons related to or arising from the transactions contemplated under the Share Agreement;

LETTER FROM THE BOARD

- (vii) the Stock Exchange and the SFC not having made any ruling that the transactions contemplated under the Share Agreement and the Project Acquisition Agreement will be considered or deemed to be a reverse takeover under the Listing Rules;
- (viii) the Stock Exchange and the SFC advising that they have no further comment on the AOL Announcement to be released in connection with the transactions contemplated under the Share Agreement and the publication of such AOL Announcement on the Stock Exchange's website;
- (ix) the passing by the independent shareholders of AOL of the requisite resolution(s) to approve the Project Acquisition Agreement and the transactions contemplated thereunder;
- (x) the conditions precedent under the Project Acquisition Agreement having been fulfilled or waived (save for the condition requiring the Share Agreement to become unconditional and the condition requiring the completion of the Project Acquisition Agreement and the Share Agreement to take place simultaneously);
- (xi) the Project Acquisition Completion taking place in accordance with its terms simultaneously with the Share Completion; and
- (xii) at Share Completion, AOL having cash in its bank account(s) at licensed bank(s) in Hong Kong in an aggregate amount of not less than an amount of HK\$487,399,000 which is free from encumbrance.

Wah Cheong and SkyOcean shall use their respective best endeavours to procure the fulfilment of the above conditions on or before 31 January 2014, or such later date as may be agreed between Wah Cheong and SkyOcean in writing (except the condition set out in paragraphs (xi) and (xii) above which shall take place or be fulfilled simultaneously with Share Completion).

SkyOcean may, at its absolute discretion, waive any of the above conditions (except the conditions set out in paragraphs (iii), (iv), (viii), (ix), (x) and (xi) above which cannot be waived).

If any of the conditions set out above is not fulfilled (or, where applicable, waived) on or before 31 January 2014, or such later date as may be agreed between Wah Cheong and SkyOcean in writing (except the condition set out in paragraphs (xi) and (xii) above which shall take place or be fulfilled simultaneously with Share Completion), the Share Agreement shall lapse and cease to have any effect except for certain clauses specified therein, and no parties to the Share Agreement shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the terms thereof and any claims arising out of the continuing provisions specified in the Share Agreement.

LETTER FROM THE BOARD

Vendor Guarantee

In consideration of SkyOcean entering into the Share Agreement, APL unconditionally and irrevocably guarantees to SkyOcean that APL shall procure the due and punctual performance and observance by Wah Cheong of all its respective obligations, commitments, undertakings, warranties, indemnities and covenants under or pursuant to the Share Agreement and agrees to indemnify SkyOcean against all losses (including legal costs and expenses) which SkyOcean may suffer through or arising from any breach by Wah Cheong of its obligations, commitments, warranties, undertakings, indemnities or covenants.

If and whenever Wah Cheong defaults for any reason whatsoever in the performance of any obligation or liability undertaken or expressed to be undertaken by Wah Cheong under or pursuant to the Share Agreement, APL shall forthwith upon demand unconditionally procure the performance of the obligations by Wah Cheong and satisfy (or procure the satisfaction of) the liability in regard to which such default has been made in the manner prescribed by the Share Agreement and so that the same benefits shall be conferred on SkyOcean as it would have received if such obligation or liability had been duly performed and satisfied by Wah Cheong.

Vendor Warranty

For the purpose of determining the consideration for the Sale Shares and the Sale Warrants, SkyOcean and Wah Cheong have taken in account the then estimated market value of the bonds, and cash held by Attractive Gain, being approximately HK\$630,668,000. In this regard, SkyOcean required a warranty from Wah Cheong that the bonds would be able to maintain such value for a certain period of time. Accordingly, Wah Cheong has warranted that Attractive Gain will be able to pay in cash not less than HK\$630,668,000 to AOL, the intermediate holding companies between Attractive Gain and AOL, being LHY Limited and Cautious Base Limited or any other members of the AOL Group as directed by any of them, by way of repayment of shareholder's loan, loans to shareholder, distribution of dividend, reduction of capital or other appropriate methods, within 12 months from the date of the Share Agreement.

Purchaser Guarantee

In consideration of Wah Cheong entering into the Share Agreement, Mr. Zhou unconditionally and irrevocably guarantees to Wah Cheong the due and punctual performance and observance by SkyOcean of all its respective obligations, commitments, undertakings, warranties, indemnities and covenants under or pursuant to the Share Agreement and agrees to indemnify Wah Cheong against all losses (including legal costs and expenses) which Wah Cheong may suffer through or arising from any breach by SkyOcean of its obligations, commitments, warranties, undertakings, indemnities or covenants.

If and whenever SkyOcean defaults for any reason whatsoever in the performance of any obligation or liability undertaken or expressed to be undertaken by SkyOcean under or pursuant to the Share Agreement, Mr. Zhou shall forthwith upon demand unconditionally perform (or procure the performance of) and satisfy (or procure the satisfaction of) the obligation or liability in regard to which such default has been made in the manner prescribed by the Share Agreement and so that the same benefits shall be conferred on Wah Cheong as it would have received if such obligation or liability had been duly performed and satisfied by SkyOcean.

LETTER FROM THE BOARD

Share Completion

Subject to the fulfilment or waiver (if applicable) of the above conditions, Share Completion shall take place simultaneously with Project Acquisition Completion (unless the parties to the Share Agreement agreed otherwise) at 10:00 a.m. on the fifth Business Day after the day on which the last of the conditions precedent above (except the condition set out in paragraphs (xi) and (xii) above which shall take place or be fulfilled simultaneously with Share Completion) have been fulfilled or waived or such other date as may be agreed by Wah Cheong and SkyOcean in writing.

Upon Share Completion, AOL will cease to be a subsidiary of the Company and the Company will not have any remaining interest in AOL.

Without prejudice to any other remedies available to SkyOcean, if any of the obligations of Wah Cheong are not complied with in any respect by Wah Cheong on the Share Completion Date, SkyOcean shall notify Wah Cheong of such non-compliance and Wah Cheong may defer Share Completion to a date not more than 5 Business Days from the Share Completion Date and rectify any such non-compliance within 5 Business Days from the Share Completion Date, failing which SkyOcean may:-

- (i) defer Share Completion to a date not more than 30 days after the Share Completion Date;
- (ii) proceed to Share Completion so far as practicable (without prejudice to SkyOcean's rights under the Share Agreement); or
- (iii) rescind its obligations under the Share Agreement and Wah Cheong shall forthwith refund in cash the full amount of the Deposit and all accrued interest thereon to SkyOcean, and (except for non-compliance of certain obligations, the fulfilment of which are not under the direct control of Wah Cheong) pay to SkyOcean an amount equal to the Deposit which the parties to the Share Agreement acknowledge is a genuine estimate of the potential loss which SkyOcean would suffer and not a penalty.

Without prejudice to any other remedies available to Wah Cheong, if (a) any of the obligations of SkyOcean are not complied with by SkyOcean on the Share Completion Date or (b) if all the conditions precedent under the Project Acquisition Agreement have been fulfilled (or waived in accordance with the terms thereof) and AOL is willing and ready to proceed to Project Acquisition Completion but such Project Acquisition Completion does not take place as a result of the default of Sheng Bang and Share Completion does not take place as a result of the condition that the Project Acquisition Completion cannot take place simultaneously in accordance with the terms of the Project Acquisition Agreement with the Share Completion, Wah Cheong shall notify SkyOcean of such non-compliance and SkyOcean may defer Share Completion to a date not more than 5 Business Days from Share Completion Date and rectify any such non-compliance within 5 Business Days from the Share Completion Date, failing which Wah Cheong may either:-

- (i) forfeit and retain for its sole benefit the full amount of the Deposit paid by SkyOcean to Wah Cheong pursuant to the Share Agreement and all accrued interest thereon, whereupon all rights, obligations and liabilities of the parties to the Share Agreement shall from such date cease to have any effect and none of the parties to the Share

LETTER FROM THE BOARD

Agreement shall have any claim against any other in respect of the Share Agreement save for claims (if any) in respect of any antecedent breaches of the Share Agreement; or

- (ii) extend the time for Share Completion to a later date without prejudice to Wah Cheong's other rights under the Share Agreement or applicable laws including its right to seek specific performances.

Offer

SkyOcean undertakes to Wah Cheong, following and subject to Share Completion, to comply with its obligations under the Takeovers Code, and in particular to make the Offer to holders of the Offer Shares and the Offer Warrants on the following principal terms and conditions:-

- (i) SkyOcean shall pay to the holders of the Offer Shares the sum of at least HK\$8.61 per Offer Share in cash for each Offer Share accepted under the Offer;
- (ii) SkyOcean shall pay to holders of Offer Warrants the sum of at least HK\$3.61 per Offer Warrant in cash for each Offer Warrant accepted under the Offer;
- (iii) seller's ad valorem stamp duty will be payable by accepting holders of Offer Shares and Offer Warrants and will be deducted from the consideration payable by SkyOcean to the holders of Offer Shares and Offer Warrants on acceptance of the relevant Offer; and
- (iv) the Offer Shares and Offer Warrants will be acquired free from all encumbrances of any kind and together with all rights attaching thereto including the right to receive all dividends and distributions declared, made or paid after the date on which the Offer is made.

Wah Cheong undertakes to SkyOcean to use its best endeavours to procure that AOL and its directors comply with their respective obligations under the Takeovers Code and to comply with their obligations as shareholders of AOL under the Takeovers Code. Following Share Completion and in accordance with the Takeovers Code, the parties to the Share Agreement shall use their respective best endeavours to procure the despatch of the offer document and the offeree board circular by such date as is required under the Takeovers Code to all holders of the AOL Shares.

The Share Agreement and the Project Acquisition Agreement are inter-conditional with each other. Share Completion is intended to take place simultaneously with Project Acquisition Completion.

LETTER FROM THE BOARD

INFORMATION OF AOL

AOL is a company incorporated in Bermuda with limited liability, the securities of which are listed on the main board of the Stock Exchange.

The principal activities of the AOL Group are provision of elderly care services, medical equipment distribution and investments.

As at the Latest Practicable Date, AOL is beneficially owned as to approximately 74.52% by APL.

Set out below is the key financial information of the AOL Group based on its audited consolidated financial statements for each of the two years ended 31 December 2011 and 31 December 2012 respectively:

	For the year ended 31 December 2011 (Audited) HK\$'000	For the year ended 31 December 2012 (Audited) HK\$'000
Continuing operations		
Profit before tax	14,765	96,910
Profit after tax	14,724	95,990
Profit for the year from continuing operations	14,724	95,990
Discontinued operations		
Loss for the year from discontinued operations	(1,493)	–
Profit for the year	13,231	95,990
	As at 31 December 2011 (Audited) HK\$'000	As at 31 December 2012 (Audited) HK\$'000
Net assets	1,509,457	1,553,102

LETTER FROM THE BOARD

During the year 2012, the AOL Group recorded revenue of approximately HK\$153.9 million, a 15.7% increase compared to approximately HK\$133.1 million as restated in 2011. The increase in revenue came mainly from a higher level of interest and investment income and an increase of sales by the medical equipment distribution business. The AOL Group's net profit increased from approximately HK\$13.2 million in 2011 to approximately HK\$96.0 million in 2012. The increase in net profit was principally due to a fair value gain on financial instruments at fair value through profit or loss of approximately HK\$54.3 million compared with a fair value loss of approximately HK\$9.9 million in 2011 as well as an increase in interest and investment income. Elderly care services remained modestly profitable.

For the year ended 31 December 2011, the AOL Group recorded revenue from continuing operations of approximately HK\$98.5 million, a 2.3% decrease compared to approximately HK\$100.9 million in 2010. The decrease in revenue mainly resulted from a decline in Senior Care's elderly home occupancy and the closure of the Kwai Sing elderly home in April 2011. Despite the lower revenue and the start-up costs of new medical and aesthetic equipment division, the AOL Group's profit for the year from continuing operations increased from approximately HK\$12.7 million in 2010 to approximately HK\$14.7 million in 2011, a rise of about 16.4%. The improvement in profit largely reflected the increase in interest and investment income derived from the AOL Group's bond related investments and bank deposits. As a result of the disposal of the AOL Group's medical and associated health services businesses in late 2010, the profit attributable to owners of AOL reduced from approximately HK\$1,463.4 million in 2010 to approximately HK\$13.2 million in 2011.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE AOL GROUP

(1) For the year ended 31 December 2012

The following is the summary of management discussion and analysis principally extracted from the annual report of AOL for the year ended 31 December 2012. Terms and definition used in this section headed "MANAGEMENT DISCUSSION AND ANALYSIS OF THE AOL GROUP" shall bear the same meanings as defined in such annual report.

Financial Review

For the year ended 31 December 2012, the Group recorded revenue of approximately HK\$153.9 million, a 15.7% increase from the approximately HK\$133.1 million as restated in 2011. The increase in revenue mainly resulted from a higher level of interest and investment income and an increase in sales from the medical equipment distribution business.

The Group's net profit for the year increased from approximately HK\$13.2 million in 2011 to approximately HK\$96.0 million in 2012. The increase in net profit for the year was principally due to the fair value gain on financial instruments at fair value through profit or loss of approximately HK\$54.3 million compared with a fair value loss of approximately HK\$9.9 million in 2011. Interest and investment income also increased in the last 12 months.

LETTER FROM THE BOARD

Business Review

Corporate and other

The Group increased its bond portfolio from approximately HK\$405.4 million at 31 December 2011 to approximately HK\$626.4 million at 31 December 2012. Accordingly cash and bank balances reduced from approximately HK\$1,095.7 million at 31 December 2011 to approximately HK\$920.7 million at 31 December 2012. The rebalancing of the mix between bond and cash has the effect of improving the overall interest yield on the Group's liquid resources. This rebalancing was timely as the fair value of certain bonds have increased substantially since their acquisitions. In 2012, the fair value gain on financial instruments at fair value through profit or loss was approximately HK\$54.3 million. Interest and investment income from the portfolio increased from approximately HK\$18.9 million in 2011 to approximately HK\$41.4 million in 2012.

Elderly Care Services – Senior Care

The revenue of Senior Care reduced slightly from approximately HK\$98.3 million in 2011 to approximately HK\$93.9 million in 2012. Occupancy rates in the homes increased from 77.1% at 31 December 2011 to 81.9% at 31 December 2012. The major reason for the reduction in revenue was the closure of the Winfield and Hang Ying Homes in the last quarter of 2012.

The segmental results of Senior Care in both 2012 and 2011 were approximately HK\$0.6 million.

Senior Care struggled with rising labour and rental costs in 2012. Professional healthcare staff are in continual short supply. The leases of both Hang Ying and Winfield Homes were not renewed by the landlords, resulting their closures in October 2012. Senior Care managed to transfer approximately 80 private residents together with 23 residents under the Enhanced Bought Place Scheme (“EBPS”) with the Social Welfare Department (“SWD”) to other Senior Care homes. Senior Care currently operates 4 elderly care homes with 934 beds of which 350 beds are operated pursuant to EBPS contracts.

In the fiscal year 2012/13, the SWD introduced certain measures to partially alleviate the cost burdens faced by elderly home operators. The SWD granted EBPS operators an additional dementia supplement. This allowance enabled us to employ additional professionals to enhance the care for elders with dementia. The SWD has also increased the prices of EBPS beds by 5.7% for the financial year 2012/13.

Medical and aesthetic equipment distribution – LYNX Technology (“LYNX”)

During the year, LYNX generated revenue of approximately HK\$4.6 million with an operating loss of approximately HK\$3.9 million. A comparison of results with 2011 will not be meaningful as LYNX was only set up in July 2011. Most of the product lines of LYNX were recruited in the first quarter of this year. Certain demonstration machines for marketing and promotion arrived in Hong Kong in late June 2012.

New product sourcing was behind schedule because manufacturers took additional time to resolve technical problems on new products.

LETTER FROM THE BOARD

LYNX has struggled to break-even because of difficulties securing product distributorships which can provide recurring revenue.

Financial Resources and Liquidity

As at 31 December 2012, the equity attributable to the owners of the Company amounted to HK\$1,553.1 million, representing an increase of HK\$43.6 million from that of 31 December 2011. For the twelve months ended 31 December 2012, the Company has repurchased and cancelled 2,650,000 ordinary shares for a total consideration of approximately HK\$11.3 million including expenses.

The Group's cash and bank balances amounted to HK\$920.7 million (31 December 2011: HK\$1,095.7 million). It is the Group's objective to ensure there are adequate funds to meet its liquidity requirements in the short and longer term.

To enhance returns to Shareholders, the Group increased its investments in bonds as an alternative to holding bank deposits. The bonds acquired by the Group were either issued for a specific term or perpetual form and will be redeemable on their respective maturity dates or where applicable, callable on fixed call dates.

On 3 April 2012, the Group completed the purchase of 8% guaranteed convertible notes due 2016 in a principal amount of A\$21 million ("FKP Notes") issued by FKP Limited, a company incorporated in Australia and whose shares are listed on the Australian Securities Exchange, for a total consideration of A\$18.9 million. Further details of the acquisition of the FKP Notes are set out in the announcement of the Company dated 16 March 2012.

The value of the Group's bond related investments amounted to HK\$626.4 million as at 31 December 2012 (31 December 2011: HK\$405.4 million). They are classified as financial assets at fair value through profit or loss. The Group has recognised interest and investment income of approximately HK\$41.4 million and a net fair value gain of approximately HK\$54.3 million for its financial instruments at fair value through profit or loss for the twelve months ended 31 December 2012.

Since the Group has no bank and other borrowings, the gearing ratio comparing net debt (borrowings net of cash and bank balances available) to equity was not applicable at 31 December 2012 and 31 December 2011.

LETTER FROM THE BOARD

(2) For the year ended 31 December 2011

The following is the summary of management discussion and analysis principally extracted from the annual report of the AOL Group for the year ended 31 December 2011. Terms and definition used in this section headed “MANAGEMENT DISCUSSION AND ANALYSIS OF THE AOL GROUP” shall bear the same meanings as defined in such annual report.

Financial Review

For the year ended 31 December 2011, the Group recorded revenue from continuing operations of approximately HK\$98.5 million, a 2.3% decrease compared to approximately HK\$100.9 million in 2010. The decrease in revenue mainly resulted from a decline in Senior Care’s elderly home occupancy and the closure of the Kwai Sing elderly home in April 2011.

The Group’s profit for the year from continuing operations increased from approximately HK\$12.7 million in 2010 to approximately HK\$14.7 million in 2011, an increase of approximately 16.4%. The improvement in profit, despite a reduction in revenue and the start-up costs of our new medical equipment division, was mainly due to the increase in interest and investment income. The Group’s interest and investment income derived from the Group’s bond related investments and bank deposits increased from approximately HK\$6.0 million in 2010 to approximately HK\$34.5 million in 2011.

Included under “Other expenses, net” in the Consolidated Statement of Comprehensive Income was a fair value loss on financial assets through profit or loss of approximately HK\$9.9 million. The main reason for the fair value loss was the distribution of approximately HK\$10.6 million from an unlisted security which was included under interest and investment income.

The loss for the year from discontinued operations of approximately HK\$1.5 million represents contractual adjustments to the gain on disposal of the Group’s medical and associated healthcare businesses in late 2010 upon finalisation of the working capital adjustment.

As a result of the aforementioned disposal, the profit for the year attributable to owners of the Company reduced from approximately HK\$1,463.4 million in 2010 to approximately HK\$13.2 million in 2011.

Business Review

Elderly Care Services – Senior Care

Senior Care recorded a drop of 2.5% in income from external customers from approximately HK\$100.9 million in 2010 to approximately HK\$98.3 million in 2011. The decrease in revenue mainly resulted from a decline in Senior Care’s elderly home occupancy and the closure of the Kwai Sing elderly home. Divisional profit decreased from approximately HK\$8.2 million in 2010 to approximately HK\$0.5 million in 2011. The results of Senior Care were adversely affected by the costs associated with the closure of the

LETTER FROM THE BOARD

Kwai Sing Home, the impact of the minimum wage legislation, cost increases in food and supplies and escalations in rent.

Senior Care currently operates 6 elderly care homes with 1,299 beds of which 367 beds are pursuant to the Enhanced Bought Place Scheme (“EBPS”) under contracts with the Social Welfare Department (“SWD”). Occupancy at 31 December 2011 was approximately 77.1%.

The introduction of the minimum wage legislation on 1 May 2011 has increased the salaries of most of our ancillary and personal care workers and caused a one-off additional provision for unutilised annual leave. The expansion of the private sector hospitals has created a surge in demand for physiotherapists and registered and enrolled nurses. This has created a shortage of healthcare professionals in the market and has driven up salaries.

In April 2011, we closed our Kwai Sing Home on the expiry of the lease. The proposed rent increment and escalation in operating costs including food, supplies and wages combined to make continued operation of the home unprofitable.

As most elderly residents are recipients of Comprehensive Social Security Assistance (“CSSA”), it is difficult to pass on fee increases which exceed the inflationary increases as announced by the Government. Notwithstanding this, the SWD has introduced certain measures to partially alleviate the cost burdens faced by elderly home operators for the financial year 2011/12.

The SWD has granted EBPS operators an additional allocation for the dementia supplement. This allowance will enable us to employ additional professional staff, including occupational therapists and social workers, to enhance the care for elders with dementia. The SWD has also increased the monthly purchase price of each of the EBPS A1 bed places for the provision of physiotherapy treatment and rehabilitation training for the elderly by HK\$911 to further enhance the service quality of private residential care homes.

We are pleased that our Hang Ying Home, Tai Wah Home and Tuen Mun Home have all passed the assessment criteria of the “Quality Elderly Service Scheme” awarded by the Hong Kong Productivity Council.

Medical and aesthetic equipment distribution – LYNX Technology (“LYNX”)

In July 2011, the Group established LYNX, a new division which is engaged in the distribution of technologically advanced medical equipment to hospitals, medical centres and other healthcare facilities in Hong Kong and Macau. LYNX also distributes cosmetic laser and skin care products to the aesthetic market. The Group previously operated a medical equipment distribution business for more than a decade until its disposal in 2002 as a result of business restructuring.

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During the year, LYNX generated revenue of approximately HK\$0.2 million with an operating loss of approximately HK\$1.6 million.

During the year, LYNX attended overseas medical exhibitions in Singapore and Germany as one of the channels to source new product lines.

Financial Resources and Liquidity

As at 31 December 2011, the equity attributable to owners of the Company amounted to HK\$1,509.5 million, representing a decrease of HK\$193.7 million from that of 31 December 2010. The decrease was mainly attributable to the payment of special 2010 dividend of approximately HK\$207.0 million in February 2011.

During the year, there was no change in the issued share capital of the Company.

The Group's cash and bank balances amounted to HK\$1,095.7 million (31 December 2010: HK\$1,644.0 million). It is the Group's objective to ensure there are adequate funds to meet its liquidity requirements in the short and longer term.

In view of the very low interest rate environment, the Group has diversified its treasury operations into bond related investments that offer a better return to our shareholders in addition to the holding of bank deposits. These bond related investments are classified as financial assets at fair value through profit or loss.

The debt securities acquired by the Group were issued by reputable institutions in Hong Kong and China which are either issued for a specific term or perpetual form and will be redeemable on their respective maturity dates or where applicable, callable on fixed call dates.

The value of the Group's bond related investments amounted to HK\$405.4 million as at 31 December 2011 (31 December 2010: HK\$64.5 million). The Group has recognised a net gain (interest and investment income net of fair value losses) of approximately HK\$9.0 million from its financial assets at fair value through profit or loss for the year 2011.

Since the Group has no bank and other borrowings, the gearing ratio comparing net debt (borrowings net of cash and bank balances available) to equity was not applicable at 31 December 2011 and 31 December 2010.

LETTER FROM THE BOARD

FINANCIAL EFFECT OF THE SHARE TRANSACTION AND INTENDED USE OF PROCEEDS

The financial effect of the Share Transaction on the earnings, assets and liabilities of the Group are set out below.

Earnings

Based on the Share Consideration of HK\$1,473,563,853, the carrying value of the investment in AOL of approximately HK\$1,152,498,000 on the unaudited consolidated financial statements of APL as at 30 June 2013 and estimated stamp duty of HK\$1,430,687, the gain to be accrued to APL (before legal and professional fee and tax) will be approximately HK\$319,635,000.

The gain attributable to the Company would be approximately HK\$239,694,000 which is derived on the basis of gain of HK\$319,635,000 attributable to APL and adjusted for non-controlling interests in APL of approximately HK\$79,941,000.

Assets and Liabilities

Upon Share Completion, the total assets of the Group would be decreased by approximately HK\$112,600,000 and the total liabilities of the Group would be decreased by approximately HK\$16,000,000, based on the unaudited consolidated financial statements of the Group for the period ended 30 June 2013.

Upon Share Completion, non-controlling interests of the Group would be decreased by approximately HK\$336,300,000 based on the unaudited consolidated financial statements of the Group for the period ended 30 June 2013.

The actual financial effect from the Share Transaction will be computed basing on the financial information of AOL Group as at Share Completion.

APL intends to apply the proceeds of the Share Consideration for repayment of borrowings and as working capital.

THE PROJECT ACQUISITION AGREEMENT

Date

15 October 2013

Parties

Vendor: Sheng Bang

Purchaser: AOL

Vendor Guarantor: Mr. Zhou

LETTER FROM THE BOARD

To the best of knowledge, information and belief of the Directors having made all reasonable enquiries, Sheng Bang and Mr. Zhou are third parties independent of the Company and its respective connected persons.

Sheng Bang acknowledges that, in entering into the Project Acquisition Agreement, AOL is relying on such warranties and undertakings given by Sheng Bang which have also been given as representations and with the intention of inducing AOL to enter into the Project Acquisition Agreement.

Subject matters

Pursuant to the Project Acquisition Agreement, the asset to be acquired by AOL comprises the Project Acquisition Share, representing the entire equity interest in Skyleaf.

The major asset held by Skyleaf is its holding of the entire equity interest in SkyOcean International, which holds the entire equity interest in SkyOcean Real Estate. SkyOcean Real Estate holds the interest in the Land and the Project, and the entire equity interest in Tangshan Management.

Further details of the Skyleaf Group and the Land are set out in the paragraph headed “Information on the Skyleaf Group” below.

The Project Acquisition Consideration

Pursuant to the Project Acquisition Agreement, the Project Acquisition Consideration is HK\$450,000,000.

The Project Acquisition Consideration shall be paid by AOL to SkyOcean by way of cashier order(s) drawn on a licensed bank in Hong Kong. The Project Acquisition Consideration was determined after arm’s length negotiation between AOL and Sheng Bang mainly with reference to (i) the estimated market value of the Project as at 31 August 2013 of RMB1,148,900,000 (equivalent to approximately HK\$1,441,870,000); (ii) capital contribution by Mr. Zhou into SkyOcean International in the amount of US\$8.22 million (equivalent to approximately HK\$64,116,000) on 4 September 2013; (iii) total assets of the SkyOcean International Group (excluding its properties under development for sale) as at 30 June 2013 in the amount of RMB23,159,000 (equivalent to approximately HK\$29,074,000); (iv) the total liabilities of the SkyOcean International Group as at 30 June 2013 in the amount of RMB767,941,000 (equivalent to approximately HK\$964,084,000); and (v) additional costs incurred in the Project for the two months ended 31 August 2013 of approximately RMB74,247,000 (equivalent to approximately HK\$93,180,000).

The said estimated valuation is based on the draft valuation report from Savills as per AOL’s appointment. The estimated valuation of each of the properties held by the Skyleaf Group is Savills’ opinion of the market value as at 31 August 2013.

LETTER FROM THE BOARD

For the property held by the Skyleaf Group under development in the PRC, Savills has valued the property on the basis that it will be developed and completed in accordance with the latest development proposal provided by the Skyleaf Group. In arriving at its opinion of value, it is assumed that approvals for the proposal have been or will be granted without onerous conditions. Savills has adopted the direct comparison approach by making reference to the comparable sales evidence as available in the relevant markets and has also taken into account the construction costs that will be expended to complete the development to reflect the quality of the completed development.

For the properties held by the Skyleaf Group for future development in the PRC, Savills has valued the properties by direct comparison approach by making reference to the comparable market transactions as available in the market assuming sale with the benefit of vacant possession.

AOL will fund the Project Acquisition Consideration by internal resources.

Conditions Precedent

Project Acquisition Completion is subject to the following conditions being fulfilled or waived (as the case may be):

- (i) AOL having within 4 weeks from the date of the Project Acquisition Agreement completed the due diligence on each member of the Skyleaf Group and being reasonably satisfied that the unaudited consolidated net asset value of Skyleaf as at 31 August 2013 is not less than HK\$450,000,000 which is determined based on the unaudited consolidated balance sheet as at 30 June 2013 and unaudited consolidated profit and loss statement for the period from 19 August 2010 to 30 June 2013 of the SkyOcean International Group as adjusted for the capital contribution by Mr. Zhou into SkyOcean International in the amount of US\$8.22 million on 4 September 2013 and the estimated market value of the Project;
- (ii) AOL having obtained a legal opinion prepared by its PRC legal adviser in form and substance to the reasonable satisfaction of AOL on SkyOcean Real Estate, Tangshan Management and the Land;
- (iii) the passing by the shareholders of each of (i) AOL (other than those who are required to abstain from voting under the Listing Rules or other applicable laws and regulations); (ii) APL (if required) of the requisite resolution(s) to approve the Project Acquisition Agreement and the transactions contemplated thereunder; and (iii) the Company (if required) of the requisite resolution(s) to approve the Project Acquisition Agreement and the transactions contemplated thereunder;
- (iv) the warranties in the Project Acquisition Agreement being true and accurate in all respects and not misleading as of the date of the Project Acquisition Agreement and as at Project Acquisition Completion and as if given at all times between the date of the Project Acquisition Agreement and the Project Acquisition Completion;

LETTER FROM THE BOARD

- (v) the passing by the shareholders of AOL (other than those who are required to abstain from voting under the Listing Rules or other applicable laws and regulations) of the requisite resolution(s) to approve (if required) the continuing connected transactions comprising the existing loans from Mr. Zhou or companies beneficially owned by him to the Skyleaf Group and the financial assistance provided by the Skyleaf Group in favour of Mr. Zhou or companies beneficially owned by him;
- (vi) the conditions precedent under the Share Agreement having been fulfilled or waived (save for the condition requiring the Project Acquisition Agreement to become unconditional and the condition requiring the completion of the Share Agreement and the Project Acquisition Agreement to take place simultaneously); and
- (vii) the completion of the Share Agreement taking place in accordance with its terms simultaneously with the Project Acquisition Completion.

AOL may waive the above conditions (except for the conditions set out in paragraphs (iii), (v), (vi) and (vii) above). Neither AOL nor Sheng Bang may waive any of the conditions set out in paragraphs (iii), (v), (vi) and (vii) above.

If any of the above conditions is not satisfied or waived (as the case may be) on or before 31 January 2014 or such other date as the parties to the Project Acquisition Agreement may agree in writing, the Project Acquisition Agreement shall terminate and neither party shall have any further obligations towards the other thereunder except for antecedent breach.

As at the Latest Practicable Date, the condition precedent set out in paragraph (i) above has been met to the satisfaction of the AOL Board.

Project Acquisition Completion

Subject to the fulfilment or waiver (as the case may be) of the above conditions, the Project Acquisition Completion will take place on the Share Completion Date. Upon Project Acquisition Completion, each of the members of the Skyleaf Group will become a wholly-owned subsidiary of AOL and the financial results thereof will be consolidated into the accounts of the AOL Group.

Vendor Guarantee

In consideration of AOL entering into the Project Acquisition Agreement, Mr. Zhou unconditionally and irrevocably guarantees to AOL the due and punctual performance and observance by Sheng Bang of all its obligations, commitments, undertakings, warranties, indemnities and covenants under or pursuant to the Project Acquisition Agreement and agrees to indemnify AOL against all losses (including legal costs and expenses) which AOL may suffer through or arising from any breach by Sheng Bang of its obligations, commitments, warranties, undertakings, indemnities or covenants.

LETTER FROM THE BOARD

If and whenever Sheng Bang defaults for any reason whatsoever in the performance of any obligation or liability or indemnity undertaken or expressed to be undertaken by Sheng Bang under or pursuant to the Project Acquisition Agreement, Mr. Zhou shall forthwith upon demand unconditionally perform (or procure performance of) and satisfy (or procure the satisfaction of) the obligation or liability or indemnity in regard to which such default has been made in the manner prescribed by the Project Acquisition Agreement and so that the same benefits shall be conferred on AOL as it would have received if such obligation or liability or indemnity had been duly performed and satisfied by Sheng Bang.

INFORMATION ON THE SKYLEAF GROUP

The Skyleaf Group

As advised by Sheng Bang, Skyleaf is an investment holding company incorporated in the BVI with limited liability on 8 August 2013 and is wholly owned by Sheng Bang. Its principal asset is its investment in SkyOcean International, an investment holding company incorporated in Hong Kong with limited liability on 19 August 2010 which holds 100% equity interest in SkyOcean Real Estate.

As advised by Sheng Bang, SkyOcean Real Estate was established in the PRC on 12 December 2011 as a wholly foreign-owned enterprise. SkyOcean Real Estate has a registered capital of US\$25.1 million and paid-up capital of US\$25.1 million. Mr. Zhou is the legal representative of SkyOcean Real Estate. SkyOcean Real Estate holds the interest in the Land and the Project and its scope of operations includes the development, construction, operation and property management of residential property and ancillary commercial facilities on the Land.

As advised by Sheng Bang, Tangshan Management was established in the PRC on 8 May 2013 as a company with limited liability. Tangshan Management has a registered capital of RMB5 million and paid-up capital of RMB5 million. Mr. Zhou is the legal representative of Tangshan Management. Its intended business is property management, but it has not yet commenced business as at the Latest Practicable Date.

The Land and the Project

The Land is located in Qian'an city bound in the west by Yanshan Avenue, in the east by Fengqing Road, in the south by Huichang Street and in the north by Huixing Street and comprises five parcels of land with a total site area of approximately 202,000 square metres. Based on the information provided by Sheng Bang, the commercial project (phase 1) of the "4th Generation Skyocean City", which involves two parcels of land with a total site area of approximately 106,000 square metres, a planned gross building area of approximately 163,000 square metres and six commercial buildings, is currently under development. The development of phase 2 and phase 3 of the "4th Generation Skyocean City", comprising 1 and 2 commercial/apartment buildings respectively, will commence in 2014 and 2016 respectively. As the Construction Work Planning Permits obtained by SkyOcean Real Estate allow it to develop a total of 25 buildings, SkyOcean Real Estate will review the market demand and conditions and determine the development schedule of the remaining buildings in due course.

LETTER FROM THE BOARD

As advised by Sheng Bang, as at 31 August 2013, the total capital commitment in respect of phases 1 to 3 of the “4th Generation Skyocean City” was approximately RMB649 million while the total capital expenditure will amount to approximately RMB1,563 million. SkyOcean Real Estate funds the construction cost with its internal resources and borrowings and will also apply part of the sales proceeds from the sale of phase 1 towards the construction cost of phases 2 and 3 of the “4th Generation Skyocean City”.

As advised by Sheng Bang, internal decoration work is currently underway and application will be made in due course for the construction completion certificates in respect of the six commercial buildings in phase 1 of the Project. Subject to the issuance of the construction completion certificates, final inspection of phase 1 of the Project is expected to take place in the second quarter of 2014 and sale is expected to commence towards the end of 2014. Completion of phases 2 and 3 is expected to take place in 2015 and 2016 respectively.

Financial Information of SkyOcean International Group

Based on the information provided by SkyOcean International, the consolidated net loss (before taxation) of SkyOcean International for the period from 19 August 2010 (being the date of incorporation of SkyOcean International) to 31 December 2010, the two years ended 31 December 2012 and the six months ended 30 June 2013 was nil, approximately RMB31,000, RMB12.4 million and RMB5.2 million respectively, while the consolidated net loss (after taxation) of SkyOcean International was nil, approximately RMB31,000, RMB9.4 million and RMB4 million during the same periods.

The consolidated net asset value of SkyOcean International as at 30 June 2013 was RMB94.8 million.

Skyleaf was incorporated on 8 August 2013 and is therefore not covered above.

The Share Agreement and the Project Acquisition Agreement are inter-conditional with each other. Share Completion is intended to take place simultaneously with Project Acquisition Completion.

INFORMATION ON THE COMPANY, APL, AOL, WAH CHEONG, SKYOCEAN, SHENG BANG AND MR. ZHOU

(1) The Company

The Company is incorporated in Hong Kong with limited liability, the shares of which are listed on the main board of the Stock Exchange. As at the Latest Practicable Date, the Company is beneficially owned as to approximately 68.14% by Lee and Lee Trust. Mr. Lee Seng Hui, Ms. Lee Su Hwei and Mr. Lee Seng Huang are the trustees of Lee and Lee Trust.

The principal business activity of the Company is investment holding. The principal business activities of its major subsidiaries are property investment and development, hospitality related activities, the provision of financial services, the provision of elderly care services, medical and aesthetic equipment distribution and investments in listed and unlisted securities.

LETTER FROM THE BOARD

(2) APL

APL 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 APL is investment holding. The principal business activities of its major subsidiaries are property investment and development, hospitality related activities, the provision of financial services, the provision of elderly care services, medical and aesthetic equipment distribution and investments in listed and unlisted securities.

As at the Latest Practicable Date, APL is beneficially owned as to approximately 74.99% by the Company.

(3) AOL

AOL is a company incorporated in Bermuda with limited liability, the securities of which are listed on the main board of the Stock Exchange.

The principal activities of the AOL Group are the provision of elderly care services, medical equipment distribution and investments.

As at the Latest Practicable Date, AOL is beneficially owned as to approximately 74.52% by APL.

(4) Wah Cheong

Wah Cheong, a company incorporated under the laws of the BVI with limited liability, is an indirect wholly-owned subsidiary of APL. Its principal business activity is investment holding.

(5) SkyOcean

Based on the information provided by SkyOcean, SkyOcean is a company incorporated under the laws of the BVI with limited liability on 12 August 2013. It is an investment holding company and is beneficially owned as to 80% by Mr. Zhou and 20% by Ms. Zhou Jin, a younger sister of Mr. Zhou.

(6) Sheng Bang

Based on the information provided by Sheng Bang, Sheng Bang is a company incorporated under the laws of the BVI with limited liability, is beneficially wholly-owned by Mr. Zhou. The principal activity of Sheng Bang is investment holding.

(7) Mr. Zhou

Based on the information provided by Mr. Zhou, Mr. Zhou, aged 42, is the sole beneficial owner and sole director of Sheng Bang. Mr. Zhou has working experience primarily in the property development, commercial retail and financial investment industries in the PRC. He is currently a shareholder, chairman and president of SkyOcean Holdings Co., Ltd.[#] (天洋控股有限公司), a company established in the PRC and is principally engaged in property development, commercial retail, financial investments and cultural industry.

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF THE TRANSACTIONS FOR THE COMPANY

AOL has been a long term investment for APL. However, the Directors consider the sale prices for the Sale Shares and the Sale Warrants achieved pursuant to the Share Transaction are sufficiently attractive that APL should take the opportunity to realise a capital gain on its AOL investment. The proceeds from the Share Transaction will strengthen the financial position of the Company and APL and enhance their cashflow.

AOL Group is principally engaged in the business of elderly care services, medical equipment distribution and investments. Since the disposal of the healthcare business in 2010, AOL has distributed approximately HK\$337.2 million dividends to AOL Shareholders, and has been identifying investments for the deployment of its surplus cash, including investments in bonds. AOL Group's investment in bonds benefited from the easing monetary policies in the United States in 2012, but the wavering monetary policies of the United States in 2013 created volatility in the AOL Group's bond value. The AOL Board is of the opinion that the Project Acquisition Agreement will enable AOL to engage in a new business sector namely the property development business and therefore expand its current business portfolio which is expected to potentially result in a new income stream for the AOL Group. Upon Project Acquisition Completion, the existing business of the AOL Group will be complemented by a property development business.

Having considered the above-mentioned factors, the Board concur and accept the view of the AOL Board and is of the view that the terms of each of the Share Agreement and the Project Acquisition Agreement are fair and reasonable and that the transactions contemplated under the Share Agreement and the Project Acquisition Agreement are in the interests of the Shareholders as a whole.

LISTING RULES IMPLICATIONS

Share Transaction

As one or more applicable percentage ratio(s) in respect of the Share Transaction is more than 25% but is less than 75%, the Share Transaction constitutes a major transaction for the Company under Chapter 14 of the Listing Rules.

Project Acquisition Transaction

As one or more applicable percentage ratio(s) in respect of the Project Acquisition Transaction is more than 5% but is less than 25%, the Project Acquisition Transaction constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

Pursuant to Rule 14.24 of the Listing Rules, since the Share Transaction and the Project Acquisition Transaction are inter-conditional, they will be regarded as one transaction involving both an acquisition and a disposal. The transaction will be classified by reference to the larger of the percentage ratios of the Share Transaction or the Project Acquisition Transaction, being a major transaction, and subject to the reporting, disclosure and/or shareholder approval requirements applicable to the major transaction. In relation to this circular, each of the Share Transaction and Project Acquisition Transaction will be subject to the content requirements applicable to their respective transaction classification.

LETTER FROM THE BOARD

WRITTEN SHAREHOLDER'S APPROVAL

Save Lee and Lee Trust's deemed interest through the Company, and that Mr. Chen Yue Jia, James, the spouse of Ms. Lee Su Hwei who is one of the trustees of Lee and Lee Trust, is interested in 400,000 AOL Shares and 80,000 units of Warrants, Lee and Lee Trust and its associates have not maintained any direct/indirect interest in APL and AOL respectively. Although Lee and Lee Trust is deemed to be interested in APL and AOL through the interests it holds in the Company and Mr. Chen Yue Jia, James has shareholding and warrant interest, and APL is a party to the Share Transaction, it does not confer upon Lee and Lee Trust or its associates a benefit (whether economic or otherwise) not available to the other Shareholders on the basis that:-

- (a) the Share Transaction, if completed in accordance with the terms and conditions thereof, will trigger the obligation of SkyOcean, being the purchaser in the Share Transaction, to make a mandatory unconditional general offer in cash for all the Offer Shares pursuant to Rule 26.1 of the Takeovers Code;
- (b) pursuant to Rule 13.5 of the Takeovers Code, SkyOcean will also make the Warrant Offer to the holders of the outstanding Warrants in the period prior to the close of the Share Offer; and
- (c) the price per Sale Share and the price per Sale Warrant are the same as the Offer price per Share under the Share Offer and Offer price per Warrant under the Warrant Offer respectively.

Accordingly, since the interests of Lee and Lee Trust and its associates and other Shareholders are in line, Lee and Lee Trust does not have a material interest in the Share Transaction which will require it to abstain from voting on the relevant resolutions on the Project Acquisition Transaction.

Based on the advice of the AOL Board, the Directors consider that the terms of the Share Agreement and the Project Acquisition Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors would recommend the Shareholders to vote in favour of the resolution approving the Share Transaction and Project Acquisition Transaction if a physical general meeting were to be convened.

The Company received on 30 October 2013 a written approval of the Share Agreement and the Project Acquisition Agreement and the transactions contemplated thereunder from trustees of, and companies controlled by trustees for, Lee and Lee Trust, which held approximately 68.14% of the issued share capital of the Company as at the Latest Practicable Date giving the right to attend and vote at general meetings of the Company and no Shareholder is required to abstain from voting on the resolution(s) to be proposed at the extraordinary general meeting to approve the Share Transaction and the Project Acquisition Transaction. Accordingly, no general meeting for the Shareholders' approval of the Share Transaction and the Project Acquisition Transaction will be held pursuant to Rule 14.44 of the Listing Rules.

LETTER FROM THE BOARD

Shareholders and potential investors should note that the Share Transaction and the Project Acquisition Transaction may or may not proceed as each of them is subject to a number of conditions, which may or may not be fulfilled. Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

ADDITIONAL INFORMATION

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

Yours faithfully,
For and on behalf of the Board
Allied Group Limited
Edwin Lo King Yau
Executive Director

INDEBTEDNESS

At the close of business on 31 October 2013, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had outstanding borrowings of approximately HK\$11,067.1 million, comprising secured and guaranteed bank loans of approximately HK\$1,956.1 million, unsecured and guaranteed bank loans of approximately HK\$238.7 million, unsecured and unguaranteed bank loans of HK\$5,241.0 million, secured and unguaranteed bonds of approximately HK\$137.0 million, unsecured and guaranteed notes of approximately HK\$3,461.9 million and unsecured and unguaranteed other borrowings of approximately HK\$32.4 million. The Group's secured borrowings were secured by charges over its assets, including investment properties, hotel property, land and buildings, properties held for sale, bank deposits and bank balances, listed investments belonging to the Group and margin clients together with certain securities in respect of a listed subsidiary held by the Group. In addition, the secured and unguaranteed bonds were asset-backed by Renminbi bonds held by the Group which are issued by a Singapore listed company.

In addition, the Group had contingent liabilities in the sum of approximately HK\$4.5 million representing indemnities on banking guarantees made available to a clearing house and regulatory body. The Group has also entered into a tax deed to indemnify the purchaser of some former subsidiaries for their tax liabilities prior to completion of the disposal of those subsidiaries. The valid period for claims under the tax deed is seven years from completion on 30 November 2010.

Foreign currency amounts have been translated into Hong Kong dollars at the rates of exchange prevailing at the close of business on 31 October 2013.

Save as aforesaid and apart from intra-group liabilities, the Group did not have any outstanding mortgages, charges, debentures, other loan capital, bank overdrafts, loans or other similar indebtedness, hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities at the close of business on 31 October 2013.

WORKING CAPITAL

The Directors are of the opinion that, after taking into account the effect of the Share Transaction and the financial resources available to the Group including the available credit facilities and the internally generated funds, the Group has sufficient working capital to satisfy its requirements for at least the next 12 months following the date of this circular in the absence of unforeseen circumstances.

FINANCIAL AND TRADING PROSPECTS

Upon completion of the Share Transaction and the Project Acquisition Transaction, AOL Group will be disposed of and its results and assets and liabilities will be de-consolidated from APL and consequently the Company. Accordingly, the elderly care services segment will be discontinued. The proceeds from the Share Transaction will strengthen the financial position of APL and the Group and enhance the cashflow. The financial effect of the Share Transaction on the earnings, assets and liabilities of the Group are set out on page 22. Apart from the above, there are no material changes to Group's businesses and financial position.

The AOL Group*Existing Business of the AOL Group*

As disclosed in the annual report of AOL for the year ended 31 December 2012, the operating environment of the AOL Group's elderly care services business is difficult as the introduction of the new minimum wage legislation increases the salaries of most of its ancillary and personal care workers. The tenancy agreements of two of the AOL Group's elderly care homes were renewed in the second half of 2013 with rent increases of 20% and 37.5% respectively. The statutory minimum wage increased from \$28 to \$30 per hour with effect from 1 May 2013. The full year effect of the escalated rentals together with the increase in staff costs narrows our operating margin going forward as it is unlikely that the AOL Group will be able to pass the increase in costs fully onto residents of the AOL Group's elderly care homes. The AOL Group's medical equipment distribution business also faces challenges as a number of private hospitals have curtailed their expansion plan and withheld new capital expenditure. Its medical equipment distribution business may be gradually wound down in view of its negligible revenue. The AOL Group's investment in bonds benefited from the easing monetary policies in the United States in 2012, but the wavering monetary policies of the United States in 2013 created volatility in the AOL Group's bond value. A detailed review of the operations and investment portfolio of AOL will be conducted within 2014 with a view to developing a sustainable corporate strategy to broaden its income stream, which may include rebalancing the resources of AOL should appropriate opportunities arise.

Property Development Business

Upon Project Acquisition Completion, AOL and its subsidiaries (including Skyleaf Group) (the "AOL Enlarged Group") will engage in developing the commercial project of the "4th Generation Skyocean City" in Qian'an city, Hebei Province, the PRC. The "4th Generation Skyocean City" urban complex project includes development of the multi-functional urban complex on the Land for commercial, office, apartment, tourism, cultural, dining, entertainment and shopping purposes, including a shopping centre, a commercial zone, a special amusement park, offices, restaurants area and apartment units.

Based on the information provided by SkyOcean, phase 1 of the Project involves two parcels of land with a total site area of approximately 106,000 square metres, a planned gross building area of approximately 163,000 square metres and six commercial buildings. Internal decoration work is currently underway and final inspection of phase 1 of the Project is expected to take place in the second quarter of 2014. It is currently expected that the development will commence to generate revenue in 2014, primarily through sale of the properties towards the end of the year. Since

commercial properties with tenancies are generally more marketable to potential purchasers, SkyOcean Real Estate plans to seek tenants for its commercial properties before sale and it is expected that this will generate some rental income for the AOL Enlarged Group.

The Group

Broking and finance

The remainder of 2013 and the year 2014 are anticipated to remain challenging. The uncertainty on how and when the US Federal Reserve will reduce its quantitative easing measures continues to exercise pressure on global financial markets. SHK, the Group's broking and finance arm, will continue its strategy of transforming itself into a wealth management firm providing independent and one stop shop services to its clients.

Consumer finance

It is expected that the competition will remain keen in Hong Kong, whereas the economic conditions in the PRC will become more challenging. United Asia Finance Limited, a subsidiary of the Company, will continue to focus on consumer loans in both Hong Kong and the PRC and it will continue to pursue new money lending licenses in the cities of the PRC with potential and expand its branch network presence within the existing cities.

Properties

The mainland government is still concerned with the perceived high property prices and it is expected that the tightening measures will not be relaxed in the short run. Tian An China Investments Company Limited, the Company's listed associate, will continue the development of high-end apartments, villas, office buildings and commercial properties, as well as property investment and property management. Tian An China Investments Company Limited remains confident about the longer term prospects of the property market in the PRC. We are of the view that the local property market may consolidate at the present level under the influence of various measures to be implemented by the government.

In such an environment, the market sentiment will remain cautious. The Board will continue to adopt a prudent approach in implementing the Group's stated strategies with the backing of the Group's stable financial position and diversified income streams for the benefit of the Group and all its shareholders.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS**(a) Directors' Interests**

Save as disclosed below, as at the Latest Practicable Date, none of the Directors, the chief executive of the Company nor their associates, had any other interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Director or the chief executive of the Company is taken or deemed to have under such provisions of the SFO); or which (b) were required to be entered into the register maintained by the Company, pursuant to Section 352 of the SFO; or which (c) were required to be notified to the Company and the Stock Exchange, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules:

Name of Directors	Name of companies	Number of shares and underlying shares held	Approximate % of the relevant issued share capital	Nature of interests
Lee Seng Hui	the Company	125,257,413	68.16%	Personal interests (held as beneficial owner) in 22,921 Shares and other interests in 125,234,492 Shares (<i>Note 1</i>)
Lee Su Hwei	the Company	125,234,492	68.14%	Other interests (<i>Note 1</i>)
Mak Pak Hung	SHK (<i>Note 2</i>)	5,000	0.00%	Personal interests (5,000 shares held as beneficial owner) (<i>Note 3</i>)

Notes:

1. Mr. Lee Seng Hui and Ms. Lee Su Hwei are the trustees of Lee and Lee Trust, being a discretionary trust which indirectly held 125,234,492 Shares.
2. SHK is an indirect non wholly-owned subsidiary of APL which in turn is a non wholly-owned subsidiary of the Company. Therefore, SHK is an associated corporation of the Company within the meaning of Part XV of the SFO.
3. This represents the remaining one-third of the deemed interest in 15,000 shares of SHK duly granted to Mr. Mak Pak Hung on 28 April 2008 under the SHK Employee Ownership Scheme and the shares of SHK were vested and became unrestricted from 15 April 2011.
4. All interests stated above represent long positions.

(b) Substantial Shareholders' Interests

Save as disclosed below and in paragraph (a) above, so far as was known to any Director or chief executive of the Company, the following persons, as at the Latest Practicable Date, had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Shareholders	Number of Shares held	Approximate % of the relevant issued share capital	Notes
Cashplus Management Limited ("Cashplus")	48,389,800	26.87%	–
Zealous Developments Limited ("Zealous")	48,389,800	26.87%	1, 2
Minty Hongkong Limited ("Minty")	75,844,692	41.27%	–
Lee and Lee Trust	125,234,492	68.14%	3, 4

Notes:

1. This represents the same interest of Cashplus in 48,389,800 Shares.
2. Cashplus is a wholly-owned subsidiary of Zealous. Zealous was therefore deemed to have an interest in the shares in which Cashplus was interested.
3. Minty and Zealous are wholly-owned by the trustees of Lee and Lee Trust, being a discretionary trust.
4. Mr. Lee Seng Hui and Ms. Lee Su Hwei, both Directors, together with Mr. Lee Seng Huang are the trustees of Lee and Lee Trust, being a discretionary trust, and were therefore deemed to have an interest in the shares in which Minty and Zealous were interested.
5. All interests stated above represent long positions.

3. DIRECTORS' SERVICE CONTRACTS

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

4. DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at the Latest Practicable Date, so far as the Directors were aware, the following Directors (not being the independent non-executive directors) were considered to have interests in businesses apart from the Group's businesses which compete, or are likely to compete with the businesses of the Group pursuant to Rule 8.10 of the Listing Rules as set out below:

- (i) Messrs. Arthur George Dew and Lee Seng Hui are directors of APL which, through certain of its subsidiaries and associates, is partly engaged in the business of money lending and is partly involved in the investment and trading in securities in the resources and related industries and financial instruments;
- (ii) Mr. Lee Seng Hui and Ms. Lee Su Hwei are two of the trustees of Lee and Lee Trust which is a deemed substantial shareholder of each of APL, SHK, SHK Hong Kong Industries Limited ("SHK HK IND"), AOL and Tian An China Investments Company Limited ("Tian An"), an associate of the Company, which, through their subsidiaries, are partly engaged in the businesses as follows:
 - APL, through a subsidiary, is partly engaged in the business of money lending;
 - APL, through certain of its subsidiaries and associates, is partly involved in the investment and trading in securities in the resources and related industries and financial instruments;
 - SHK, through certain of its subsidiaries, is partly engaged in the businesses of money lending and property investment;
 - SHK HK IND and AOL, through certain of their subsidiaries, are partly involved in investment in financial instruments; and
 - Tian An, through certain of its subsidiaries, is partly engaged in the businesses of money lending, property development and investment;
- (iii) Mr. Lee Seng Hui is a director of Allied Kajima Limited which, through certain of its subsidiaries, is partly engaged in the businesses of property rental and hospitality related activities;

- (iv) Messrs. Lee Seng Hui and Edwin Lo King Yau are directors of Tian An which, through certain of its subsidiaries, is partly engaged in the businesses of money lending, property development and investment;
- (v) Mr. Lee Seng Hui is a director of each of APAC Resources Limited and Mount Gibson Iron Limited which, through certain of their subsidiaries, are partly involved in the investment and trading in listed securities in the resources and related industries;
- (vi) Mr. Arthur George Dew is a director of each of SHK HK IND and AOL which, through certain of their subsidiaries, are partly involved in the investment in financial instruments; and
- (vii) Mr. Arthur George Dew is a non-executive director of Tanami Gold NL (“Tanami Gold”) and a non-executive director of Eurogold Limited, both of which, through certain of their subsidiaries, are partly involved in the investment and trading in listed securities in the resources and related industries.

Although the above-mentioned Directors had competing interests in other companies by virtue of their respective common directorship, they would fulfil their fiduciary duties in order to ensure that they would act in the best interest of the Shareholders and the Company as a whole at all times. Hence, the Group is capable of carrying on its businesses independently of, and at arm’s length from, the businesses of such companies.

5. DIRECTORS’ INTERESTS IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, there was no contract or arrangement subsisting in which any Director was materially interested and which was significant in relation to the business of the Group.

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 31 December 2012 (being the date to which the latest published audited consolidated accounts of the Group were made up), (i) acquired or disposed of by; or (ii) leased to; or (iii) proposed to be acquired or disposed of by; or (iv) proposed to be leased to, any member of the Group.

6. LITIGATION

As at the Latest Practicable Date, the Directors were not aware of any litigation or claims of material importance which were pending or threatened against any members of the Group.

7. MATERIAL CONTRACTS

Save and except the transactions disclosed below, there were no material contracts (being contracts entered outside the ordinary course of business carried on by the Group) having been entered into by any member of the Group within the two years preceding the Latest Practicable Date:

- (a) the Share Agreement;
- (b) the Project Acquisition Agreement;
- (c) an underwriting agreement (“Underwriting Agreement”) dated 14 November 2013 entered into between Allied Properties Resources Limited (“APRL”), an indirect wholly-owned subsidiary of the Company, and Tanami Gold NL (“Tanami Gold”), a company domiciled in Australia and whose securities are listed on the Australian Securities Exchange, pursuant to which, APRL agreed to, among other things, underwrite the subscription and sale of 444,729,789 shares of Tanami Gold, with a maximum amount of A\$11,750,970 (equivalent to approximately HK\$85,430,000) payable by APRL being the application monies for APRL to acquire all the 444,729,789 shares of Tanami Gold together with its own entitlement of 142,818,734 shares of Tanami Gold due to its own direct shareholding in Tanami Gold. Details of Underwriting Agreement were set out in the joint announcement of the Company and APL dated 14 November 2013;
- (d) a sub-underwriting agreement (“Sub-underwriting Agreement”) dated 1 February 2013 entered into between APRL, an indirect wholly-owned subsidiary of the Company, and Patersons Securities Limited, pursuant to which, APRL agreed to, among other things, sub-underwrite up to 125,000,000 shares of Tanami Gold, in an aggregate amount of A\$25,000,000 in the event of a shortfall to the subscription under the rights issue of Tanami Gold. Details of Sub-underwriting Agreement were set out in the joint announcement of the Company and APL dated 1 February 2013;
- (e) a facility agreement (“Facility Agreement”) dated 2 January 2013 entered into between Sun Hung Kai Structured Finance Limited (“SHKSFL”), Sun Hung Kai Investment Services Limited (“SHKISL”) (both SHKSFL and SHKISL are indirect non wholly-owned subsidiaries of the Company) and Asia Financial Services Company Limited (“AFSCL”), pursuant to which, SHKSFL agreed to make available to AFSCL a secured term facility of HK\$600,000,000 at the fixed interest rate of 6.5% per annum for a term of 48 months. Details of the Facility Agreement were set out in the joint announcement of the Company, APL and SHK dated 2 January 2013 and circular of each of the Company, APL and SHK dated 23 January 2013;
- (f) a director’s service agreement dated 9 May 2012 entered into between United Asia Finance Limited (“UA Finance”), an indirect non wholly-owned subsidiary of the Company, and Mr. Akihiro Nagahara (“Mr. Nagahara”) in relation to the director’s service of Mr. Nagahara and UA Finance granting an option to Mr. Nagahara for provision of service, details of which were set out in the joint announcement of the

Company, APL and SHK dated 9 May 2012 and circular of each of the Company, APL and SHK dated 29 June 2012;

- (g) an agreement (“Agreement”) dated 16 March 2012 entered into between Attractive Gain and Action Best Limited, pursuant to which, Attractive Gain conditionally agreed to purchase the 8% guaranteed convertible notes due 2016 in a principal amount of A\$21 million issued by FKP Limited, a company incorporated in Australia and whose shares are listed on the Australian Securities Exchange at a total consideration of A\$18.9 million. Details of the Agreement were set out in the announcement of AOL dated 16 March 2012; and
- (h) a deed of indemnity dated 4 December 2013 made among Mr. Zhou, Sheng Bang and AOL, pursuant to which Mr. Zhou and Sheng Bang agreed to jointly and severally indemnify and keep indemnified fully AOL (for itself and each member of the AOL Group) any losses, liabilities and damages that may be suffered by any member of the AOL Group in relation to three parcels of the Land.

8. GENERAL

- (a) The registered office of the Company is 22nd Floor, Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong.
- (b) The share registrar of the Company is Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong.
- (c) The company secretary of the Company is Ms. Cho Wing Han. She is an associate member of The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.
- (d) This circular is prepared in both English and Chinese. In the event of inconsistency, the English text shall prevail.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Messrs. P. C. Woo & Co. at 12th Floor, Prince’s Building, 10 Chater Road, Central, Hong Kong during normal business hours on any Business Day from the date of this circular up to 14 days thereafter:

- (a) the memorandum and articles of association of the Company;
- (b) the material contracts referred to in the section headed “Material Contracts” in this appendix;
- (c) the respective annual reports of the Company for the years ended 31 December 2011 and 31 December 2012; and
- (d) this circular and any circular issued since the date of the latest published audited accounts (if any).