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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**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)**

**DISCLOSEABLE TRANSACTION  
AND  
CONNECTED TRANSACTION**

**Independent Financial Adviser to the Independent Board Committee  
and Independent Shareholders**

**Nuada Limited**

*Corporate Finance Advisory*

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A letter from the Board is set out on pages 5 to 10 of this circular. A letter from the Independent Board Committee (as defined herein) to the Independent Shareholders (as defined herein) is set out on pages 11 to 12 of this circular. A letter from the Independent Financial Adviser (as defined herein), containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders, is set out on pages 13 to 18 of this circular.

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## DEFINITIONS

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*In this circular, the following expressions have the meanings respectively set opposite them unless the context otherwise requires:*

“AFSCL”	Asia Financial Services Company Limited, a company incorporated in the Cayman Islands with limited liability, being the borrower under the Facility Agreement, and a substantial shareholder of SHK
“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. As at the Latest Practicable Date, APL was beneficially owned as to approximately 74.97% by the Company
“Arrangement Fee”	an arrangement fee of HK\$12,000,000 less the aggregate fees, costs and expenses of SHKISL and AFSCL in connection with the Facility, to be payable by AFSCL to SHKISL in accordance with the terms of the Facility Agreement
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Commitment Fee”	a commitment fee of HK\$36,000,000, to be payable by AFSCL to SHKSFL in accordance with the terms of the Facility Agreement
“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)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Drawdown Date”	the date of drawdown of the Facility
“Facility”	the term loan facility in an aggregate amount equal to HK\$600,000,000 (to the extent not cancelled, reduced or transferred under the Facility Agreement)

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## DEFINITIONS

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“Facility Agreement”	the facility agreement dated 2 January 2013 entered into by SHKSFL as the lender, SHKISL as the arranger and AFSCCL as the borrower
“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 People’s Republic of China
“Independent Board Committee”	the independent board committee, comprising Messrs. Wong Po Yan, David Craig Bartlett and Alan Stephen Jones, all being the independent non-executive Directors, formed to advise the Independent Shareholders as to the Transaction Documents and the Transaction
“Independent Financial Adviser”/ “Nuada”	Nuada Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activities as defined under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in relation to the Transaction Documents and the Transaction
“Independent Shareholders”	has the meaning ascribed to it under the Listing Rules
“Interest Rate”	the fixed interest rate of 6.5% per annum to be charged under the Facility Agreement
“Latest Practicable Date”	18 January 2013, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Pledged Securities”	the Pledged Shares and the Pledged Warrants

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## DEFINITIONS

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“Pledged Shares”	the 341,600,000 ordinary shares of SHK (including any related rights in respect of such shares) deposited or to be deposited in the Share and Cash Collateral Account and any ordinary shares of SHK issued to AFSCL pursuant to the exercise of any Pledged Warrants and deposited in the Share and Cash Collateral Account or transferred to or held by any person in circumstances where SHKSFL has any right, title or interest in respect of same
“Pledged Warrants”	HK\$427,000,000 in face value of warrants held by AFSCL which are exercisable to subscribe for ordinary shares of SHK, details of which were disclosed in SHK’s announcement dated 26 April 2010
“Security Deed”	the security deed dated 2 January 2013 executed by AFSCL as chargor in favour of SHKSFL as chargee by way of a first fixed charge over, amongst others, all of AFSCL’s rights and interests in the Pledged Securities and the Share and Cash Collateral Account
“SFO”	the 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
“Share and Cash Collateral Account”	the share and cash account of AFSCL, in which the Pledged Securities and all dividends, interest and other payment in respect of the Pledged Securities are deposited or will be deposited
“Shareholder(s)”	holder(s) of the Share(s)
“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 55.26% by APL

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## DEFINITIONS

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“SHKISL”	Sun Hung Kai Investment Services Limited, a company incorporated in Hong Kong with limited liability, a licensed corporation to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities as defined in the SFO and an indirect wholly-owned subsidiary of SHK, being the arranger under the Facility Agreement
“SHKSFL”	Sun Hung Kai Structured Finance Limited, a company incorporated in Hong Kong with limited liability, a licensed money lender under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) and an indirect wholly-owned subsidiary of SHK, being the lender under the Facility Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Tian An”	Tian An China Investments Company 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: 28)
“Transaction”	the transaction contemplated under the Transaction Documents
“Transaction Documents”	the Facility Agreement and the Security Deed
“%”	per cent

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LETTER FROM THE BOARD

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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)**

*Executive Directors:*

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

*Non-Executive Directors:*

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

*Independent Non-Executive Directors:*

Mr. Wong Po Yan  
Mr. David Craig Bartlett  
Mr. Alan Stephen Jones

*Registered Office:*

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

23 January 2013

*To the Shareholders*

Dear Sir or Madam,

**DISCLOSEABLE TRANSACTION  
AND  
CONNECTED TRANSACTION**

**INTRODUCTION**

The Board announced that as advised and confirmed by SHK, on 2 January 2013, SHKSFL as lender and SHKISL as arranger entered into the Facility Agreement with AFSCL as borrower, pursuant to which SHKSFL has agreed to make available to AFSCL a secured term Facility of HK\$600,000,000.

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## LETTER FROM THE BOARD

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### THE FACILITY AGREEMENT

The principal terms of the Facility Agreement are set out below:

**Date:** 2 January 2013

**Parties:** (1) SHKSFL as the lender;  
(2) SHKISL as the arranger; and  
(3) AFSCL as the borrower

### PRINCIPAL TERMS OF THE FACILITY AGREEMENT

As advised and confirmed by SHK, SHKSFL has agreed to provide a secured term Facility to AFSCL of HK\$600,000,000, to be applied for AFSCL's general corporate purposes, for a term of 48 months from the Drawdown Date, on the terms and subject to the conditions set out in the Facility Agreement, including, among other things, each of SHK, APL and the Company having passed shareholders' resolutions approving the Transaction. Interest accrued on the loan under the Facility is charged at the Interest Rate and is payable by AFSCL quarterly in arrears in accordance with the terms of the Facility Agreement. Pursuant to the Facility Agreement, AFSCL is required to repay the loan under the Facility, together with all accrued interest, in full on the day falling 48 months from the Drawdown Date, subject to the terms and conditions set out in the Facility Agreement. In addition, as advised and confirmed by SHK, (i) the Arrangement Fee and Commitment Fee shall be payable to each of SHKISL and SHKSFL respectively from the proceeds of the drawdown of the Facility; and (ii) an amount of HK\$32,000,000 from the proceeds of the drawdown of the Facility shall be placed in the Share and Cash Collateral Account on Drawdown Date for the purposes of meeting interest payments under the Facility.

### SECURITY PROVIDED BY AFSCL PURSUANT TO THE FACILITY AGREEMENT

As advised and confirmed by SHK and pursuant to the terms of the Facility Agreement, the loan under the Facility is secured by the Security Deed executed by AFSCL as chargor in favour of SHKSFL as chargee by way of a first fixed charge over, amongst others, the Pledged Securities and the Share and Cash Collateral Account.

Upon the occurrence of an event of default under the Facility Agreement which is continuing, SHKSFL, as chargee under the Security Deed, has the right, amongst others, to sell or otherwise dispose of the Pledged Securities charged to it and to enter into possession in respect of the Share and Cash Collateral Account.

### INFORMATION ABOUT THE COMPANY, APL, SHK, SHKSFL, SHKISL AND AFSCL

#### The Company

The Company is a company incorporated in Hong Kong with limited liability, the Shares are listed on the main board of the Stock Exchange.



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## LETTER FROM THE BOARD

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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 service, medical and aesthetic equipment distribution and investments in listed and unlisted securities.

### **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 service and medical and aesthetic equipment distribution.

As at the Latest Practicable Date, APL is beneficially owned as to approximately 74.97% by the Company.

### **SHK**

SHK is a company incorporated in Hong Kong with limited liability, the shares of which are listed on the main board of the Stock Exchange.

The principal business activity of SHK is investment holding. The principal business activities of its major subsidiaries are wealth management and brokerage, capital market, consumer finance as well as principal investments.

As at the Latest Practicable Date, SHK is beneficially owned as to approximately 55.26% by APL.

### **SHKSFL**

As advised and confirmed by SHK, the principal business activity of SHKSFL is provision of loan finance. SHKSFL holds a money lenders licence under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong).

### **SHKISL**

As advised and confirmed by SHK, the principal business activities of SHKISL include investment holding, share brokerage and margin financing. SHKISL is a licensed corporation to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities as defined in the SFO.

### **AFSCL**

As advised and confirmed by SHK, the principal business activity of AFSCL is investment holding.

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## LETTER FROM THE BOARD

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As at the Latest Practicable Date, SHK is beneficially owned as to approximately 15.86% by AFSCL.

### REASONS FOR AND BENEFITS OF THE TRANSACTION

As advised and confirmed by SHK, the terms of the Facility Agreement were arrived at after arm's length negotiations between SHKSFL, SHKISL and AFSCL. Based on the confirmation of SHK, the Facility Agreement was entered into by SHKSFL and SHKISL having considered (i) the costs of borrowing in providing the loan under the Facility to AFSCL; (ii) the interest income to be generated by the loan under the Facility; and (iii) the underlying securities.

Having taken into account the reasons for entering into the Facility Agreement and the recommendation of SHK and the concurrence of APL on the recommendation of SHK, the Board (other than its independent non-executive Directors, whose views are set out in the "Letter from the Independent Board Committee" in this circular) considers that the Facility Agreement is on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders taken as a whole.

No Director is considered to be interested in the Transaction Documents and therefore none of them has abstained from voting on the board resolutions proposed to approve the Transaction Documents.

### LISTING RULES IMPLICATIONS

Each of SHKSFL and SHKISL is an indirect wholly-owned subsidiary of SHK, an indirect non wholly-owned subsidiary of the Company, therefore the Transaction is a transaction in respect of the Company under the Listing Rules, as a listed issuer (as defined in Rule 14A.10 of the Listing Rules) includes the listed issuer's subsidiaries. As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) for the Transaction exceed 5% but all such ratios are less than 25%, the Transaction also constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

AFSCL is a connected person of the Company by virtue of it being a substantial shareholder of SHK, an indirect non wholly-owned subsidiary of the Company, under Rule 14A.11 of the Listing Rules. Therefore, the Transaction constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) for the Transaction exceed 5% and the consideration of which exceeds HK\$10,000,000, the Transaction is subject to reporting, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

To the best knowledge, information and belief of the Directors, no Shareholder and its associates (as defined in the Listing Rules) is required to abstain from voting if the Company were to convene a general meeting for approving the Transaction. Further, pursuant to Rules 14A.43 of the Listing Rules, the Company has obtained a written approval of the Transaction from Lee and Lee Trust, a discretionary trust which is the controlling shareholder of the Company holding an aggregate 124,242,492 Shares, representing approximately 65.00% of the entire issued share capital of the Company, through Cashplus Management Limited and Minty Hongkong Limited, and the respective written approvals of the Transaction from Cashplus Management Limited and

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## LETTER FROM THE BOARD

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Minty Hongkong Limited, the registered shareholders of 48,397,800 Shares and 75,844,692 Shares respectively as at the date of the written approvals. Based on the above, the conditions in Rule 14A.43 of the Listing Rules have been satisfied.

Pursuant to Rule 14A.43 of the Listing Rules, the Company has made an application to, and has obtained a waiver from, the Stock Exchange that the written approvals from Lee and Lee Trust, Cashplus Management Limited and Minty Hongkong Limited in lieu of holding a physical general meeting is acceptable for approval of the Transaction. Therefore, the shareholders' approval requirement is satisfied by means of written approvals of Lee and Lee Trust, Cashplus Management Limited and Minty Hongkong Limited and a general meeting of the Company to approve the Transaction will not be held.

### **INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

The Independent Board Committee comprising Messrs. Wong Po Yan, David Craig Bartlett and Alan Stephen Jones, all being the independent non-executive Directors, has been established to consider, and to advise the Independent Shareholders as to the Transaction Documents and the Transaction.

The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Transaction Documents and the Transaction.

### **RECOMMENDATION**

The Board (other than the independent non-executive Directors) is of the view that the terms of the Transaction Documents and the Transaction are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the relevant resolutions approving the Transaction Documents and the Transaction if a general meeting were to be convened.

The text of a letter to the Independent Shareholders from the Independent Board Committee in relation to the Transaction Documents and the Transaction is set out on pages 11 to 12 of this circular. Having considered the advice from the Independent Financial Adviser in relation to the Transaction Documents and the Transaction, which is set out on pages 13 to 18 of this circular, the Independent Board Committee is of the opinion that the terms of the Transaction Documents and the Transaction are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders taken as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the relevant resolutions approving the Transaction Documents and the Transaction if a general meeting were to be convened.

With the grant of a waiver from strict compliance with the Shareholder's meeting requirement by the Stock Exchange, no general meeting will be convened for approving the Transaction.

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## LETTER FROM THE BOARD

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### ADDITIONAL INFORMATION

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

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



**ALLIED GROUP LIMITED**

**(聯合集團有限公司)**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 373)**

23 January 2013

*To the Independent Shareholders*

Dear Sir or Madam,

**DISCLOSEABLE TRANSACTION  
AND  
CONNECTED TRANSACTION**

We refer to the circular dated 23 January 2013 issued by the Company (the “Circular”), of which this letter forms part. Terms defined in the Circular shall bear the same meanings when used herein unless the context requires otherwise.

We have been appointed by the Board as the Independent Board Committee to advise you in connection with the Transaction Documents and the Transaction and to advise you as to whether, in our opinion, the terms of the Transaction Documents and the Transaction are fair and reasonable so far as the Independent Shareholders are concerned. Details of the Transaction Documents and the Transaction are set out in the “Letter from the Board” contained in the Circular. Nuada has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Transaction Documents and the Transaction. Details of its advice and the principal factors taken into consideration in arriving at its recommendations are set out in the “Letter from the Independent Financial Adviser” contained in the Circular.

Having considered the terms of the Transaction Documents and the Transaction, taking into account the information contained in the Circular and the advice of Nuada, we are of the opinion that the terms of the Transaction Documents and the Transaction are on normal commercial terms, fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

We would recommend the Independent Shareholders to vote in favour of the relevant resolutions approving the Transaction Documents and the Transaction if a general meeting were to be convened.

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**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

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As stated in the Letter from the Board, the Stock Exchange has granted its approval that the written shareholder approvals from Lee and Lee Trust, Cashplus Management Limited and Minty Hongkong Limited in lieu of holding a physical meeting are acceptable for the approval of the Transaction.

Yours faithfully,

For and on behalf of

**Independent Board Committee of  
Allied Group Limited**

**Wong Po Yan**

*Independent*

*Non-Executive Director*

**David Craig Bartlett**

*Independent*

*Non-Executive Director*

**Alan Stephen Jones**

*Independent*

*Non-Executive Director*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the full text of the letter of advice to the Independent Board Committee and Independent Shareholders from the Independent Financial Adviser dated 23 January 2013 prepared for incorporation in this circular.*

**Nuada Limited**  

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*Corporate Finance Advisory*

19<sup>th</sup> Floor, BLINK, 111 Bonham Strand  
Sheung Wan, Hong Kong  
香港上環文咸東街 111 號 BLINK 19字樓

23 January 2013

*To the Independent Board Committee  
and the Independent Shareholders  
of Allied Group Limited*

Dear Sirs,

### **DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE TRANSACTION**

#### **INTRODUCTION**

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in connection with the Transaction, details of which are set out in the letter from the Board (the “Letter from the Board”) contained in the circular to the Shareholders dated 23 January 2013 (the “Circular”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

On 2 January 2013, SHKSFL as lender and SHKISL as arranger entered into the Facility Agreement with AFSCL as borrower, pursuant to which SHKSFL has agreed to make available to AFSCL a secured term Facility of HK\$600,000,000, to be applied for general corporate purposes, for a term of 48 months from the Drawdown Date. The Facility is secured by the Security Deed.

As each of SHKSFL and SHKISL is an indirect wholly-owned subsidiary of SHK, which is an indirect non wholly-owned subsidiary of APL, which in turn is a non wholly-owned subsidiary of the Company, the Transaction is a transaction for the Company under the Listing Rules, as a listed issuer (as defined in Rule 14A.10 of the Listing Rules) includes the listed issuer’s subsidiaries.

As AFSCL is a substantial shareholder of SHK, AFSCL is a connected person of the Company under Rule 14A.11 of the Listing Rules. Therefore, the Transaction constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) for the Transaction exceed 5% and the consideration of which exceeds HK\$10,000,000, the Transaction is subject to reporting, announcement and the Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) for the Transaction exceed 5% but all such ratios are less than 25%, the Transaction also constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

To the best knowledge, information and belief of the Directors, no Shareholder and its associates (as defined in the Listing Rules) is required to abstain from voting if the Company were to convene a general meeting for approving the Transaction. Further, pursuant to Rules 14A.43 of the Listing Rules, the Company has obtained a written approval of the Transaction from Lee and Lee Trust, a discretionary trust which is the controlling shareholder of the Company holding an aggregate 124,242,492 Shares, representing approximately 65.00% of the entire issued share capital of the Company, through Cashplus Management Limited and Minty Hongkong Limited, and the respective written approvals of the Transaction from Cashplus Management Limited and Minty Hongkong Limited, the registered shareholders of 48,397,800 Shares and 75,844,692 Shares respectively as at the date of the written approvals. Based on the above, the conditions in Rule 14A.43 of the Listing Rules have been satisfied.

The Independent Board Committee, comprising Messrs. Wong Po Yan, David Craig Bartlett and Alan Stephen Jones, all of whom are independent non-executive Directors, has been established to advise the Independent Shareholders in respect of the Transaction. We, Nuada Limited, have been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in this regard.

### **BASIS OF OUR OPINION**

In formulating our opinion and recommendations, we have relied on the accuracy of the information, opinions and representations contained or referred to in the Circular and provided to us by the Group, the management of the Group and the Directors. We have assumed that all information, opinions and representations contained or referred to in the Circular and all information, opinions and representations which have been provided by the Group, the management of the Group and the Directors, for which they are solely and wholly responsible, were true, accurate and complete at the time when they were made and continue to be so as at the date of the Circular.

Accordingly, we have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information, opinions and representations contained in the Circular, or the reasonableness of the opinions expressed by the management of the Group and the Directors provided to us. The Directors collectively and individually accept full responsibility for the accuracy of the information in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts the omission of which would make any statements in the Circular misleading. Furthermore, we relied on the Group that they have provided us sufficient information to reach an informed view and to provide a reasonable basis for our opinions. We have relied on such information and opinions but have not, however, conducted any independent in-depth investigation into the business, financial conditions and affairs or the future prospects of the Group nor have we considered the taxation implication on the Company or the Shareholders as a result of the Transaction.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our advice with regard to the fairness and reasonableness of the terms of the Facility Agreement, we have taken into consideration the following factors and reasons:

#### 1. Background

On 2 January 2013, SHKSFL as lender and SHKISL as arranger entered into the Facility Agreement with AFSCL as borrower, pursuant to which SHKSFL has agreed to make available to AFSCL a secured term Facility of HK\$600 million, to be applied for AFSCL's general corporate purposes, for a term of 48 months from the Drawdown Date. The Facility is secured by the Security Deed.

We have been advised by SHK that AFSCL is controlled by funds advised by companies within CVC Capital Partners group ("CVC"), which is one of the world's largest private equity firms and manages capital on behalf of some 300 institutional, governmental and private investors worldwide. Over the years, CVC has secured commitments of US\$50 billion in funds from its investors. Founded in 1981, CVC now has a network of 21 offices and around 270 employees throughout Europe, Asia and the United States. CVC's current portfolio consists of over 60 companies worldwide which employ over 400,000 people and generate combined annual sales of approximately US\$130 billion. Based on the size of operation of CVC, we are of the view that AFSCL is creditworthy and therefore the risk of default for the Facility Agreement by AFSCL is low.

SHKSFL is principally engaged in the provision of loan financing and holds a money lenders licence under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong). SHKISL is principally engaged in investment holding, share brokerage and margin financing and is a licensed corporation to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities as defined under the SFO. Both SHKSFL and SHKISL are indirect wholly-owned subsidiaries of SHK, which is an indirect non wholly-owned subsidiary of APL, which in turn is a non wholly-owned subsidiary of the Company.

Based on the above, we note that the provision of the Facility is in line with the ordinary and usual course of business of the Group.

#### 2. Major terms of the Facility Agreement

To assess the fairness and reasonableness on the Transaction, we would like to focus on the following terms of the Facility Agreement:

##### *(i) Pledged Securities*

Pursuant to the Facility Agreement, the Pledged Shares and the Pledged Warrants will be charged as security. The Pledged Shares represent the 341,600,000 ordinary shares of SHK and any ordinary shares of SHK issued to AFSCL pursuant to the exercise of any Pledged Warrants. As at the date of the Facility Agreement and the Latest Practicable Date, the market value of Pledged Shares was approximately HK\$1,749 million and HK\$1,930 million respectively.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Pledged Warrants represent warrants held by AFSCCL with a face value of HK\$427,000,000 which are exercisable to subscribe for ordinary shares of SHK. Such warrants will expire on 13 July 2013. Given the expiry date and intrinsic value of the warrants, we are of the view that the Pledged Warrants are not considered material.

We have also reviewed the Security Deed and considered that there are no particular terms which should be brought to the attention of the Shareholders and the terms of the Security Deed are on normal commercial terms and fair and reasonable.

Based on the above, we consider that the Pledged Securities could provide the Company with reasonable security in the event of default of the Facility Agreement.

*(ii) The Interest Rate, the Commitment Fee and the Arrangement Fee*

Pursuant to the Facility Agreement, the interest rate for the Facility is 6.5% per annum and will be accrued and payable to SHKSFL by AFSCCL quarterly in arrears. For the purposes of meeting interest payments under the Facility, HK\$32 million from the proceeds of the drawdown of the Facility will be kept in the Share and Cash Collateral Account on Drawdown Date, and which represents approximately 20% of the total interest payment of HK\$156 million under the Facility (i.e. a loan amount of HK\$600 million on 6.5% per annum with 4 year maturity).

We have discussed with the management of SHK and having reviewed the existing loan portfolio provided by SHKSFL (“Existing Loan Portfolio”), we note that SHKSFL has no similar arrangement to keep part of the proceeds of the loan as collateral from other independent borrowers. Although no similar arrangement appears in the Existing Loan Portfolio, we consider that such an additional requirement is a normal commercial term in a money lending business which could provide an additional cover to SHKSFL for the interest payments or in the event of default of the Facility, and therefore is beneficial to and in the interests of the Company and its Shareholders taken as a whole.

In addition to the total interest of the Facility (the “Interests”), AFSCCL is required to pay (i) an amount of HK\$36 million as the Commitment Fee, representing 6% of the loan amount, to SHKSFL; and (ii) an amount of HK\$12 million as the Arrangement Fee, representing 2% of the loan amount, to SHKISL, upon the drawdown of the Facility pursuant to the Facility Agreement.

Assuming the loan of HK\$600 million is repaid on maturity in accordance with the Facility Agreement, an aggregate gross income generated from the Facility (including only the Interests, the Commitment Fee and the Arrangement Fee) would be HK\$204 million.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As discussed in the above paragraph headed “Background”, we note that the provision of loan financing is one of the principal activities of the Group. In order to assess the fairness and reasonableness on the Interest Rate, the Commitment Fee and the Arrangement Fee, we consider that we should make reference to the interest rates, commitment fees and arrangement fees under the Existing Loan Portfolio.

We have discussed with the management of SHKSFL regarding its existing money lending policy and have checked the Existing Loan Portfolio and note that the interest rates and arrangement fees to be charged for loans offered to other independent third parties are determined on a case by case basis taking into account factors such as the creditability of borrower, value of collateral, and the market conditions.

Based on the Existing Loan Portfolio, we note that SHKSFL does not regularly charge commitment fees to other independent borrowers. We consider that the Commitment Fee in this case, should be regarded as interest income of SHKSFL under the Facility. Accordingly, the interest return per annum under the Facility should be 8% per annum (based on the Interest Rate of 6.5% per annum and 6% of loan amount of commitment for 4 years, i.e. 1.5% per annum).

Pursuant to the Existing Loan Portfolio, the interest rates and arrangement fees offered to other independent borrowers range from 6.25% to 24.0% per annum and 0.5% to 2.5% respectively. Based on the above, (i) the interest return per annum under the Facility, i.e. 8% per annum, falls into the low end of the range of interest rates, and (ii) the Arrangement Fee is determined in the high end of the range of arrangement fees.

We note that the interest return per annum under the Facility Agreement, i.e. 8% per annum, is close to the lowest of those offered to other independent borrowers by SHKSFL pursuant to the Existing Loan Portfolio. However, we consider such interest return (being the Interests and the Commitment Fee) under the Facility, was determined after taking into account of the creditability of AFSCCL, the default risk of the Facility Agreement and the value of the Pledged Securities, and is justifiable.

Given (i) the background of AFSCCL as discussed in the above paragraph headed “Background”; (ii) the value of Pledged Securities as discussed in the above paragraph headed “Pledged Securities”; and (iii) the comparisons of the Interest Rate, the Commitment Fee and the Arrangement Fee to those in the Existing Loan Portfolio as discussed in the above paragraphs, we consider that the Interest Rate, the Commitment Fee and the Arrangement Fee are in line with the existing money lending policy of SHK, and are on normal commercial terms, fair and reasonable so far as the Shareholders are concerned and in the interests of the Company and its Shareholders taken as a whole.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### RECOMMENDATION

Pursuant to Rule 14A.43 of the Listing Rules, the Company has made an application to, and has obtained a waiver from, the Stock Exchange that the written approvals from Lee and Lee Trust, Cashplus Management Limited and Minty Hongkong Limited in lieu of holding a physical general meeting is acceptable for approval of the Transaction. Therefore, the shareholders' approval requirement is satisfied by means of written approvals of Lee and Lee Trust, Cashplus Management Limited and Minty Hongkong Limited and a general meeting of the Company to approve the Transaction will not be held.

Having taken into account of the above principal factors and reasons, we consider that the Transaction is in the ordinary and usual course of business of the Group, the terms of the Transaction Documents and the Transaction are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders taken as a whole. Accordingly, if a shareholders' meeting were to be convened, we would recommend (i) the Independent Board Committee to advise the Independent Shareholders and (ii) the Independent Shareholders, to vote in favor of the relevant resolution(s) to approve the Transaction.

Yours faithfully,  
For and on behalf of  
**Nuada Limited**

**Kevin Chan**  
*Director*

**Michael Wong**  
*Vice President*

## 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. 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 Companies contained in 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	124,265,413	65.01%	Personal interests (held as beneficial owner) in 22,921 Shares and other interests in 124,242,492 Shares (Note 1)
Lee Su Hwei	the Company	124,242,492	65.00%	Other interests (Note 1)
Mak Pak Hung	SHK (Note 2)	5,000	0.00%	Personal interests (5,000 shares held as beneficial owner) (Note 3)

*Notes:*

- Mr. Lee Seng Hui and Ms. Lee Su Hwei are the trustees of Lee and Lee Trust, being a discretionary trust which held 48,397,800 Shares and 75,844,692 Shares through Cashplus Management Limited ("Cashplus") and Minty Hongkong Limited ("Minty") respectively. Cashplus is a wholly-owned subsidiary of Zealous Developments Limited ("Zealous"). Zealous was therefore deemed to have an interest in the Shares in which Cashplus was interested. Mr. Lee Seng Hui and Ms. Lee Su Hwei, both Directors, are both directors of Cashplus and Zealous, which had an interest in the Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

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.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other Director who was a director or employee of a company which had an interest in the Shares and underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

### **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, either directly or indirectly, 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 listed securities in the resources and related industries;
- (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 and Tian An 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 listed securities in the resources and related industries;
  - SHK, through certain of its subsidiaries, is partly engaged in the businesses of money lending and property investment; 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, Mount Gibson Iron Limited and Tanami Gold NL (“Tanami Gold”) which, through certain of their subsidiaries, are partly involved in the investment and trading in listed securities in the resources and related industries; and
- (vi) Mr. Arthur George Dew is a director of Tanami Gold and a non-executive director of Eurogold Limited, both of which, through certain of their subsidiaries, is partly involved in the investment and trading in listed securities in the resources and related industries.

## **5. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2011, being the date to which the latest published audited consolidated financial statements of the Group were made up.

## **6. 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 2011 (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.

**7. EXPERT AND CONSENT**

The following is the qualification of the expert who has given opinion or advice which are contained in this circular:

<b>Name</b>	<b>Qualification</b>
Nuada Limited	a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activities under the SFO

The letter, report and/or opinion from the above expert are given as of the date of this circular for incorporation in this circular. The above expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and/or report and reference to its name in the form and context in which it appears.

As at the Latest Practicable Date, the above expert did not have any direct or indirect shareholding in any member of the Group or any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for any securities in any member of the Group.

As at the Latest Practicable Date, the above expert did not have any direct or indirect interest in any assets which have been since 31 December 2011 (being the date to which the latest published audited consolidated accounts of the Group were made up), acquired or disposed of by, or leased to any member of the Group, or are proposed to be acquired or disposed of by, or leased to any member of the Group.

**8. GENERAL**

- (a) The registered office of the Company is 22nd Floor, Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong.
- (b) The secretary of the Company is Ms. Cho Wing Han, an associate member of The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.
- (c) 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.
- (d) This circular is 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 Facility Agreement;
- (b) the Security Deed;
- (c) the letter of consent from Nuada referred to under "Expert and Consent" in this Appendix; and
- (d) this circular.