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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)**

**ANNOUNCEMENT OF AUDITED RESULTS FOR THE YEAR 2009**

The board of directors (“Board”) of Allied Group Limited (“Company”) announces that the audited consolidated results of the Company and its subsidiaries (“Group”) for the year ended 31st December, 2009 are as follows:

**CONSOLIDATED INCOME STATEMENT**  
**FOR THE YEAR ENDED 31ST DECEMBER, 2009**

	<i>Notes</i>	<b>2009</b> <b>HK\$ Million</b>	2008 <i>HK\$ Million</i> (Restated)
Revenue	(2)	<b>4,886.4</b>	3,402.0
Other income		<b>93.0</b>	399.8
Total income		<b>4,979.4</b>	3,801.8
Cost of sales and other direct costs		<b>(648.4)</b>	(684.5)
Brokerage and commission expenses		<b>(224.5)</b>	(211.7)
Selling and marketing expenses		<b>(52.5)</b>	(61.3)
Administrative expenses		<b>(1,582.6)</b>	(1,388.2)
Discount on acquisition of a subsidiary		<b>138.5</b>	–
Discount on acquisition of additional interests in subsidiaries		<b>44.3</b>	222.3
Profit on deemed acquisition of additional interests in subsidiaries	(4)	<b>13.7</b>	34.4
Net loss on deemed disposal of partial interests in subsidiaries	(5)	<b>(31.1)</b>	(5.5)
Loss on warrants of a listed associate	(6)	<b>(1.2)</b>	(284.1)
Changes in values of properties	(7)	<b>824.7</b>	(585.2)
Impairment loss recognised for available-for-sale financial assets		–	(109.9)
Bad and doubtful debts		<b>(443.1)</b>	(463.2)
Other operating expenses		<b>(126.6)</b>	(176.9)
Finance costs	(8)	<b>(43.0)</b>	(93.8)
Share of results of associates		<b>467.4</b>	194.3
Share of results of jointly controlled entities		<b>102.5</b>	(6.8)
Profit before taxation	(9)	<b>3,417.5</b>	181.7
Taxation	(10)	<b>(341.1)</b>	(59.8)
Profit for the year		<b>3,076.4</b>	121.9

**CONSOLIDATED INCOME STATEMENT (Cont'd)**  
*FOR THE YEAR ENDED 31ST DECEMBER, 2009*

	<i>Notes</i>	<b>2009</b> <i>HK\$ Million</i>	2008 <i>HK\$ Million</i> (Restated)
Attributable to:			
Owners of the Company		<b>1,779.1</b>	(231.5)
Minority interests		<u><b>1,297.3</b></u>	<u>353.4</u>
		<u><b>3,076.4</b></u>	<u>121.9</u>
Earnings (loss) per share			
Basic	<i>(11)</i>	<u><b>HK\$7.38</b></u>	<u>HK\$(0.95)</u>
Diluted		<u><b>HK\$7.38</b></u>	<u>HK\$(0.95)</u>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31ST DECEMBER, 2009**

	<b>2009</b> <i>HK\$ Million</i>	2008 <i>HK\$ Million</i>
Profit for the year	<u><b>3,076.4</b></u>	<u>121.9</u>
Other comprehensive income:		
Available-for-sale financial assets		
– Net fair value changes during the year	<b>137.7</b>	(167.3)
– Reclassification adjustment to profit or loss on disposal	<b>(8.0)</b>	(904.0)
– Reclassification adjustment to profit or loss on impairment	–	100.4
– Deferred tax	<u><b>0.2</b></u>	<u>0.7</u>
	<b>129.9</b>	(970.2)
Property, plant and equipment		
– Deferred tax	–	0.7
Exchange difference arising on translation of foreign operations	<b>3.0</b>	9.6
Share of other comprehensive income of associates	<b>46.4</b>	125.0
Share of other comprehensive income (expenses) of jointly controlled entities	<u><b>2.0</b></u>	<u>(13.0)</u>
Other comprehensive income (expenses) for the year, net of tax	<u><b>181.3</b></u>	<u>(847.9)</u>
Total comprehensive income (expenses) for the year	<u><b>3,257.7</b></u>	<u>(726.0)</u>
Attributable to:		
Owners of the Company	<b>1,902.1</b>	(637.6)
Minority interests	<u><b>1,355.6</b></u>	<u>(88.4)</u>
	<u><b>3,257.7</b></u>	<u>(726.0)</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AT 31ST DECEMBER, 2009**

	<i>Notes</i>	<b>2009</b> <b>HK\$ Million</b>	2008 HK\$ Million
<b>Non-current assets</b>			
Investment properties		3,868.7	3,024.0
Property, plant and equipment		339.3	349.5
Prepaid land lease payments		343.0	349.1
Goodwill		278.0	268.2
Intangible assets		405.2	370.5
Interests in associates		4,345.1	4,010.5
Interests in jointly controlled entities		1,043.2	934.7
Available-for-sale financial assets		749.5	273.3
Held-to-maturity investments		51.5	–
Statutory deposits		36.0	18.4
Amounts due from associates		56.1	–
Loans and advances to consumer finance customers due after one year		1,870.2	1,743.5
Loans and receivables		–	164.2
Deferred tax assets		100.5	122.5
		<u>13,486.3</u>	<u>11,628.4</u>
<b>Current assets</b>			
Properties held for sale and other inventories		374.5	410.5
Financial assets at fair value through profit or loss		1,443.6	423.3
Prepaid land lease payments		6.1	6.1
Loans and advances to consumer finance customers due within one year		2,456.2	2,588.4
Trade and other receivables	(13)	5,922.4	4,664.9
Amounts due from associates		67.3	104.8
Amount due from a jointly controlled entity		3.9	3.4
Tax recoverable		5.9	36.8
Short-term pledged bank deposits		141.6	130.5
Cash and cash equivalents		2,278.4	2,591.5
		<u>12,699.9</u>	<u>10,960.2</u>
<b>Current liabilities</b>			
Trade and other payables	(14)	1,831.7	1,638.4
Financial liabilities at fair value through profit or loss		96.5	49.0
Amounts due to associates		13.7	13.8
Amounts due to jointly controlled entities		0.3	14.1
Tax payable		82.7	76.0
Bank and other borrowings due within one year		3,126.0	1,403.8
Provisions		26.3	62.8
Other liabilities due within one year		–	0.6
		<u>5,177.2</u>	<u>3,258.5</u>
<b>Net current assets</b>		<u>7,522.7</u>	<u>7,701.7</u>
<b>Total assets less current liabilities</b>		<u>21,009.0</u>	<u>19,330.1</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)**  
*AT 31ST DECEMBER, 2009*

	<i>Notes</i>	<b>2009</b> <i>HK\$ Million</i>	2008 <i>HK\$ Million</i>
<b>Capital and reserves</b>			
Share capital		<b>414.7</b>	488.1
Share premium and reserves	(15)	<b>9,033.9</b>	7,849.9
<b>Equity attributable to owners of the Company</b>		<b>9,448.6</b>	8,338.0
Shares held for employee ownership scheme		<b>(28.0)</b>	(32.6)
Employee share-based compensation reserve		<b>9.9</b>	10.0
Minority interests		<b>10,089.0</b>	8,268.8
<b>Total equity</b>		<b>19,519.5</b>	16,584.2
<b>Non-current liabilities</b>			
Bank and other borrowings due after one year		<b>1,141.6</b>	2,479.3
Deferred tax liabilities		<b>335.6</b>	241.9
Provisions		<b>12.3</b>	24.7
		<b>1,489.5</b>	2,745.9
		<b>21,009.0</b>	19,330.1

Notes:

**(1) APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)**

In the current year, the Group has applied a number of new and revised Standards, Amendments to Standards and Interpretations (“new and revised HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). Except as described below, the adoption of the new and revised HKFRSs has not had material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

**HKAS 1 (revised 2007) Presentation of Financial Statements**

HKAS 1 (revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

**Improving Disclosures about Financial Instruments  
(Amendments to HKFRS 7 Financial Instruments: Disclosures)**

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The amendments also expand and amend the disclosures required in relation to liquidity risk. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

**Improvements to HKFRS 2009  
(Amendment to Appendix to HKAS 18 Revenue)**

In May 2009, the HKICPA issued Improvements to HKFRSs 2009 that include an amendment to the Appendix to HKAS 18 Revenue which provides additional guidance (“Additional Guidance”) to determine whether an entity is acting as a principal or an agent.

The Additional Guidance includes, inter alia, features that indicate an entity is acting as a principal or as an agent. The Group has re-assessed its business arrangements based on the Additional Guidance and has applied the Additional Guidance retrospectively. As a result of the re-assessment, the Group has retrospectively changed the presentation of results of certain arrangements previously presented in the consolidated income statement on a gross basis (that is, based on the gross amount billed to a customer) to the net basis (that is, based on the amount billed to the customer less the amount paid to the corresponding supplier) as it would result in a more appropriate presentation of the substance of those arrangements.

Accordingly, the following adjustments were made to the financial information for the year ended 31st December, 2009 and 2008:

	<b>2009</b>	2008
	<i>HK\$ Million</i>	<i>HK\$ Million</i>
Net decrease in revenue – Healthcare	<b>96.3</b>	91.7
Net decrease in costs of sales and other direct costs	<b>96.3</b>	91.7

Such change in presentation has had no impact to the profit for the year and earnings (loss) per share of the Group for the years ended 31st December, 2009 and 2008 or the accumulated profits and other components of equity of the Group as at 1st January, 2009 and 2008. Since the change does not affect the financial position of the Group, the consolidated statement of financial position as at 1st January, 2008 has not been presented.

The Group has not early applied the following new and revised standards or amendments that have been issued but are not yet effective, and are relevant to the operations of the Group.

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs 2008 <sup>1</sup>
HKFRSs (Amendments)	Improvements to HKFRSs 2009 except for an amendment to the Appendix to HKAS 18 Revenue and the amendments to paragraph 80 of HKAS 39 <sup>2</sup>
HKAS 24 (Revised)	Related Party Disclosures <sup>5</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>1</sup>
HKAS 32 (Amendment)	Classification of Rights Issues <sup>4</sup>
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions <sup>3</sup>
HKFRS 3 (Revised)	Business Combinations <sup>1</sup>
HKFRS 9	Financial Instruments <sup>6</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1st July, 2009

<sup>2</sup> Effective for annual periods beginning on or after 1st July, 2009 and 1st January, 2010, as appropriate

<sup>3</sup> Effective for annual periods beginning on or after 1st January, 2010

<sup>4</sup> Effective for annual periods beginning on or after 1st February, 2010

<sup>5</sup> Effective for annual periods beginning on or after 1st February, 2011

<sup>6</sup> Effective for annual periods beginning on or after 1st January, 2013

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1st January, 2013 with earlier application permitted. Under the Standard, an entity may make an irrevocable election to present changes in fair value of equity investments in other comprehensive income, with only dividend income recognised in profit or loss. The application of HKFRS 9 might affect the measurement of the Group's financial assets.

The directors of the Company ("Directors") anticipate that the application of the other new and revised standards or amendments will have no material impact on the results and the financial position of the Group.

## (2) REVENUE

	2009 <i>HK\$ Million</i>	2008 <i>HK\$ Million</i> (Restated)
Revenue comprises:		
Interest income on loans and advances to consumer finance customers	1,494.1	1,341.8
Medical services, nursing agencies, physiotherapy and dental services, and elderly care services	1,100.8	978.3
Securities broking	588.4	504.6
Net trading profit (loss) from securities	514.1	(718.2)
Other interest income	415.2	411.8
Net trading profit from forex, bullion, commodities and futures	261.1	249.2
Property rental, hotel operations and management services	249.3	240.3
Income from corporate finance and others	235.2	297.3
Dividend income	28.2	50.7
Sale of properties	—	46.2
	<u>4,886.4</u>	<u>3,402.0</u>

All interest income is derived from financial assets that are not carried at fair value through profit or loss.

### (3) SEGMENTAL INFORMATION

The Group has adopted HKFRS 8 Operating Segments with effect from 1st January, 2009. HKFRS 8 requires that operating segments be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to segments and to assess their performance. The adoption of HKFRS 8 had no material effect on the presentation of segment information.

Analysis of the Group's segmental information is as follows:

	2009					
	Investment, broking and finance <i>HK\$ Million</i>	Consumer finance <i>HK\$ Million</i>	Healthcare <i>HK\$ Million</i>	Property development and investment <i>HK\$ Million</i>	Corporate and other operations <i>HK\$ Million</i>	Total <i>HK\$ Million</i>
Segment revenue	2,028.8	1,511.7	1,109.1	253.8	73.9	4,977.3
Less: inter-segment revenue	(19.8)	-	-	(11.5)	(59.6)	(90.9)
Segment revenue from external customers	<u>2,009.0</u>	<u>1,511.7</u>	<u>1,109.1</u>	<u>242.3</u>	<u>14.3</u>	<u>4,886.4</u>
Segment results	1,142.7	621.4	73.3	955.1	(38.2)	2,754.3
Discount on acquisition of a subsidiary						138.5
Discount on acquisition of additional interests in subsidiaries						44.3
Profit on deemed acquisition of additional interests in subsidiaries						13.7
Net loss on deemed disposal of partial interest in a subsidiary						(31.1)
Loss on warrants of a listed associate						(1.2)
Impairment loss for interests in associates						(27.9)
Finance costs						(43.0)
Share of results of associates						467.4
Share of results of jointly controlled entities	1.3	-	-	101.2	-	102.5
Profit before taxation						3,417.5
Taxation						(341.1)
Profit for the year						<u>3,076.4</u>



	2008					
	Investment, broking and finance <i>HK\$ Million</i>	Consumer finance <i>HK\$ Million</i>	Healthcare <i>HK\$ Million</i> (Restated)	Property development and investment <i>HK\$ Million</i>	Corporate and other operations <i>HK\$ Million</i>	Total <i>HK\$ Million</i> (Restated)
Segment revenue	842.7	1,353.3	983.9	296.6	109.1	3,585.6
Less: inter-segment revenue	(92.4)	–	–	(11.4)	(79.8)	(183.6)
Segment revenue from external customers	<u>750.3</u>	<u>1,353.3</u>	<u>983.9</u>	<u>285.2</u>	<u>29.3</u>	<u>3,402.0</u>
Segment results	(97.8)	614.4	57.1	(422.8)	(15.2)	135.7
Discount on acquisition of additional interests in subsidiaries						222.3
Profit on deemed acquisition of additional interests in subsidiaries						34.4
Net loss on deemed disposal of partial interests in subsidiaries						(5.5)
Loss on warrants of a listed associate						(284.1)
Impairment loss for interest in an associate						(14.8)
Finance costs						(93.8)
Share of results of associates						194.3
Share of results of jointly controlled entities	–	–	0.1	(6.9)	–	(6.8)
Profit before taxation						181.7
Taxation						(59.8)
Profit for the year						<u>121.9</u>

No geographical segment analysis is presented as most of the Group's major business activities, results and assets are conducted in and are relevant to Hong Kong.

**(4) PROFIT ON DEEMED ACQUISITION OF ADDITIONAL INTERESTS IN SUBSIDIARIES**

Profit on deemed acquisition of additional interests in subsidiaries arises from shares repurchased and cancelled by subsidiaries.

**(5) NET LOSS ON DEEMED DISPOSAL OF PARTIAL INTERESTS IN SUBSIDIARIES**

	2009 <i>HK\$ Million</i>	2008 <i>HK\$ Million</i>
Net (loss) profit on deemed disposal of partial interests in subsidiaries comprises:		
Scrip dividend distributed by a subsidiary	0.7	(1.5)
Exercise of warrants of subsidiaries by warrants holders	<u>(31.8)</u>	<u>(4.0)</u>
	<u>(31.1)</u>	<u>(5.5)</u>

(6) **LOSS ON WARRANTS OF A LISTED ASSOCIATE**

In December 2007, a listed associate of the Group issued new shares by way of open offer to the qualifying shareholders on the basis of one new share for every five shares held, together with new warrants of the listed associate in the proportion of one new warrant for every one new share successfully subscribed. The Group subscribed its proportion of the new shares and procured the new warrants. The warrants were recognised by the Group as “financial assets at fair value through profit or loss” at their initial carrying amount representing their fair value at the date of acquisition.

The warrants expired on 31st December, 2009. The Group incurred a loss of HK\$1.2 million on derecognising the warrants (2008: a loss of HK\$284.1 million arising from the fair value change). However, the listed associate recorded a profit relating to the derecognition and fair value change of the warrants and the Group shared this profit of the associate, which is approximately the same as the loss incurred.

(7) **CHANGES IN VALUES OF PROPERTIES**

	<b>2009</b> <i>HK\$ Million</i>	2008 <i>HK\$ Million</i>
Changes in values of properties comprise:		
Net increase (decrease) in fair value of investment properties	<b>804.3</b>	(549.3)
Impairment loss reversed (recognised) for properties held for sale	<b>25.6</b>	(36.8)
Impairment loss (recognised) reversed for hotel property	<u>(5.2)</u>	<u>0.9</u>
	<b><u>824.7</u></b>	<b><u>(585.2)</u></b>

The recognition and reversal of impairment losses was based on the lower of cost and value in use for hotel property and, the lower of cost and net realisable value for properties held for sale. The value in use and net realisable values were determined with reference to the respective fair values of the properties based on independent professional valuations at 31st December, 2009.

(8) **FINANCE COSTS**

	<b>2009</b> <i>HK\$ Million</i>	2008 <i>HK\$ Million</i>
Total finance costs included in:		
Cost of sales and other direct costs	<b>39.9</b>	67.1
Finance costs	<u>43.0</u>	<u>93.8</u>
	<b><u>82.9</u></b>	<b><u>160.9</u></b>

All interest expenses are derived from financial liabilities that are not carried at fair value through profit or loss.

**(9) PROFIT BEFORE TAXATION**

	<b>2009</b> <i>HK\$ Million</i>	2008 <i>HK\$ Million</i>
Profit before taxation has been arrived at after charging:		
Depreciation	<b>61.8</b>	57.4
Amortisation of intangible assets (included in other operating expenses)	<b>28.0</b>	24.9
Amortisation of prepaid land lease payments	<b>6.1</b>	6.1
Loss on disposal of property, plant and equipment	<b>2.1</b>	0.7
and after crediting:		
Dividend income from listed equity securities	<b>21.5</b>	46.0
Dividend income from unlisted equity securities	<b>6.6</b>	4.7
Discount on acquisition of additional interest in an associate (included in share of results of associates)	<b>22.6</b>	34.0
Profit on disposal of investment properties (included in other income)	<b>2.1</b>	–
Profit on disposal of available-for-sale financial assets (included in other income)	<b>24.8</b>	347.7

**(10) TAXATION**

	<b>2009</b> <i>HK\$ Million</i>	2008 <i>HK\$ Million</i>
The income tax charge (credit) comprises:		
Current tax		
Hong Kong	<b>212.0</b>	178.3
Other jurisdictions	<b>13.4</b>	2.6
	<b>225.4</b>	180.9
(Over) under provision in prior years		
Hong Kong	<b>(0.3)</b>	2.3
Other jurisdictions	<b>0.1</b>	0.1
	<b>(0.2)</b>	2.4
Deferred tax		
Current year	<b>115.0</b>	(111.6)
Underprovision in prior years	<b>0.9</b>	–
Change of tax rate	<b>–</b>	(11.9)
	<b>115.9</b>	(123.5)
	<b>341.1</b>	59.8

Hong Kong Profits Tax is calculated at the rate of 16.5% of the estimated assessable profit for both years.

Taxation arising in other jurisdictions is calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in the relevant jurisdictions.

## (11) EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings (loss) per share is based on the profit attributable to owners of the Company of HK\$1,779.1 million (2008: loss of HK\$231.5 million) and on the weighted average number of 241.0 million (2008: 244.1 million) shares in issue during the year.

Diluted earnings (loss) per share for both years were the same as the basic earnings (loss) per share as there were no dilutive potential ordinary shares outstanding.

## (12) DIVIDEND

	<b>2009</b> <i>HK\$ Million</i>	2008 <i>HK\$ Million</i>
Ordinary shares:		
Interim dividend of HK15 cents per share (2008: HK15 cents)	<b>36.6</b>	36.6
Proposed final dividend of HK35 cents per share (2008: HK30 cents)	<u><b>72.6</b></u>	<u>73.2</u>
	<u><b>109.2</b></u>	<u>109.8</u>

A final dividend of HK35 cents per share (2008: HK30 cents per share) has been recommended by the Board and is subject to approval by the shareholders of the Company at the forthcoming annual general meeting of the Company.

The amount of the proposed final dividend for the year ended 31st December, 2009 has been calculated by reference to 207,334,060 shares in issue at 1st April, 2010.

In 2009, the Company paid and recognised dividends of HK\$73.2 million and HK\$36.6 million representing HK30 cents per share, being the final dividend of 2008 and HK15 cents per share, being the interim dividend of 2009, respectively.

In 2008, the Company paid and recognised dividends of HK\$146.5 million and HK\$36.6 million, representing HK60 cents per share, being the final dividend of 2007 and HK15 cents per share being the interim dividend of 2008, respectively.

## (13) TRADE AND OTHER RECEIVABLES

The following is an aged analysis of trade and other receivables based on the invoice/advanced date on the reporting date:

	<b>2009</b> <i>HK\$ Million</i>	2008 <i>HK\$ Million</i>
Less than 31 days	<b>1,406.0</b>	1,182.5
31 to 60 days	<b>35.2</b>	44.9
61 to 90 days	<b>19.7</b>	31.6
Over 90 days	<u><b>334.5</b></u>	<u>927.9</u>
	<b>1,795.4</b>	2,186.9
Margin loans and other receivables	<b>4,305.4</b>	2,695.8
Allowance for impairment	<u><b>(178.4)</b></u>	<u>(217.8)</u>
	<u><b>5,922.4</b></u>	<u>4,664.9</u>

**(14) TRADE AND OTHER PAYABLES**

The following is an aged analysis of the trade and other payables:

	<b>2009</b> <i>HK\$ Million</i>	2008 <i>HK\$ Million</i>
Less than 31 days	<b>1,301.7</b>	1,180.0
31 to 60 days	<b>14.0</b>	15.8
61 to 90 days	<b>10.7</b>	10.5
Over 90 days	<b>46.6</b>	36.2
	<b>1,373.0</b>	1,242.5
Accruals and other payables	<b>458.7</b>	395.9
	<b><u>1,831.7</u></b>	<b><u>1,638.4</u></b>

**(15) SHARE PREMIUM AND RESERVES**

	<b>2009</b> <i>HK\$ Million</i>	2008 <i>HK\$ Million</i>
Share premium	<b>1,519.5</b>	1,519.5
Property revaluation reserve	<b>42.3</b>	42.3
Investment revaluation reserve	<b>277.1</b>	174.4
Capital redemption reserve	<b>287.5</b>	214.1
Translation reserve	<b>149.2</b>	136.6
Non-distributable reserve	<b>55.2</b>	55.2
Capital reserve	<b>(8.7)</b>	(8.7)
Accumulated profits	<b>6,639.2</b>	5,643.3
Dividend reserve	<b>72.6</b>	73.2
	<b><u>9,033.9</u></b>	<b><u>7,849.9</u></b>

## **DIVIDEND**

The Board has recommended a final dividend of HK35 cents per share for the year ended 31st December, 2009 (2008: HK30 cents per share), making a total dividend for the year 2009 of HK50 cents per share (2008: HK45 cents per share). The Board will announce the dates for the closure of the register of members of the Company for such entitlement of the final dividend as soon as possible. The Board is cognizant of the benefit to shareholders of the Company (“Shareholders”) of a dividend policy with a high pay-out ratio. However, we consider that a sustainable dividend represents a better policy. It should also be noted that the Company continued to repurchase its shares (including the completion of a conditional cash offer) during the period at an aggregate consideration of approximately HK\$678.3 million. Accordingly, both net asset value per share and earnings per share have been enhanced.

## **FINANCIAL REVIEW**

### **Financial Results**

The revenue of the Group for 2009 was approximately HK\$4,886.4 million, which was an increase of 43.6 % when compared with 2008. The increase in revenue was due to:

1. better performances of all of the Group’s core operating divisions;
2. consolidation of the results of SHK Hong Kong Industries Limited (“SHK HK IND”) after it became a subsidiary of the Company during the year.

The profit attributable to the owners of the Company was HK\$1,779.1 million, as compared to a loss of HK\$231.5 million in 2008. The earnings per share amounted to HK\$7.38 (2008: loss per share at HK\$0.95).

The improved performance can be largely attributable to:

1. a significant increase in contributions from all of the Group’s core operating divisions;
2. the Group’s property portfolio recorded a net fair value revaluation gain of HK\$824.7 million as a result of the recovery of property prices, compared to a net deficit of HK\$585.2 million in 2008;
3. profits, both realised and unrealised, arising from investments in securities and financial instruments due to an improving global financial market;
4. a gain of HK\$156 million from increasing our stake at a discount to net assets in SHK HK IND from 26.98% to 57.66% through our excess subscription to its rights issue and the subsequent general offer.

## Material Acquisitions and Disposals

In April 2009, SHK HK IND completed a rights issue. Under the rights issue and the subsequent general offer, the Group acquired additional 30.68% interests in SHK HK IND. Accordingly, the Group's shareholdings in SHK HK IND increased from 26.98% to 57.66% and SHK HK IND was reclassified from an associate to a subsidiary of the Company and its results, assets and liabilities were consolidated in the Group's financial statements. The Group's share of SHK HK IND's result up to 30th April, 2009 is included in the Group's financial statements on an equity accounting basis. The consideration of the acquisition of the 30.68% interests in SHK HK IND of HK\$165.2 million was settled in cash.

Other than the above acquisition, there were no material acquisitions or disposals of subsidiaries, associates and jointly controlled entities during the year.

## Financial Resources, Liquidity and Capital Structure

At the end of the reporting period, the equity attributable to owners of the Company amounted to HK\$9,448.6 million, representing an increase of HK\$1,110.6 million or approximately 13.3% from 2008. The Group maintained a strong cash and bank balance position and had cash, treasury bills and bank balances of approximately HK\$2,420.0 million as at 31st December, 2009 (2008: HK\$2,722.0 million). The Group's bank and other borrowings totalling HK\$4,267.6 million (2008: HK\$3,883.1 million) of which the portion due on demand or within one year increased to HK\$3,126.0 million (2008: HK\$1,403.8 million) and the remaining long-term portion decreased to HK\$1,141.6 million (2008: HK\$2,479.3 million). The liquidity of the Group as evidenced by the current ratio (current assets/current liabilities) was 2.45 times (2008: 3.36 times). The Group's gearing ratio (net bank and other borrowings/equity attributable to the owners of the Company) was 19.6% (2008: 13.9%).

	<b>2009</b>	2008
	<b><i>HK\$ Million</i></b>	<i>HK\$ Million</i>
Bank loans and overdrafts are repayable as follows:		
On demand or within one year	<b>2,961.2</b>	1,305.3
More than one year but not exceeding two years	<b>505.8</b>	238.0
More than two years but not exceeding five years	<b>602.8</b>	2,194.1
More than five years	<b>—</b>	39.3
	<b>4,069.8</b>	3,776.7
Other borrowings are repayable as follows:		
On demand or within one year	<b>164.8</b>	98.5
More than one year but not exceeding two years	<b>10.2</b>	—
More than two years but not exceeding five years	<b>22.8</b>	7.9
	<b>4,267.6</b>	3,883.1

A conditional cash offer by Yu Ming Investment Management Limited on behalf of the Company to repurchase up to 36,588,363 shares for HK\$18.50 per share with a consideration of approximately HK\$676.9 million was declared unconditional on 13th November, 2009 and the cancellation of the entire 36,588,363 shares was completed on 3rd December, 2009. In addition, during the year, the Company had repurchased 116,000 own shares on The Stock Exchange of Hong Kong Limited (“Stock Exchange”) at an aggregate consideration of approximately HK\$1.4 million, details of which are outlined in the section “Purchase, Sale or Redemption of Shares” below.

Most of the bank and other borrowings of the Group are charged at floating interest rates. There are no known seasonal factors in the Group’s borrowing profile.

The banking facilities of the Group are reviewed from time to time and new banking facilities will be obtained or renewed to meet the funding requirements for capital commitments, investments and operations of the Group.

### **Risk of Foreign Exchange Fluctuation**

The Group is required to maintain foreign currency exposure to cater for its recurring operating activities and present and potential investment activities, meaning it will be subject to reasonable exchange rate exposure. However, the Group will closely monitor this risk exposure as required.

### **Contingent Liabilities**

(a) At the end of the reporting period, the Group had guarantees as follows:

	<b>2009</b> <i>HK\$ Million</i>	2008 <i>HK\$ Million</i>
Indemnities on banking guarantees made available to a clearing house and regulatory body	<b>4.5</b>	4.5
Other guarantees	<b>3.0</b>	3.0
	<u><b>7.5</b></u>	<u>7.5</u>

(b) 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 Sun Hung Kai & Co. Limited (“Sun Hung Kai”), 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 Sun Hung Kai’s listed associate, Tian An China Investments Company Limited (“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, Sun Hung Kai 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, Sun Hung Kai 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 seeking the same relief as the HK Writ. Sun Hung Kai does not consider it presently appropriate to make any provision with respect to this action.

### **Material Litigation Update**

- (a) On 25th February, 2009, the Market Misconduct Tribunal (“MMT”) made findings and orders following the conduct of proceedings relating to dealings in May and June 2003 in the securities of QPL International Holdings Limited. The MMT’s determinations of misconduct against two employees within Sun Hung Kai group resulted also in adverse determinations against Sun Hung Kai’s indirect wholly-owned subsidiaries, Sun Hung Kai Investment Services Limited (“SHKIS”) and Cheeroll Limited (now known as Sun Hung Kai Strategic Capital Limited (“SHKSC”)). The MMT ordered that the companies not again perpetrate any form of market misconduct, that they pay the Government’s and the Securities and Futures Commission (“SFC”)’s costs, and recommended that the SFC take disciplinary action against SHKIS. On 12th October, 2009 the SFC reprimanded SHKIS and fined it HK\$4,000,000. SHKIS’s and SHKSC’s appeal against aspects of the MMT’s findings and orders was dismissed on 22nd December, 2009.
- (b) On 14th October, 2008, a writ of summons was issued by SHKIS in the High Court of Hong Kong against Quality Prince Limited, Allglobe Holdings Limited, the Personal Representative of the Estate of Lam Sai Wing, Chan Yam Fai Jane (“Ms. Chan”) and Ng Yee Mei (“Ms. Ng”), seeking recovery of (a) the sum of HK\$50,932,876.64; (b) interest; (c) legal costs; and (d) further and/or other relief. Having sold collateral for the partial recovery of amounts owing, SHKIS filed a Statement of Claim in the High Court of Hong Kong on 24th October, 2008 claiming (a) the sum of HK\$36,030,376.64; (b) interest; (c) legal costs; and (d) further and/or other relief. Summary judgment against all the defendants was granted by Master C Chan on 25th May, 2009, but judgment with respect to Ms. Chan and Ms. Ng only was overturned on appeal by the judgment of Suffiad J dated 7th August, 2009. On 17th December, 2009 SHKIS was granted leave to appeal that judgment to the Court of Appeal. The appeal has been fixed to be heard before the Court of Appeal on 6th May, 2010.
- (c) Details of proceedings relating to Chang Zhou Power Development Company Limited, a mainland PRC joint venture, are set out in the “Contingent Liabilities” section above.

## **Pledge of Assets**

At the end of the reporting period, certain of the Group's investment properties, hotel property, land and buildings, prepaid land lease payments and properties held for sale with an aggregate carrying value of HK\$4,456.6 million (2008: HK\$3,834.9 million), bank deposits of HK\$140.0 million (2008: HK\$129.0 million), listed investments belonging to the Group with fair values of HK2,980.5 million\* (2008: HK\$1,033.0 million), listed investments belonging to margin clients with fair values of HK\$1,277.2 million\*\* (2008: HK\$684.1 million) and debt securities, including the related embedded option, with carrying value of HK\$136.2 million (2008: nil) together with certain securities in respect of a listed subsidiary with a carrying value of HK\$1,448.3 million (2008: HK\$1,463.4 million) were pledged to secure loans and general banking facilities to the extent of HK\$4,096.8 million (2008: HK\$3,602.1 million) granted to the Group. Facilities amounting to HK\$2,216.0 million (2008: HK\$1,964.1 million) were utilised at the end of the reporting period.

At the end of the reporting period, a bank deposit of HK\$1.6 million (2008: HK\$1.5 million) was pledged to secure a guarantee facility issued to third parties by a bank to the extent of HK\$2.0 million (2008: HK\$2.0 million).

\* Mainly representing a portion of shares in a listed associate owned by the Group with a carrying value of HK\$3,927.3million (2008: HK\$3,551.7 million).

\*\* Based on the agreement terms, the Group is able to repledge clients' securities for margin financing arrangement with other financial institutions under governance of the Securities and Futures Ordinance.

## **Subsequent Events**

Pursuant to the announcement of Quality HealthCare Asia Limited ("QHA") dated 24th March, 2010, the board of directors of QHA has decided to return HK\$99 million of the surplus funds to QHA's shareholders via the following two-step process in lieu of proposing a final dividend for the year ended 31st December, 2009.

Firstly, QHA will undertake a share buy back at HK\$4.1 per share to utilise HK\$99 million. This will enable any QHA shareholders who wish to dispose shares an opportunity to do so at a price which the board of directors of QHA considers appropriate and reasonable for QHA and all QHA shareholders.

Secondly, the board of directors of QHA has stated its intention to declare a special dividend to remaining QHA shareholders of any balance of the HK\$99 million not utilised for the share buy back.

## **OPERATIONAL REVIEW**

### **Financial Services**

#### *Broking and finance*

- Sun Hung Kai, the Group's broking and finance arm, recorded a profit attributable to its owners of HK\$1,258.4 million, an increase of 263% from HK\$346.5 million in 2008.

- Turnover and performance of most divisions recorded a marked improvement compared to the previous year.
- Assets under management, custody and/or advice have exceeded HK\$60 billion.
- As at 31st December, 2009, the margin loan book stood at HK\$3,343.6 million, a 48.8% increase from the previous year.

#### *Consumer finance*

- The Group's consumer finance division, United Asia Finance Limited ("UAF"), delivered a record set of financial results for the year despite a difficult first half resulting from a recovering Hong Kong economy and continued expansion on the mainland. As at 31st December, 2009, UAF's loan book stood at approximately HK\$4.3 billion.
- UAF added eight more branches in Shenzhen during the year and one more in Hong Kong. Total branch network has reached 62 outlets, comprising 42 in Hong Kong and 20 in Shenzhen.
- Additional licences for operating loan businesses have been granted in Shenyang and Chongqing.
- UAF will continue to seek further opportunities for growth in China.

### **Properties**

#### *Hong Kong*

- Allied Properties (H.K.) Limited ("Allied Properties") reported a profit attributable to its owners of HK\$1,840.3 million, compared to a loss of HK\$144.4 million in 2008.
- The net gain in the value of Allied Properties' property portfolio for the full year was HK\$994 million.
- Allied Properties maintained its rental yield on its Hong Kong property portfolio.
- Although the hotel operations recorded a better second half, the whole year performance of Allied Properties' hotel business was affected by the reduction in tourists and business travellers in Hong Kong due to the spread of swine flu and slowdown of the global economy.

#### *Mainland PRC*

- Profit attributable to owners of Tian An was HK\$1,067.4 million (2008: HK\$711.1 million), representing a 50% increase over 2008.

- Tian An currently has an attributable GFA landbank of approximately 5,763,100 m<sup>2</sup>, consisting of 366,800 m<sup>2</sup> of completed investment properties and 5,396,300 m<sup>2</sup> of properties held for development.
- Tian An will continue to adjust through acquisitions and disposals the quality of its landbank and sale of its end products to balance the demands of short term returns and long term capital appreciation.
- Tian An will focus on increasing its exposure to developing cyberparks.

## **Investments**

### *QHA*

- Profit attributable to owners of QHA was HK\$75.9 million in 2009, a 17.7% increase compared to HK\$64.5 million in 2008.
- Core medical centres expanded from 42 to 58 in 2009 through acquisitions and organic growth.
- QHA is well positioned to support the Hong Kong Government in its healthcare reform initiatives directed towards striking a better balance between private and public healthcare provision and establishing a sustainable healthcare financing model.
- QHA is continually seeking opportunities to expand its healthcare business in Hong Kong and China.

### *SHK HK IND*

- SHK HK IND, which became a subsidiary of the Company during the year, recorded a profit attributable to owners of SHK HK IND of HK\$295.6 million, as compared to a loss of HK\$376.4 million in 2008. The profit was mainly derived from fair value gains on financial instruments, the balance payable being received from SHK HK IND's interests in Grand China Air Company Limited, bond income, and dividend received.
- In April 2009, SHK HK IND completed a rights issue and raised HK\$181.9 million.

## **Employees**

The total number of staff of the Group as at 31st December, 2009 was 4,338 (2008: 4,028). Total staff costs, including Directors' emoluments, amounted to HK\$1,013.5 million (2008: HK\$895.9 million). The Group reviews remuneration packages from time to time. In addition to salary payments, other staff benefits include contributions to employee provident funds, medical subsidies and a discretionary bonus scheme.

## **BUSINESS OUTLOOK**

Business operating environment has seen a marked improvement since experiencing a trough in March 2009. The challenge for 2010 is an operational environment where there is a delicate balance between low interest rates and rising inflation. We are concerned that central banks may decide to raise rates thereby dampening sentiment should the rate of inflation increase beyond expectations.

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 its shareholders.

## **COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES**

During the year ended 31st December, 2009, the Company has applied the principles of, and complied with, the applicable code provisions of the Code on Corporate Governance Practices (“CG Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, except for certain deviations which are summarised below:

### **Code Provisions B.1.3 and C.3.3**

Code provisions B.1.3 and C.3.3 of the CG Code stipulate that the terms of reference of the remuneration committee and audit committee should include, as a minimum, those specific duties as set out in the respective code provisions.

The terms of reference of the remuneration committee (“Remuneration Committee”) adopted by the Company are in compliance with the code provision B.1.3 except that the Remuneration Committee shall review (as opposed to determine under the code provision) and make recommendations to the Board on the remuneration packages of the Executive Directors only and not senior management (as opposed to Executive Directors and senior management under the code provision).

The terms of reference of the audit committee (“Audit Committee”) adopted by the Company are in compliance with the code provision C.3.3 except that the Audit Committee (i) shall recommend (as opposed to implement under the code provision) the policy on the engagement of the external auditors to supply non-audit services; (ii) only possesses the effective ability to scrutinise (as opposed to ensure under the code provision) whether management has discharged its duty to have an effective internal control system; and (iii) can promote (as opposed to ensure under the code provision) the co-ordination between the internal and external auditors, and check (as opposed to ensure under the code provision) whether the internal audit function is adequately resourced.

The reasons for the above deviations are set out in the Corporate Governance Report to be contained in the Company’s Annual Report for the financial year ended 31st December, 2009 (“2009 Annual Report”). The Board has reviewed the terms during the year under review and considers that the Remuneration Committee and the Audit Committee should continue to operate according to the terms of reference adopted by the Company. The Board will review the terms at least annually and make appropriate changes if considered necessary.

Further information on the Company's corporate governance practices during the year under review will be set out in the Corporate Governance Report to be contained in the Company's 2009 Annual Report which will be sent to the Shareholders at the end of April 2010.

## AUDIT COMMITTEE REVIEW

The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and the financial statements for the year ended 31st December, 2009.

## SCOPE OF WORK OF DELOITTE TOUCHE TOHMATSU

The figures in respect of the announcement of the Group's consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31st December, 2009 have been agreed by the Group's auditor, Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Deloitte Touche Tohmatsu on the announcement.

## PURCHASE, SALE OR REDEMPTION OF SHARES

During the year under review, the Company made the following purchases of its own shares on the Stock Exchange:

Month of purchase on the Stock Exchange in 2009	Number of shares purchased	Purchase consideration per share		Aggregate consideration paid HK\$
		Highest HK\$	Lowest HK\$	
February	116,000	12.50	12.20	1,432,440

A conditional cash offer by Yu Ming Investment Management Limited on behalf of the Company to repurchase up to 36,588,363 shares for HK\$18.50 per share with a consideration of HK\$676,884,715.50 was declared unconditional on 13th November, 2009 and the cancellation of the entire 36,588,363 shares was completed on 3rd December, 2009.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares during the year ended 31st December, 2009.

## **APPRECIATION**

The Board would like to thank all the staff for achieving the commendable results for 2009, and would like to express appreciation to the shareholders for their continual support.

By Order of the Board  
**Allied Group Limited**  
**Arthur George Dew**  
*Chairman*

Hong Kong, 1st April, 2010

*As at the date of this announcement, the Board comprises Messrs. Lee Seng Hui (Chief Executive), Edwin Lo King Yau and Mak Pak Hung being the Executive Directors; Mr. Arthur George Dew (Chairman) and Ms. Lee Su Hwei being the Non-Executive Directors; and Messrs. Wong Po Yan, David Craig Bartlett, John Douglas Mackie and Alan Stephen Jones being the Independent Non-Executive Directors.*