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If you have sold or transferred all your shares in **Allied Group Limited** (the “Company”), you should at once hand this circular to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or registered institution in securities, or other agent through whom the sale or the transfer was effected for onward transmission to the purchaser(s) or transferee(s).

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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

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 8 to 22 of this circular.

As no Shareholder has any material interest in the 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 Agreement and transactions contemplated thereunder, the Company has obtained written shareholder’s approval from a shareholder holding in aggregate approximately 53.23% of the issued share capital of the Company, to approve the Agreement and transactions contemplated thereunder in lieu of holding an extraordinary general meeting. As such, no extraordinary general meeting will be held.

8th November, 2010

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DEFINITIONS

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

“Affiliate(s)”	of a person means any person that, directly or indirectly, through one or more intermediaries, controls, or is controlled by, or is under common control with, the first person
“Agreement”	the share sale agreement entered into among QHA, Holdco, the Purchaser and RHC on 8th October, 2010 relating to the sale and purchase of the Disposal Shares
“APL”	Allied Properties (H.K.) 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: 56), and a non wholly-owned subsidiary of the Company
“APL Board”	the board of directors of APL
“APL Share(s)”	share(s) of HK\$0.20 each in the share capital of APL
“APL Shareholder(s)”	holder(s) of APL Share(s)
“Base Working Capital”	in respect of the Disposal Group, HK\$20 million
“Bid Value”	has the meaning set out in the paragraph headed “Consideration” in the letter from the Board in this circular
“Board”	the board of Directors
“Business Day(s)”	a day excluding Saturdays, Sundays and public holidays in Hong Kong, Singapore, Mauritius, India and BVI
“BVI”	the British Virgin Islands
“Closing”	completion of the sale and purchase of the Disposal Shares pursuant to the terms of the Agreement
“Closing Date”	the date on which Closing takes place

DEFINITIONS

“Closing Statement”	combined consolidated statement of financial position of the Disposal Group as at the Closing Date, to be prepared in accordance with the 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)
“Condition(s)”	the condition(s) precedent to Closing, as more particularly set out in the paragraph headed “Closing and Conditions” in the letter from the Board in this circular
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration Amount”	has the meaning set out in the paragraph headed “Consideration” in the letter from the Board in this circular
“control”	a person shall be deemed to “control” another person if such first person possesses, directly or indirectly, the power to direct, or cause the direction of, the management and policies of such other person, whether through the ownership of voting securities, by contract or otherwise, and “controlled” shall be interpreted accordingly
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Disposal Group”	QHL, QMH, QMS, QSL and Portex and their respective subsidiaries
“Disposal Shares”	the Quality Shares and the Portex Shares
“Elderly Healthcare Businesses”	the business of providing healthcare, nursing, physiotherapy, medical and other related services to the elderly carried on by the Sellers’ Group (other than the Disposal Group) excluding for the avoidance of doubt the QMS Business and QSL Business

DEFINITIONS

“Focal Glory”	Focal Glory Inc., a company incorporated in BVI with limited liability and an indirect wholly-owned subsidiary of QHA
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Holdco”	Quality HealthCare Holdings Limited, a company incorporated in BVI with limited liability and a direct wholly-owned subsidiary of QHA
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Joint Announcement”	the announcement jointly issued by the Company, APL and QHA relating to the Agreement dated 8th October, 2010
“Latest Practicable Date”	4th November, 2010, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Lee and Lee Trust”	Lee and Lee Trust, a discretionary trust and was beneficially interested in 110,368,492 Shares, representing approximately 53.23% of the issued share capital of the Company as at the Latest Practicable Date
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Macau”	Macau Special Administrative Region of the PRC
“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
“Portex”	Portex Limited, a company incorporated in Hong Kong with limited liability
“Portex Shares”	1,000,000 ordinary shares of HK\$1.00 each in the share capital of Portex
“PRC”	the People’s Republic of China (for the purpose of this circular, excluding Hong Kong and Macau)

DEFINITIONS

“Purchase Price”	the total consideration for the Transaction as more particularly set out in the paragraph headed “Consideration” in the letter from the Board in this circular
“Purchaser”	Altai Investments Limited, a company incorporated in BVI with limited liability
“QHA”	Quality HealthCare Asia Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 593), and a non wholly-owned subsidiary of each of the Company and APL
“QHA Board”	the board of directors of QHA
“QHA SGM”	a special general meeting of QHA to be held on Thursday, 25th November, 2010 to consider, and if thought fit, approving the Agreement and transactions contemplated thereunder and the proposed change of company name of QHA
“QHA Share(s)”	share(s) of HK\$0.10 each in the share capital of QHA
“QHA Shareholder(s)”	holder(s) of QHA Share(s)
“QHL”	Quality HealthCare Limited, a company incorporated in BVI with limited liability
“QMH”	Quality HealthCare Medical Holdings Limited, a company incorporated in Hong Kong with limited liability
“QMS”	Quality HealthCare Medical Services Limited, a company incorporated in Hong Kong with limited liability
“QMS Business”	the operation of primary healthcare centres for both private and corporate patients administering Chinese and/or western medicine and ancillary healthcare centres including skincare centres, LASIK facilities, ophthalmic centres and psychological care centres and holistic centres

DEFINITIONS

“QSL”	Quality HealthCare Services Limited, a company incorporated in BVI with limited liability
“QSL Business”	the operation of ancillary healthcare centres including nursing agencies, dental centres, physiotherapy centres and foot care centres
“Quality Shares”	60,000,000 ordinary shares of HK\$0.10 each in the share capital of QHL, 2 ordinary shares of HK\$1.00 each in the share capital of QMH, 2 ordinary shares of HK\$1.00 each in the share capital of QMS and 3 ordinary shares of US\$1.00 each in the share capital of QSL
“Relevant Capacity”	for its own account or for that of any person, firm or company (other than the Purchaser) or in any other manner and whether through the medium of any company controlled by it (for which purpose there shall be aggregated with its shareholding or ability to exercise control the shares held or control exercised by any person connected with the Sellers) or as principal, partner, director, employee, consultant or agent
“Remaining Group”	QHA and its subsidiaries immediately after the Closing
“Restricted Employee(s)”	any Employee who (a) has access to trade secrets or other confidential information of the Disposal Group; (b) has participated in discussions relating to the Transaction; or (c) is a Senior Employee
“Restricted Party”	the Sellers and any connected person of the Sellers, controlled, directly or indirectly, by the Sellers or over which the Sellers are able to exercise influence (and for this purpose, “connected person” shall have the meaning given to it in Rule 14A.11 of the Listing Rules, save that any reference to a listed issuer therein shall be read instead as a reference to QHA or Holdco, as the case may be)
“Restricted Period”	three years commencing on Closing or such shorter period of time recognised by applicable laws as being binding on the Sellers
“Restricted Territory”	Hong Kong and Macau

DEFINITIONS

“RHC”	RHC Holding Private Limited, a company incorporated in India with limited liability
“Sellers”	QHA and Holdco
“Sellers’ Group”	QHA and its subsidiaries from time to time
“Senior Employee(s)”	(a) any directors of any member of the Disposal Group and (b) any employee employed or engaged in relation to the Disposal Group with an aggregate annual compensation in excess of HK\$2,000,000 or local equivalent
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	share(s) of HK\$2.00 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“SHK”	Sun Hung Kai & Co. Limited, a company incorporated in Hong Kong with limited liability and 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
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transaction”	the disposal of the Disposal Group held by QHA and Holdco to the Purchaser pursuant to the Agreement
“US\$”	US dollars, the lawful currency of the United States of America
“Wah Cheong”	Wah Cheong Development (B.V.I.) Limited, a company incorporated in BVI with limited liability and an indirect wholly-owned subsidiary of APL. Wah Cheong was the immediate shareholder of QHA holding 144,385,776 QHA Shares, representing approximately 69.76% of the issued share capital of QHA as at the Latest Practicable Date

DEFINITIONS

“Working Capital”	the current assets minus current liabilities of the Disposal Group at the Closing Date as shown in the Closing Statement
“Working Capital Adjustment”	the amount by which the Working Capital exceeds the Base Working Capital (which amount shall be added to the Consideration Amount) or the amount by which the Working Capital is less than the Base Working Capital (which amount shall be deducted from the Consideration Amount)
“%”	per cent.

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:

Lee Seng Hui (*Chief Executive*)

Edwin Lo King Yau

Mak Pak Hung

Non-Executive Directors:

Arthur George Dew (*Chairman*)

Lee Su Hwei

Independent Non-Executive Directors:

Wong Po Yan

David Craig Bartlett

John Douglas Mackie

Alan Stephen Jones

Registered Office:

22nd Floor

Allied Kajima Building

138 Gloucester Road

Wanchai

Hong Kong

8th November, 2010

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION

INTRODUCTION

Reference is made to the Joint Announcement in which the Company, APL and QHA jointly announced that on 8th October, 2010, the Purchaser, RHC and the Sellers entered into the Agreement pursuant to which, subject to the Conditions, the Purchaser has agreed to purchase, and QHA and Holdco have agreed to sell, the Portex Shares and the Quality Shares respectively, representing 100% of the issued share capital of each of the Disposal Group companies, for the Purchase Price.

The Transaction constitutes a major transaction for the Company under the Listing Rules as one or more of the Percentage Ratio(s) of entry into the Transaction by QHA may exceed 25% but fall below 75% for the Company and is therefore subject to announcement, reporting and the Shareholders' approval requirements pursuant to Chapter 14 of the Listing Rules.

LETTER FROM THE BOARD

As no Shareholder has any material interest in the 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 Agreement and transactions contemplated thereunder, the Company has obtained a written shareholder's approval from the controlling shareholder of the Company, namely Lee and Lee Trust, which held 110,368,492 Shares as at the Latest Practicable Date (representing approximately 53.23% of the issued share capital of the Company), for approving the Agreement and transactions contemplated thereunder in lieu of holding an extraordinary general meeting pursuant to Rule 14.44 of the Listing Rules.

The purpose of this circular is to provide you with, among other things, further details of the Agreement and transactions contemplated thereunder.

THE AGREEMENT

Based on the information and the confirmation provided by QHA, the principal terms of the Agreement are as follows:

Date

8th October, 2010

Parties

- Purchaser : Altai Investments Limited, a wholly-owned subsidiary of Fortis Global Healthcare Holdings Pte Ltd. As advised and confirmed by QHA after making all reasonable enquiries, the Purchaser's principal business activity is investment holding
- Sellers : QHA and Holdco
- RHC : As advised and confirmed by QHA after making all reasonable enquiries, RHC Holding Private Limited, whose principal business activity is investment holding, is the parent company of Fortis Global Healthcare Holdings Pte Ltd, shall procure the due and punctual performance and observance by the Purchaser of all its obligations, commitments, undertakings, warranties and indemnities under the Agreement

As at the Latest Practicable Date, (i) the principal business activity of the Purchaser was investment holding; (ii) the principal business activity of Fortis Global Healthcare Holdings Pte Ltd was investment holding; and (iii) the Purchaser and its ultimate beneficial owner(s) were third parties independent of and not connected with the Company, APL and QHA and their respective connected person(s).

LETTER FROM THE BOARD

Transaction

Pursuant to the Agreement, subject to the Conditions, the Purchaser has agreed to purchase, and QHA and Holdco have agreed to sell, the Portex Shares and the Quality Shares respectively, representing 100% of the issued share capital of each of the Disposal Group companies, for the Consideration Amount (subject to adjustments as more particularly described in the paragraph headed “Consideration” below).

Consideration

The consideration of the Transaction, payable on the Closing Date, shall be an amount in cash equal to the aggregate sum of (i) HK\$1,521 million (the “Bid Value”); and (ii) the Base Working Capital (i.e. HK\$20 million) (the Bid Value and the Base Working Capital collectively being the “Consideration Amount”), subject to the Working Capital Adjustment.

If the Working Capital (as shown in the Closing Statement) exceeds the Base Working Capital, such difference will be added to the Consideration Amount on a dollar to dollar basis, while if the Working Capital (as shown in the Closing Statement) is less than the Base Working Capital, such difference will be deducted from the Consideration Amount on a dollar to dollar basis. In this connection, the Purchaser shall, as soon as practicable and no later than 60 days following Closing, draw up and deliver to the Sellers a draft of the Closing Statement in accordance with the Agreement.

The Base Working Capital was determined with reference to the normalised historical 12 months average working capital level (i.e. HK\$21,117,000) relevant to the Disposal Group for the period from August 2009 to July 2010. In determining the level of Base Working Capital, current assets less current liabilities are included, but any cash, debt, intercompany balances and tax related items are excluded. As at 30th June, 2010, the unaudited combined working capital attributable to the Disposal Group excluding intercompany balances amounted to HK\$74,219,000, including cash and bank balances of HK\$58,168,000, intercompany receivables (included in the Disposal Group’s other receivables) of HK\$4,518,000 and tax related liabilities of HK\$7,082,000.

Basis of the Consideration

The Purchase Price was arrived at based on normal commercial terms after arm’s length negotiations between the Purchaser and the Sellers and by reference to (i) the market leading position of the Disposal Group companies in the healthcare industry; (ii) the Disposal Group may serve as a platform for the Purchaser’s future expansion of healthcare businesses in Hong Kong and the PRC; (iii) the trading value and earnings of other healthcare listed companies in the Singapore Stock Exchange; and (iv) the other factors set out in the paragraphs headed “Reasons for and Benefits of the Transaction for QHA” and “Reasons for and Benefits of the Transaction for the Company” below. The price earning ratios of the listed companies mentioned above (derived from their trading value and earnings) were used for comparing with those of the Disposal Group (derived from the Purchase Price and the earnings of the Disposal Group) and considered by the Purchaser and the Sellers in determining whether the Purchase Price was reasonable and acceptable during negotiation.

LETTER FROM THE BOARD

Closing and Conditions

Closing will take place on the Closing Date, which will be on the last Business Day of the calendar month in which the Purchaser receives notification of the fulfillment of the Conditions or elects to waive such Condition or at such date as may be agreed between the Purchaser and the Sellers, subject to fulfillment (or waiver, in case of (d) below) of the following Conditions:

- (a) the passing at a general meeting of QHA of QHA Shareholders' resolutions to approve entry into the Agreement and transactions contemplated thereunder (including the change of company name of QHA as more particularly set out under the paragraph headed "Undertakings by the Sellers and Other Terms under the Agreement" below);
- (b) if required, the passing of APL Shareholders' resolution to approve entry into the Agreement and transactions contemplated thereunder;
- (c) if required, the passing of Shareholders' resolution to approve entry into the Agreement and transactions contemplated thereunder; and
- (d) any shares held by Focal Glory in any of the Disposal Group companies having been transferred to the Sellers or any one of the Disposal Group companies as the Purchaser may nominate.

The Purchaser may at any time waive in whole or in part and conditionally or unconditionally the Condition set out in (d) above by notice in writing to the Sellers. If the Conditions set out above are not satisfied and notified to the Purchaser as satisfied or, where applicable, waived on or before the date falling 120 days after the date of the Agreement (or such other day as agreed by the Purchaser and the Sellers in writing), the Agreement shall lapse and be of no effect (save for certain surviving clauses as stated in the Agreement).

Other terms

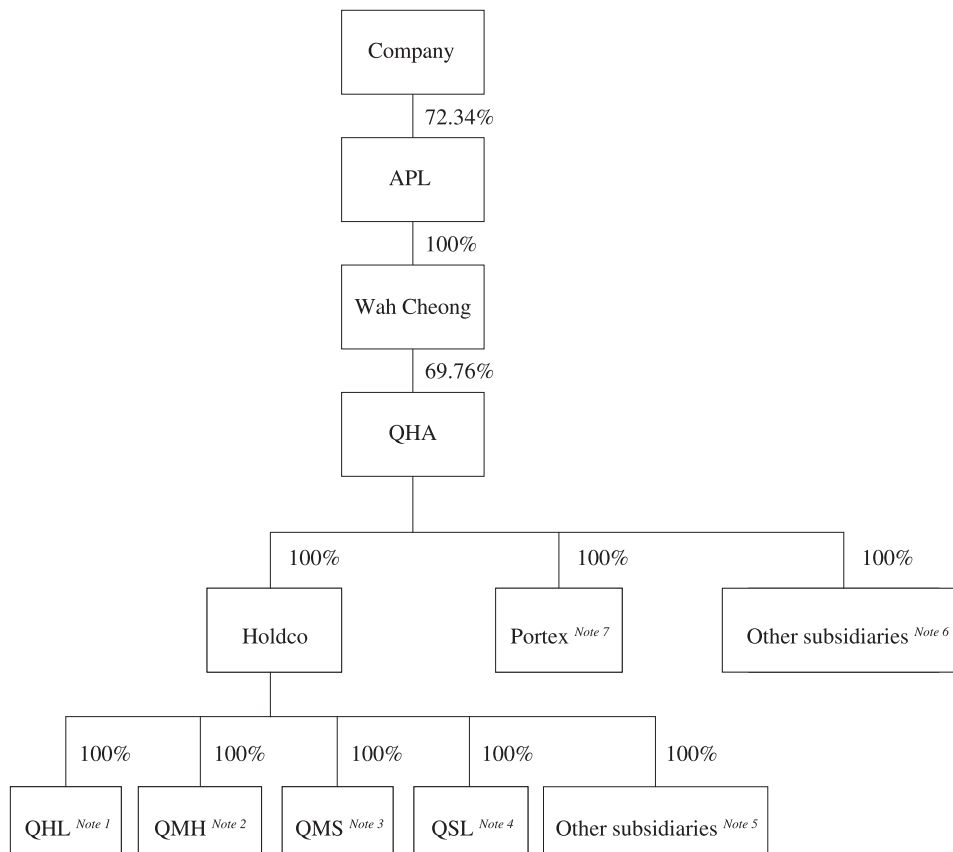
As present, each of Ms. Julie Chow Chi Lei and Dr. Lincoln Chee Wang Jin has only entered into a service agreement with QHA pursuant to which she/he provides services to the Sellers' Group (including the Disposal Group). To ensure that Ms. Julie Chow Chi Lei and Dr. Lincoln Chee Wang Jin will provide services to the Disposal Group after Closing, the Purchaser would negotiate with each of Ms. Julie Chow Chi Lei and Dr. Lincoln Chee Wang Jin on service agreement to be entered into by each of them and a member of the Disposal Group. In consideration of the Purchaser agreeing to enter into the Agreement, the Sellers agree that they shall use all reasonable endeavours to assist the Purchaser in negotiation of service agreements between a member of the Disposal Group and each of Ms. Julie Chow Chi Lei and Dr. Lincoln Chee Wang Jin on terms which, in the opinion of the Purchaser acting reasonably, are no less favourable to the Disposal Group than such individual's existing service agreements with QHA.

LETTER FROM THE BOARD

Pursuant to the Agreement, QHA and Holdco shall procure members of the Remaining Group to pay or otherwise satisfy and discharge all intra-group receivables owed to the Disposal Group and shall procure the Disposal Group to pay, capitalise or otherwise satisfy and discharge all intra-group payables before Closing.

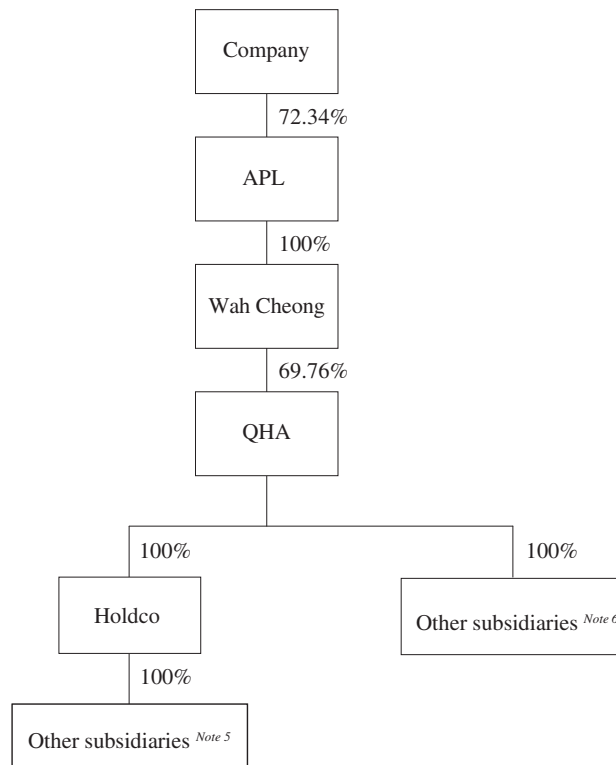
CORPORATE STRUCTURE OF QHA BEFORE AND AFTER CLOSING

As advised and confirmed by QHA, immediately before Closing, the abridged corporate structure of QHA is as follow:



LETTER FROM THE BOARD

As advised and confirmed by QHA, immediately after Closing, the abridged corporate structure of QHA is as follow:



Notes:

1. The principal business activity of QHL and its subsidiaries is the holding of service marks.
2. The principal business activities of QMH and its subsidiaries are the operation of primary healthcare centres for both private and corporate patients administering Chinese and/or western medicine and ancillary healthcare centres including skincare centres.
3. The principal business activity of QMS is the provision of contract healthcare services.
4. The principal business activities of QSL and its subsidiaries are the provision of nursing agency service and the operation of LASIK facilities and dental, physiotherapy, foot care, ophthalmic, psychological and holistic centres.
5. The principal business activities of other subsidiaries directly under Holdco are investment holding, the Elderly Healthcare Businesses and the provision of management and administrative services.
6. The principal business activities of other subsidiaries directly under QHA are investment holding and the Elderly Healthcare Businesses.
7. The principal business activity of Portex is investment holding in subsidiaries for the provision of psychological services in Macau.
8. As at the Latest Practicable Date, the Company owned approximately 72.34% shareholding interests in APL, which in turn wholly-owned Wah Cheong, which in turn owned approximately 69.76% shareholding interests in QHA.

LETTER FROM THE BOARD

UNDERTAKINGS BY THE SELLERS AND OTHER TERMS UNDER THE AGREEMENT

As advised and confirmed by QHA, pursuant to the Agreement:

- (a) Each of the Sellers has undertaken with the Purchaser that, *inter alia*, it will change its and each of its subsidiaries' (excluding the Disposal Group) corporate names and marks promptly, and in any event, within 90 days immediately following Closing, to names and marks not containing the words "Quality", "卓健" or any abbreviation of or derivation from any such words or otherwise any word or mark which is similar to or resembles any such words and which new names and marks shall not give any impression that the Sellers or any of the Sellers' subsidiaries are connected to the Purchaser or the Disposal Group;
- (b) It is agreed that if, between Closing and the date falling 18 months after Closing, the Purchaser or the Sellers determine that any property, rights or assets forming part of the business of any of the Disposal Group companies as carried on at the date of the Agreement have not been acquired by the Purchaser at Closing (i.e. Wrong Box Assets) (including the case where such Wrong Box Assets are not in fact held within the Disposal Group) but should properly have been so acquired, any such Wrong Box Assets shall without undue delay be transferred to the Purchaser and, to the extent permitted by law, shall be held on behalf of the Purchaser pending such transfer. To the extent that the Sellers or any of their Affiliates receive any payment from a third party on or after the Closing Date which is attributable to (i) a Wrong Box Asset; or (ii) the period commencing on the Closing Date, the Sellers covenant to procure that such sum is promptly paid to the Purchaser and held on behalf of the Purchaser pending such transfer;
- (c) The Sellers have undertaken with the Purchaser that they will not, and will procure that none of their respective subsidiaries from time to time will, in the 12 months from the date of Closing:
 - (i) declare, pay or make any dividend or distribution to any person other than QHA or a wholly-owned subsidiary of QHA. This undertaking does not prevent QHA's intention of declaring and paying a dividend up to HK\$1.00 per QHA Share in the 12 months from the Closing Date;
 - (ii) make any payments or transfer any assets to any person other than QHA or a wholly-owned subsidiary of QHA, other than pursuant to agreements or arrangements on an arm's length basis in the ordinary and usual course of business;
 - (iii) assume or incur any liabilities for the benefit of any person other than QHA or a wholly-owned subsidiary of QHA, other than pursuant to agreements or arrangements on an arm's length basis in the ordinary and usual course of business;

LETTER FROM THE BOARD

- (iv) make any payments to any person other than QHA or a wholly-owned subsidiary of QHA in respect of any share capital or other securities being redeemed, purchased or repaid, or any other return of capital;
- (v) waive any amount owed to it by any person other than QHA or a wholly-owned subsidiary of QHA;
- (vi) commence any proceedings for voluntary winding up; or
- (vii) enter into any agreement or arrangement to give effect to any of the matters referred to in (i) to (vi) above.

The purpose of the above undertakings is to ensure that assets will not be disposed of to, or liabilities will not be incurred for the benefit of, any person other than QHA or a wholly-owned subsidiary of QHA for agreements or arrangements which are not on an arm's length basis in the ordinary and usual course of business, as a comfort to the Purchaser that the Sellers will perform their obligations under the Agreement (i.e. for 12 months from the Closing Date in order to ensure that QHA will not deplete its asset base and will retain sufficient assets to satisfy any possible claims under the Seller's warranties which such claims are to be made within 12 months of Closing). The QHA Board believes that QHA's warranties are true and correct and therefore any claims are unlikely and therefore, the QHA Board is of the view that the provision of the above undertakings would not have any material adverse impact on QHA's business operation and financial position;

- (d) Shared services among the Sellers' Group and the Disposal Group

It is agreed that to the extent that any member of the Disposal Group receive services from any member of the Sellers' Group (other than the Disposal Group) and such services are required by that member of the Disposal Group post Closing, the Sellers shall, and shall procure that any member of the Sellers' Group providing such services shall, continue to provide the relevant member of the Disposal Group with those services for a period of up to three months post Closing or such other period as the Sellers and the Purchaser may agree, the scope of services to be provided to be agreed by the Sellers and the Purchaser and on terms which may include reasonable charges for the services;

LETTER FROM THE BOARD

(e) Non-competition undertaking by the Sellers

Each of the Sellers has undertaken with the Purchaser that it will not and will procure that none of its subsidiaries will and will use best endeavours to procure that no other Restricted Party will, in any Relevant Capacity during the Restricted Period, directly or indirectly:

- (i) carry on, be engaged in or be economically interested in any business in the Restricted Territory which is of the same or similar type to the business of any Disposal Group company as now carried on and which is or is likely to be in competition with the business of any Disposal Group company as now carried on;
- (ii) in competition with the business of any Disposal Group company as now carried on, canvass or solicit the custom of any person, firm or company who has within three years prior to Closing been a customer of any Disposal Group company in relation to the business of the Disposal Group; or
- (iii) induce or seek to induce any present Restricted Employee to become employed whether as employee, consultant or otherwise by any Restricted Party, whether or not such Restricted Employee would thereby commit a breach of his contract of service,

in each case, without first obtaining the prior written consent of the Purchaser.

The above restrictions shall not operate to prohibit any Restricted Party from:

- (i) carrying on or being engaged in or being economically interested in any medical equipment distribution business or the Elderly Healthcare Businesses; or
- (ii) holding or being interested in up to 5% of any investment or interest in units or shares of any company, investment fund or trust, joint venture or partnership, provided that such interest does not confer on the Restricted Party any right to control the composition of the board of directors, trustees or other management body of such entity or be involved in the management of such entity.

LETTER FROM THE BOARD

UNDERTAKINGS BY OTHER PARTIES

Irrevocable Undertakings by Wah Cheong

As advised and confirmed by APL, on 8th October, 2010, Wah Cheong entered into a deed of undertaking in favour of the Purchaser, pursuant to which it undertook, *inter alia*:

- (a) to irrevocably vote in favour of the Transaction at the QHA SGM;
- (b) prior to Closing or the termination of Wah Cheong's obligations under the deed (whichever is earlier):
 - (i) not to sell, transfer, dispose of, charge, pledge or otherwise encumber or grant any option or other right over or otherwise deal with any of the QHA Shares or any interest in them (whether conditionally or unconditionally); and
 - (ii) not to enter into any agreement or arrangement with any person, whether conditionally or unconditionally, to do any of the acts prohibited by the terms in the above paragraph;
- (c) otherwise to support the Transaction; and
- (d) not to compete with the Disposal Group on substantially the same terms as the non-competition undertakings of the Sellers as mentioned in the paragraph headed "Non-competition undertaking by the Sellers" above.

Undertakings by the Company, Lee and Lee Trust and APL

On 8th October, 2010, the Company entered into a deed of undertaking in favour of the Purchaser. In addition, the Company confirmed that Lee and Lee Trust entered into a similar deed of undertaking in favour of the Purchaser on the same day. The Company was further advised and confirmed by APL that APL entered into a similar deed of undertaking in favour of the Purchaser on the same day.

Pursuant to each of the undertakings by the Company, Lee and Lee Trust and APL, each of the Company, Lee and Lee Trust and APL undertook, *inter alia*, to support the Transaction and not to compete with the Disposal Group on substantially the same terms as the non-competition undertakings of the Sellers as mentioned in the paragraph headed "Non-competition undertaking by the Sellers" above.

Given that the undertakings by QHA, APL and the Company will not affect the Company's core businesses of property investment and development or financial services and will not impose any material financial obligations onto the Company, the Board is of the view that the undertakings by QHA, APL and the Company will not have any material adverse impact on the Company's business or financial position.

LETTER FROM THE BOARD

EFFECTS OF THE TRANSACTION ON QHA

Immediately after Closing, the Company, APL and QHA will cease to hold any interests in the Disposal Group. QHA will continue to conduct the Elderly Healthcare Businesses.

As advised and confirmed by QHA, the unaudited combined revenue and profit before taxation of the Elderly Healthcare Businesses for the year ended 31st December, 2009 were HK\$98,349,000 and HK\$7,783,000 respectively. As at 31st December, 2009, the unaudited combined net assets attributable to the Elderly Healthcare Businesses excluding intercompany balances amounted to HK\$23,342,000 while the unaudited combined net assets attributable to the Elderly Healthcare Businesses as at 30th June, 2010 excluding intercompany balances amounted to HK\$21,405,000.

REASONS FOR AND BENEFITS OF THE TRANSACTION FOR QHA

As advised and confirmed by QHA, the QHA Board takes the view that the Purchase Price represents an attractive opportunity to realise a capital gain on the disposal of the Disposal Group. QHA will be able to continue to operate and develop its Elderly Healthcare Businesses in Hong Kong and to acquire or develop both healthcare businesses and Elderly Healthcare Businesses in the PRC and elsewhere as well as to diversify into other business sectors in Hong Kong, the PRC and elsewhere (provided that such activities do not breach the undertakings of the Sellers mentioned in the paragraph headed “Non-competition undertaking by the Sellers” above) as opportunities are identified. The QHA Board will, after completion of the Transaction, consider the declaration of a special interim dividend up to HK\$1.00 per QHA Share. This will enable all QHA Shareholders to enjoy an immediate benefit whilst retaining their stake in the future development of QHA.

As advised and confirmed by QHA, QHA will, after the payment of any such special interim dividend (if any), retain sufficient resources to undertake significant acquisitions and the development of the same.

As advised and confirmed by QHA, the QHA Board considers that the Transaction is on normal commercial terms, fair and reasonable and in the interests of QHA and the QHA Shareholders as a whole.

FUTURE INTENTIONS

As advised and confirmed by QHA, QHA has a firm intention to utilise the proceeds available from the Transaction after payment of any special interim dividend as mentioned aforesaid at the earliest possible date and surplus cash or cash equivalent available after Closing will be of a temporary nature only pending completion of acquisitions.

As advised and confirmed by QHA, QHA will as aforesaid investigate the improvement of its existing Elderly Healthcare Businesses and will finalise current evaluations of healthcare related business in the PRC and investments in other sectors. It is currently expected that

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acquisitions of new investments would be completed within six months of the Closing and more than 50% of the proceeds available from the Transaction after payment of any special interim dividend will be applied for such acquisitions.

As advised and confirmed by QHA, the QHA Board currently intends to utilise the proceeds available from the Transaction after payment of any special interim dividend for the abovementioned plans. However, the QHA Board has not yet finalised its assessment of and negotiation for the new acquisitions, and thus is not able to detail the plans as at the Latest Practicable Date. Further announcement(s) will be made by QHA as soon as the proposals have been finalised.

REASONS FOR AND BENEFITS OF THE TRANSACTION FOR THE COMPANY

Based on the information and the confirmation provided by QHA, the Board has accepted the confirmation by QHA and therefore shares the view of the QHA Board that the Purchase Price represents an attractive opportunity to realise a capital gain on the disposal of the Disposal Group.

The Board concurs with the view of the QHA Board and considers that the Transaction is on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION ABOUT THE DISPOSAL GROUP

As advised and confirmed by QHA, the Disposal Group's principal business is that of a health administration company and also includes the provision of medical services, nursing agency services, physiotherapy, LASIK, ophthalmic, dental care, third party administration, and other healthcare related services.

As advised and confirmed by QHA, set out below is the key unaudited combined financial information of the Disposal Group for the two years ended 31st December, 2009.

	For the year ended	
	31st December,	
	2008	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Revenue	882,066	1,002,463
Profit before taxation	66,743	74,619
Profit attributable to QHA Shareholders	55,913	61,892

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As advised and confirmed by QHA, as at 31st December, 2009, the unaudited combined net assets of the Disposal Group excluding intercompany balances amounted to approximately HK\$134,575,000. The intercompany balances as at 31st December, 2009 include amounts due from fellow subsidiaries of HK\$2,462,000, amounts due to QHA of HK\$213,757,000 and amounts due to fellow subsidiaries of HK\$1,154,000. The amounts due to QHA were initially built up mainly as a result of QHA providing financing to the Disposal Group for various business acquisitions. Amounts due with fellow subsidiaries were mainly arising in operating activities.

As advised and confirmed by QHA, the Consideration Amount is in excess of the net book value of the assets disposed of. Based on: (i) net cash consideration of approximately HK\$1,537,800,000 (representing the Consideration Amount (subject to adjustments as more particularly described in the paragraph headed “Consideration” above) less the estimated expenses in connection with the Transaction of approximately HK\$3,200,000); (ii) the adjusted net liabilities attributable to the Disposal Group as at 30th June, 2010 of approximately HK\$53,672,000 (representing the net liabilities of the Disposal Group as at 30th June, 2010 of HK\$52,089,000, adjusting for the elimination of an intangible asset of HK\$1,583,000); and (iii) the assumption for the application of all the cash and bank balances of the Disposal Group at 30th June, 2010 in the amount of HK\$58,168,000 for settlement of intercompany balances due to the Remaining Group and capitalisation of the remaining balances due to the Remaining Group of HK\$143,556,000, the estimated gain on the Transaction to be accrued to QHA (before Working Capital Adjustment) will be approximately HK\$1,447,916,000 (net of estimated expenses).

The gain attributable to APL is estimated to be approximately HK\$741,421,000, and is derived on the basis of the gain of approximately HK\$1,447,916,000 attributable to QHA and adjusted for the attributable intangible assets, goodwill and non-controlling interests in QHA.

The gain attributable to the Company is estimated to be approximately HK\$536,344,000, and is derived on the basis of the gain of approximately HK\$741,421,000 attributable to APL and adjusted for non-controlling interests in APL.

Upon Closing, the total assets of the Group would be increased by approximately HK\$854,335,000, and the total liabilities of the Group would be decreased by approximately HK\$221,917,000, based on the unaudited consolidated financial statements of the Group for the period ended 30th June, 2010.

Upon Closing, the earnings attributable to the owners of the Company would be increased by approximately HK\$536,344,000, representing the attributable net gain on disposal of the Disposal Group based on the unaudited consolidated financial statements of the Group for the period ended 30th June, 2010.

Upon Closing, the Disposal Group will cease to be subsidiaries of the Company. The financial results, assets, liabilities and cash flows of the Disposal Group will be deconsolidated from the Group’s consolidated financial statements.

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As advised and confirmed by QHA, the QHA Board intends to use the net proceeds from the Transaction to (i) consider the declaration of a special interim dividend up to HK\$1.00 per QHA Share to QHA Shareholders after Closing; and (ii) investigate the further development of Elderly Healthcare Businesses in Hong Kong, investigate the acquisition and/or development of Elderly Healthcare Businesses and healthcare businesses in the PRC and elsewhere as well as opportunities in other business sectors in Hong Kong, the PRC and elsewhere (provided that any such activities do not breach the undertakings of the Sellers mentioned in the paragraph headed “Non-competition undertaking by the Sellers” above). The present intention of the QHA Board is to actively investigate additional healthcare related projects and businesses in the PRC for acquisitions as well as projects in other sectors in the PRC and elsewhere. It is currently expected that acquisitions of such investments would be completed within six months of the Closing.

INFORMATION ABOUT THE COMPANY, QHA AND HOLDCO

The Company

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

As at the Latest Practicable Date, APL was beneficially owned as to approximately 72.34% by the Company.

QHA

QHA is a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange.

The principal business activity of QHA is investment holding. The principal business activities of its major subsidiaries are the provision of medical services, nursing agency, physiotherapy, dental and other services and elderly care services.

As at the Latest Practicable Date, QHA was beneficially owned as to approximately 69.76% by APL.

Holdco

Holdco is a company incorporated in BVI with limited liability. The principal business activity of Holdco is investment holding.

As at the Latest Practicable Date, Holdco was a direct wholly-owned subsidiary of QHA.

LETTER FROM THE BOARD

LISTING RULES IMPLICATIONS

Pursuant to the Listing Rules, as one or more of the Percentage Ratio(s) of entry into the Transaction by QHA may exceed 25% but fall below 75% for the Company, the Transaction constitutes a major transaction for the Company. The Agreement is therefore subject to announcement, reporting and the Shareholders' approval requirements pursuant to Chapter 14 of the Listing Rules.

As no Shareholder has any material interest in the 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 Agreement and transactions contemplated thereunder, the Company has obtained a written shareholder's approval from the controlling shareholder of the Company, namely Lee and Lee Trust, which held 110,368,492 Shares as at the Latest Practicable Date (representing approximately 53.23% of the issued share capital of the Company), for approving the Agreement and transactions contemplated thereunder in lieu of holding an extraordinary general meeting pursuant to Rule 14.44 of the Listing Rules.

GENERAL 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

1. INDEBTEDNESS STATEMENT

At the close of business on 30th September, 2010, being the latest practical date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had outstanding borrowings of approximately HK\$8,810.7 million, comprising secured bank loans of approximately HK\$2,661.2 million, unsecured bank loans of approximately HK\$5,870.7 million, unsecured borrowings of approximately HK\$8.4 million from associates, unsecured borrowing of approximately HK\$4.4 million from an investee company, unsecured financial liability portion of the mandatory convertible notes of approximately HK\$93.0 million and unsecured other borrowings of approximately HK\$173.0 million. The Group's banking facilities were secured by charges over respective assets, including investment properties, hotel property, land and buildings and properties held for sale with an aggregate carrying value of HK\$5,019.0 million, bank deposits and bank balances of HK\$124.2 million, listed investments belonging to the Group with fair values of HK\$202.2 million, listed investments belonging to margin clients with fair values of HK\$2,486.5 million and debt securities, including the related embedded option, with carrying value of HK\$107.3 million together with certain securities in respect of a listed subsidiary with a carrying value of HK\$1,449.0 million.

In addition, the Group had contingent liabilities in the sum of approximately HK\$7.5 million in respect of bank guarantees made available to a clearing house and regulatory body and other guarantees. There were also claims arising from the litigation regarding to proceedings relating to Chang Zhou Power Development Company Limited, further particulars of which are set out in the section headed "Litigation" in Appendix II.

Foreign currency amounts have been translated into Hong Kong dollars at the rates of exchange prevailing at the close of business on 30th September, 2010.

Save as aforesaid and apart from intra-group liabilities, the Group did not have any outstanding debt securities, mortgages, charges, debenture or other loan capital or bank overdrafts, loans or other similar indebtedness or hire purchase commitments, liabilities under acceptances or acceptances credits or any guarantees or other material contingent liabilities at the close of business on 30th September, 2010.

2. WORKING CAPITAL

The Board, after due and careful consideration, is of the opinion that, taking into consideration of the current cash and bank balances as well as the available loan facilities to the Group, the Group will have sufficient working capital for at least twelve months from the date of this circular.

3. FINANCIAL AND TRADING PROSPECTS

The Group is operating in an environment where there is a delicate balance between low interest rates and high inflation. The mainland and Hong Kong governments recognise this issue and have implemented measures designed to curb the rise in property and asset prices. The Group has yet to see the effect of these measures but the Group is concerned that there is an increasing likelihood that rising inflation may force central banks to raise interest rates thereby dampening sentiment.

As advised by the QHA Board, the Remaining Group's present intention is that it will retain, operate and seek to develop its Elderly Healthcare Businesses in Hong Kong.

As advised by the QHA Board, the Remaining Group is currently actively investigating additional healthcare related projects and businesses in the PRC for acquisition as well as projects in other sectors in the PRC and elsewhere. The QHA Board's current intention is to complete such acquisitions within six months of the Closing.

As advised by the QHA Board, the QHA Board is of the opinion that the Remaining Group will, after Closing and the payment of any special interim dividend, have significant cash reserves.

The Board has always concentrated on building its core businesses where it believes it can add value. The Group is in a strong financial position and will continue to prudently implement its stated strategies for the benefit of the Group and all of 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 and short positions in the shares and the underlying shares of the Company and its associated corporations

Save as disclosed below, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which (i) 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 and short positions, if any, which were taken or deemed to have under such provisions of the SFO); (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to in such provisions of the SFO; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules to be notified to the Company and the Stock Exchange:

(i) Interest and short position in the shares and the underlying shares of the Company

Name of Directors	Number of Shares held	Approximate % of the issued share capital	Nature of interests
Lee Seng Hui	110,391,413	53.24%	Personal interests (held as beneficial owner) in 22,921 Shares and other interests in 110,368,492 Shares (Note 1)
Lee Su Hwei	110,368,492	53.23%	Other interests (Note 1)

Notes:

- Mr. Lee Seng Hui and Ms. Lee Su Hwei are the trustees of Lee and Lee Trust, being a discretionary trust which indirectly held 110,368,492 Shares.
- All interests stated above represent long positions.

(ii) *Interest and short positions in the shares and the underlying shares of the Company's associated corporations*

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	APL (Note 2)	5,030,031,045	72.34%	Other interests (Note 1)
Lee Su Hwei	APL (Note 2)	5,030,031,045	72.34%	Other interests (Note 1)
Lee Seng Hui	SHK Hong Kong Industries Limited ("SHK HK IND") (Note 3)	2,952,869,606	72.16%	Other interests (Note 1)
Lee Su Hwei	SHK HK IND (Note 3)	2,952,869,606	72.16%	Other interests (Note 1)
Lee Seng Hui	SHK (Note 4)	1,113,659,302	62.72%	Other interests (Note 1)
Lee Su Hwei	SHK (Note 4)	1,113,659,302	62.72%	Other interests (Note 1)
Lee Seng Hui	QHA (Note 5)	144,385,776	69.76%	Other interests (Note 1)
Lee Su Hwei	QHA (Note 5)	144,385,776	69.76%	Other interests (Note 1)
		400,000	0.19%	Interest of spouse (Note 8)
Lee Seng Hui	Tian An China Investments Company Limited ("Tian An") (Note 6)	593,321,096	39.37%	Other interests (Note 1)
Lee Su Hwei	Tian An (Note 6)	593,321,096	39.37%	Other interests (Note 1)
Mak Pak Hung	SHK (Note 4)	5,000	0.00%	Personal interest (held as beneficiary of trust) (Note 7)

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 5,030,031,045 APL Shares, 2,952,869,606 shares of SHK HK IND, 1,113,659,302 shares of SHK, 144,385,776 QHA Shares and 593,321,096 shares of Tian An.
2. APL is a non wholly-owned subsidiary of the Company. Therefore, APL is an associated corporation of the Company within the meaning of Part XV of the SFO.
3. SHK HK IND is an indirect non wholly-owned subsidiary of the Company. Therefore, SHK HK IND is an associated corporation of the Company within the meaning of Part XV of the SFO.
4. 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.
5. QHA is an indirect non wholly-owned subsidiary of APL which in turn is a non wholly-owned subsidiary of the Company. Therefore, QHA is an associated corporation of the Company within the meaning of Part XV of the SFO.
6. The Company, through its non wholly-owned subsidiaries, is indirectly interested in 39.37% in the issued shares capital of Tian An. Therefore, Tian An is an associated corporation of the Company within the meaning of Part XV of the SFO.
7. Based on the information provided by Mr. Mak Pak Hung, this represents the remaining one-third of the deemed interest in 15,000 shares of SHK duly granted to Mr. Mak Pak Hung on 28th April, 2008 under the SHK Employee Ownership Scheme of SHK and this shall be vested and become unrestricted from 15th April, 2011.
8. This represents an interest in 400,000 QHA Shares held by Mr. Chen Yue Jia, James, the spouse of Ms. Lee Su Hwei. Ms. Lee Su Hwei was deemed, by virtue of the SFO, to have an interest in the shares which her spouse was interested.
9. All interests stated above represent long positions.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuer as set out in Appendix 10 to the Listing Rules.

(b) Substantial Shareholders' interests and other persons' interests

Save as disclosed below and in paragraph (a) above, the Directors and the chief executive of the Company were not aware that there was any person (including any proposed directors of the Group) who, 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, or who, as at the Latest Practicable Date, was directly and indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of other member of the Group:

- (i) *Interests in the Shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO*

Name of Shareholders	Number of Shares and underlying shares held	Long position (L)/ Short position (S)	Approximate % of the relevant issued share capital	Notes
Cashplus Management Limited ("Cashplus")	34,523,800	L	16.65%	1
Zealous Developments Limited ("Zealous")	34,523,800	L	16.65%	1,2,3
Minty Hongkong Limited ("Minty")	75,844,692	L	36.58%	–
Lee and Lee Trust	110,368,492	L	53.23%	4,5
Penta Investment Advisers Limited ("Penta")	17,311,942	L	8.35%	6
UBS AG	14,023,989	L	6.76%	7
	12,867,000	S	6.21%	

Notes:

- Mr. Lee Seng Hui and Ms. Lee Su Hwei, both Directors, are both directors of Cashplus and Zealous.
- This represents the same interest of Cashplus in 34,523,800 Shares.
- Cashplus is a wholly-owned subsidiary of Zealous. Zealous was therefore deemed to have an interest in the Shares in which Cashplus was interested.

4. Minty and Zealous are wholly-owned by the trustees of Lee and Lee Trust, being a discretionary trust.
5. 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.
6. This includes (i) an interest in 3,244,942 Shares; and (ii) an interest in unlisted cash settled derivatives of the Company equivalent to 14,067,000 underlying shares of the Company.
7. UBS AG is interested in 12,867,000 Shares in the capacity of beneficial owner and 1,156,989 Shares in the capacity of person having a security interest in the Shares. The short position refers to an interest in unlisted cash settle derivatives of the Company equivalent to 12,867,000 underlying shares of the Company.

(ii) *Interests in the shares of other members of the Group*

Name of non wholly-owned subsidiaries of the Company	Name of shareholders	Number of shares held	Approximate % of the relevant issue share capital
Best Decision Investments Limited	Christophe Lee Kin Ping	17,500	35.00%
Charm Force Investment Limited	Chee Cheong GAY	2,368,043	13.04%
Dalian Allied First Financial Centre Co. Ltd.	大連商業集團總公司	N/A	30.00%
Dalian Lianhua Plaza Development Co. Ltd.	大連民興房地產發展有限公司	N/A	20.00%
Hardy Wall Limited	Betterhuge Limited	35	35.00%
SHK Financial Data Limited	Unison Information Limited	49	49.00%
United Asia Finance Limited	ITOCHU Hong Kong Limited	25,625,000	18.64%

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into 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

Save as disclosed below, as at the Latest Practicable Date, none of the Directors (other than such Directors being independent non-executive directors of any company carrying on business which competes or may compete with the Company) or their respective associates was considered to have interests in any competing businesses pursuant to the Listing Rules:

- (a) Mr. Arthur George Dew is a director of APL which, through a subsidiary, is partly engaged in the business of money lending;
- (b) Mr. Lee Seng Hui is a director of APL and Mr. Lee Seng Hui together with 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;
- (c) 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;
- (d) 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; and
- (e) Mr. Lee Seng Hui is a director of each of APAC Resources Limited, Mount Gibson Iron Limited and Tanami Gold NL which, through certain of its subsidiaries, are partly involved in the investment and trading in listed securities in the resources and related industries.

Although the above-mentioned Directors have competing interest in other companies by virtue of their respective common directorship, they will fulfill their fiduciary duties in order to ensure that they will act in the best interest of the Shareholders and the Company as a whole at all times. In approving any transaction contemplated between the Company and the above-mentioned companies or any other companies in which a Director has a common

directorship and/or personal interest (as the case may be), the Director will declare, at a Board meeting or on Board resolutions, the nature and extent of his/her interest, including but not limited to his/her common directorship and/or personal interest (as the case may be) in respect of the transaction contemplated therein or related thereto; where such interest is personal and/or material in nature, the relevant Director will abstain from voting at the Board meeting or on the Board resolutions while signing the same for its validity in accordance with the relevant provisions of articles of association of the Company. Hence, the Group is capable of carrying on its businesses independently of, and at arm's length from, the businesses of such companies.

5. LITIGATION

Save as disclosed below, as at the Latest Practicable Date, none of the Company nor any member of the Group was engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the Directors which is pending or threatened against any member of the Group.

- (a) in 2001, an order was made by the Hubei Province Higher People's Court in China ("2001 Order") enforcing a CIETAC award of 19th July, 2000 ("Award") by which Sun Hung Kai Securities Limited ("SHKS"), a wholly-owned subsidiary of SHK, was required to pay US\$3 million to Chang Zhou Power Development Company Limited ("JV"), a mainland PRC joint venture. SHKS had disposed of all of its beneficial interest in the JV to SHK's then listed associate, Tian An, in 1998 and disposed of any and all interest it might hold in the registered capital of the JV ("Interest") to Long Prosperity Industrial Limited ("LPI") in October 2001. Subsequent to those disposals, SHKS' registered interest in the JV in the amount of US\$3 million was frozen further to the 2001 Order. SHKS is party to the following litigation relating to the JV:
 - (i) on 29th February, 2008, a writ of summons with general indorsement of claim was issued by Global Bridge Assets Limited ("GBA"), LPI and Walton Enterprises Limited ("Walton") ("2008 Writ") in the High Court of Hong Kong against SHKS ("HCA 317/2008"). In the 2008 Writ, (a) GBA claims against SHKS for damages for alleged breaches of a guarantee, alleged breaches of a collateral contract, for an alleged collateral warranty, and for alleged negligent and/or reckless and/or fraudulent misrepresentation; (b) LPI claims against SHKS damages for alleged breaches of a contract dated 12th October, 2001; and (c) Walton claims against SHKS for the sum of US\$3 million under a shareholders agreement and/or pursuant to the Award and damages for alleged wrongful breach of a shareholders agreement. GBA, LPI and Walton also claim against SHKS interest on any sums or damages payable, costs, and such other relief as the Court may think fit. The 2008 Writ was served on SHKS on 29th May, 2008. It is being vigorously defended. Among other things, pursuant to a 2001 deed of waiver and indemnification, LPI (being the nominee of GBA) waived and released SHKS from any claims including any claims relating to or

arising from the Interest, the JV or any transaction related thereto, covenanted not to sue, and assumed liability for and agreed to indemnify SHKS from any and all damages, losses and expenses arising from any claims by any entity or party arising in connection with the Interest, the JV or any transaction related thereto. On 24th February, 2010 the Court of Appeal struck out the claims of GBA and LPI, and awarded costs of the appeal and the strike out application as against GBA and LPI to SHKS. While a provision has been made for legal costs, SHK does not consider it presently appropriate to make any other provision with respect to HCA 317/2008.

- (ii) on 20th December, 2007, a writ (“Mainland Writ”) was issued by Cheung Lai Na (張麗娜) (“Ms. Cheung”) against Tian An and SHKS and was accepted by a mainland PRC court, 湖北省武漢市中級人民法院 ((2008) 武民商外初字第8號), claiming the transfer of a 28% shareholding in the JV, and RMB19,040,000 plus interest thereon for the period from January 1999 to the end of 2007, together with related costs and expenses. Judgment was awarded by the mainland PRC court in Tian An’s and SHKS’ favour on 27th July, 2009 which judgment is currently being appealed against by Ms. Cheung. While a provision has been made for legal costs, SHK does not consider it presently appropriate to make any other provision with respect to this writ.

- (iii) on 4th June, 2008, a writ of summons was issued by Tian An and SHKS in the High Court of Hong Kong against Ms. Cheung (“HK Writ”), seeking declarations that (a) Ms. Cheung is not entitled to receive or obtain the transfer of 28% or any of the shareholding in the JV from Tian An and SHKS; (b) Ms. Cheung is not entitled to damages or compensation; (c) Hong Kong is the proper and/or the most convenient forum to determine the issue of Ms. Cheung’s entitlement to any shareholding in the JV; (d) further and alternatively, that Ms. Cheung’s claim against Tian An and SHKS in respect of her entitlement to the shareholding in the JV is scandalous, vexatious and/or frivolous; and (e) damages, interest and costs as well as further or other relief (together with related costs and expenses). The HK Writ was not served on Ms. Cheung and lapsed on 3rd June, 2009. A further writ of summons was issued by Tian An and SHKS in the High Court of Hong Kong against Ms. Cheung on 4th June, 2009 (“2nd HK Writ”) seeking the same relief as the HK Writ. The 2nd Writ expired on 3rd June, 2010, and a further writ of summons was issued by Tian An and SHKS in the High Court of Hong Kong against Ms. Cheung on 4th June, 2010. SHK does not consider it presently appropriate to make any provision with respect to this action.

6. MATERIAL CONTRACTS

The following material contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Group within the two years immediately preceding the Latest Practicable Date:

- (a) the Agreement.
- (b) on 8th October, 2010, the Company entered into a deed of undertaking in favour of the Purchaser, pursuant to which the Company undertook, *inter alia*, to support the Transaction and not to compete with the Disposal Group. Further details were disclosed in the paragraph headed “Undertakings by the Company, Lee and Lee Trust and APL” in this circular.
- (c) on 8th October, 2010, APL entered into a deed of undertaking in favour of the Purchaser, pursuant to which APL undertook, *inter alia*, to support the Transaction and not to compete with the Disposal Group. Further details were disclosed in the paragraph headed “Undertakings by the Company, Lee and Lee Trust and APL” in this circular.
- (d) on 8th October, 2010, Wah Cheong entered into a deed of undertaking in favour of the Purchaser, pursuant to which Wah Cheong undertook, *inter alia*, to irrevocably vote in favour of the Transaction at the QHA SGM and not to compete with the Disposal Group. Further details were disclosed in the paragraph headed “Irrevocable Undertakings by Wah Cheong” in this circular.
- (e) on 22nd April, 2010, SHK, as the issuer and Asia Financial Services Company Limited (“Investor”) entered into a subscription agreement (“Subscription Agreement”) pursuant to which SHK conditionally agreed to issue and the Investor conditionally agreed to subscribe for (i) HK\$1,708,000,000 in aggregate principal amount of 2% mandatory convertible notes due 2013 (“Mandatory Convertible Notes”) mandatorily convertible to shares in SHK to be issued pursuant to the Subscription Agreement; and (ii) the HK\$427,000,000 in face value of warrants (“Warrants”) exercisable to subscribe for shares in SHK to be issued in accordance with the Subscription Agreement, on the closing date being the date which is 21 days after and excluding the date upon which the last of the conditions precedent (as set out in the Subscription Agreement) has been or remains satisfied or waived (as applicable) and if such day is not a business day (has the meaning as ascribed to it under the Subscription Agreement) on the next business day thereafter, provided that it shall be a date no later than 31st October, 2010, or such other time and/or date as SHK and the Investor may agree in writing. Further details were disclosed in the joint announcement of the Company, APL and SHK dated 26th April, 2010 and the circular of each of the Company and SHK dated 24th May, 2010. The Mandatory Convertible Notes and the Warrants have been issued to the Investor on 13th July, 2010.

- (f) on 19th April, 2010, SHK as the vendor, China Elite Holdings Limited (“China Elite”) as the purchaser and APL as the purchaser’s guarantor (all being subsidiaries of the Company) entered into a conditional acquisition agreement (“Acquisition Agreement”), pursuant to which, *inter alia*, SHK has conditionally agreed to sell and China Elite has conditionally agreed to acquire 573,589,096 shares in Tian An held by SHK in Tian An, representing approximately 38.06% of the existing total issued share capital of Tian An. APL has agreed to guarantee the performance of the obligations of China Elite under the Acquisition Agreement. The consideration for the sale and purchase of the shares in Tian An is to be satisfied by the issuance of a share entitlement note to SHK which shall confer on the holder the right to call for the issue by APL of 2,293,561,833 APL Shares credited as fully-paid. Further details were disclosed in the joint announcement of the Company, APL, SHK and Tian An dated 26th April, 2010 and the circular of each of the Company and SHK dated 24th May, 2010. Share certificates for the APL shares representing the Proposed Distribution (as defined in the Acquisition Agreement) to the independent shareholders of APL pursuant to the Proposed Distribution (as defined in the Acquisition Agreement) were despatched on 2nd July, 2010.
- (g) on 23rd April, 2009, a warrant instrument by way of deed poll was executed by SHK HK IND, which was formerly known as Yu Ming Investments Limited prior to 2nd July, 2009 and became an indirect non wholly-owned subsidiary of the Company following completion of the rights issue of SHK HK IND (“Rights Issue”) on 17th April, 2009. Accordingly, relevant shareholders who had subscribed for rights shares (“Rights Shares”) of SHK HK IND received bonus warrants (i.e. 2011 Warrants) on the basis of one bonus warrant for every five Rights Shares subscribed. On the basis of 1,869,172,517 Rights Shares in issue, 373,834,503 2011 Warrants were issued to the relevant shareholders of SHK HK IND on 23rd April, 2009. Further details were disclosed in the announcements of SHK HK IND dated 20th April, 2009 and 22nd April, 2009 respectively.
- (h) on 13th February, 2009, the Company and Bright Clear Limited (“Bright Clear”), an indirect wholly-owned subsidiary of the Company, had executed a subscription undertaking (“Subscription Undertaking”) to undertake the subscription of such amount of Rights Shares of SHK HK IND under the Rights Issue. On 15th April, 2009, Bright Clear was provisionally allotted 504,371,800 Rights Shares pursuant to the Subscription Undertaking and submitted excess Right Shares application to SHK HK IND. Bright Clear was allotted 1,036,766,074 excess Rights Shares pursuant to the excess Rights Shares application. All Rights Shares were allotted to Bright Clear at the subscription price of HK\$0.10 per Rights Share. Further details were disclosed in the announcement of the Company dated 20th April, 2009.
- (i) on 13th February, 2009, an underwriting agreement was entered into between SHK HK IND and Get Nice Securities Limited (being the underwriter) in relation to the Rights Issue of SHK HK IND. The commission paid to Get Nice Securities Limited was approximately HK\$3.4 million, on the basis of 2.5% of an aggregate

amount underwritten. The underwriting agreement became unconditional on 17th April, 2009. Further details were disclosed in the announcement of SHK HK IND dated 14th February, 2009 and the prospectus of SHK HK IND dated 26th March, 2009.

- (j) on 24th December, 2008, Sun Hung Kai Strategic Capital Limited (“SHKSC”) and Itso Limited, both being indirect non wholly-owned subsidiaries of the Company, as vendors, entered into a sale and purchase agreement with Winning Beauty Limited as purchaser; and SHKSC as vendor, entered into two sets of the sale and purchase agreements with each of Kindstart Limited and Shiny Gloss Limited as purchasers, for the sale of an aggregate of 598,532,893 shares of HK\$0.10 each in the capital of APAC Resources Limited (“APAC”), being an aggregate of approximately 12.66% of the issued share capital of APAC for an aggregate consideration of HK\$371,090,393.66. Pursuant to the sale and purchase agreements, each of the purchasers had agreed to provide a share charge in favour of the relevant vendors as security for the payment of the relevant purchase price. The terms of each of the sale and purchase agreements and the share charges were substantially the same. Further details were disclosed in the joint announcement of the Company, APL and SHK dated 31st December, 2008 and the circular of each of the Company, APL and SHK dated 20th January, 2009.

Save as disclosed above, there are no other contracts (not being contracts in the ordinary course of business) being entered into by the members of the Group within the two years immediately preceding the Latest Practicable Date, which are or may be material.

7. DIRECTORS’ INTERESTS IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, Mr. Lee Seng Hui and Ms. Lee Su Hwei, being Directors and trustees of Lee and Lee Trust, a discretionary trust which together with the personal interest of Mr. Lee Seng Hui were interested in approximately 53.24% in the Company, which was in turn interested in approximately 72.34% in APL. APL was interested in approximately 69.76% in QHA, which in turn holding 100% interest in Holdco.

Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting which was significant in relation to the business of the Group.

Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors of the Group had any direct or indirect interest in any assets which have been acquired or disposed of by or leased to, or which are proposed to be acquired or disposed of by or leased to, any member of the Group since 31st December, 2009, being the date to which the latest published audited consolidated financial statements of the Group were made up.

8. GENERAL

- (a) The registered office of the Company is 22nd Floor, Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong.
- (b) The company secretary of the Company is Ms. Winnie Lui Mei Yan. She is an associate member of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators and holds a Master's Degree in Business Administration.
- (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 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 registered office of the Company in Hong Kong at 22nd Floor, Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong during normal office hours on any weekday, except Saturdays, Sundays and public holidays, from the date of this circular up to and including 26th November, 2010:

- (a) the memorandum and articles of association of the Company;
- (b) the material contracts referred to in the paragraph headed "Material Contracts" in this appendix;
- (c) the annual reports of the Company for the two years ended 31st December, 2009;
- (d) the Company's circular dated 24th May, 2010 in relation to a major transaction; and
- (e) this circular.