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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 2008

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, 2008 are as follows:

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER, 2008

	<i>Notes</i>	2008 HK\$'000	2007 <i>HK\$'000</i>
Revenue	(2)	3,493,736	4,889,405
Other income		399,808	730,817
Total income		3,893,544	5,620,222
Cost of sales and other direct costs		(776,150)	(713,620)
Brokerage and commission expenses		(211,725)	(414,595)
Selling and marketing expenses		(61,342)	(69,374)
Administrative expenses		(1,388,166)	(1,397,523)
Discount on acquisition of additional interests in subsidiaries		222,284	–
Profit on deemed acquisition of additional interests in subsidiaries	(4)	34,401	–
Net (loss) profit on deemed disposal of partial interests in subsidiaries	(5)	(5,546)	401,844
(Loss) gain on fair value change of warrants of a listed associate	(6)	(284,089)	36,091
Net profit on deemed disposal of partial interests in listed associates		–	151,522
Changes in values of properties	(7)	(585,160)	485,281
Impairment loss recognised for available-for-sale financial assets		(109,983)	(2,000)
Bad and doubtful debts		(463,190)	(269,406)
Other operating expenses		(176,852)	(134,091)
Finance costs	(8)	(93,751)	(341,273)
Share of results of associates		194,308	302,945
Share of results of jointly controlled entities		(6,826)	131,106
Profit before taxation	(9)	181,757	3,787,129
Taxation	(10)	(59,805)	(310,381)
Profit for the year		121,952	3,476,748

	<i>Notes</i>	2008 HK\$'000	2007 <i>HK\$'000</i>
Attributable to:			
Equity holders of the Company		(231,449)	1,901,254
Minority interests		353,401	1,575,494
		<u>121,952</u>	<u>3,476,748</u>
(Loss) earnings per share	<i>(11)</i>		
Basic		<u>HK\$(0.95)</u>	<u>HK\$7.76</u>
Diluted		<u>HK\$(0.95)</u>	<u>HK\$7.76</u>

CONSOLIDATED BALANCE SHEET
AT 31ST DECEMBER, 2008

	<i>Notes</i>	2008 HK\$'000	2007 <i>HK\$'000</i>
Non-current assets			
Investment properties		3,024,003	3,405,200
Property, plant and equipment		349,517	322,542
Prepaid land lease payments		349,111	349,857
Goodwill		268,259	229,219
Intangible assets		370,512	358,821
Interests in associates		4,010,520	3,453,940
Interests in jointly controlled entities		934,693	998,767
Available-for-sale financial assets		273,346	1,423,970
Statutory deposits		18,356	29,729
Loans and advances to consumer finance customers due after one year		1,743,487	1,475,395
Loans and receivables		164,167	5,806
Deferred tax assets		122,500	66,576
		11,628,471	12,119,822
Current assets			
Properties held for sale and other inventories		410,476	482,809
Financial assets at fair value through profit or loss		423,347	1,209,501
Prepaid land lease payments		6,130	6,009
Loans and advances to consumer finance customers due within one year		2,588,361	2,145,159
Trade and other receivables	<i>(13)</i>	4,664,897	5,884,449
Amounts due from associates		104,818	156,448
Amount due from a jointly controlled entity		3,375	2,192
Tax recoverable		36,835	3,382
Short-term pledged bank deposits		130,500	121,000
Cash and cash equivalents		2,591,463	2,811,029
		10,960,202	12,821,978
Current liabilities			
Trade and other payables	<i>(14)</i>	1,638,438	2,071,774
Financial liabilities at fair value through profit or loss		48,944	71,843
Amounts due to associates		13,842	12,605
Amounts due to jointly controlled entities		14,111	39,063
Tax payable		76,026	152,616
Bank and other borrowings due within one year		1,403,803	891,364
Loan notes		–	115,226
Provisions		62,771	75,074
Other liabilities due within one year		596	734
		3,258,531	3,430,299
Net current assets		7,701,671	9,391,679
Total assets less current liabilities		19,330,142	21,511,501

	<i>Notes</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Capital and reserves			
Share capital		488,077	488,473
Share premium and reserves	<i>(15)</i>	7,849,867	8,696,176
Equity attributable to equity holders of the Company			
		8,337,944	9,184,649
Shares held for employee ownership scheme		(32,580)	–
Employee share-based compensation reserve		10,002	–
Minority interests		8,268,842	9,234,306
Total equity		16,584,208	18,418,955
Non-current liabilities			
Bank and other borrowings due after one year		2,479,250	2,779,592
Deferred tax liabilities		241,962	308,178
Provisions		24,722	4,773
Other liabilities due after one year		–	3
		2,745,934	3,092,546
		19,330,142	21,511,501

Notes:

(1) Application of new or revised Hong Kong Financial Reporting Standards (“HKFRSs”)

In the current year, the Group has applied the following amendments and interpretations (“new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants, which are or have become effective and are relevant to the operations of the Group.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) – Int 11	HKFRS 2: Group and Treasury Share Transactions
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

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

HKFRSs (Amendments)	Improvements to HKFRSs ¹
HKAS 1 (Revised)	Presentation of Financial Statements ²
HKAS 23 (Revised)	Borrowing Costs ²
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ³
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation ²
HKAS 39 (Amendment)	Eligible Hedged Items ³
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate ²
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations ²
HKFRS 3 (Revised)	Business Combinations ³
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments ²
HKFRS 8	Operating Segments ²
HK(IFRIC) – Int 9 and HKAS 39 (Amendments)	Embedded Derivatives ⁵
HK(IFRIC) – Int 13	Customer Loyalty Programmes ⁴
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners ³

¹ Effective for annual periods beginning on or after 1st January, 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1st July, 2009.

² Effective for annual periods beginning on or after 1st January, 2009.

³ Effective for annual periods beginning on or after 1st July, 2009.

⁴ Effective for annual periods beginning on or after 1st July, 2008.

⁵ Effective for annual periods ending on or after 30th June, 2009.

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

(2) **Revenue**

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Revenue comprises:		
Interest income on loans and advances to consumer finance customers	1,341,815	1,113,668
Medical services, nursing agencies, physiotherapy and dental services, and elderly care services	1,069,967	947,701
Securities broking	504,645	1,060,420
Other interest income	411,841	689,386
Income from corporate finance and others	297,332	363,520
Net trading profit from forex, bullion, commodities and futures	249,189	278,060
Property rental, hotel operations and management services	240,287	199,227
Dividend income	50,666	33,089
Sale of properties	46,180	–
Net trading (loss) profit from securities	(718,186)	204,334
	<u>3,493,736</u>	<u>4,889,405</u>

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

(3) **Segmental information**

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

	2008					
	Investment, broking and finance <i>HK\$'000</i>	Consumer finance <i>HK\$'000</i>	Healthcare <i>HK\$'000</i>	Property development and investment <i>HK\$'000</i>	Corporate and other operations <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue	842,754	1,353,325	1,075,579	296,586	109,055	3,677,299
Less: inter-segment revenue	(92,386)	-	-	(11,425)	(79,752)	(183,563)
	<u>750,368</u>	<u>1,353,325</u>	<u>1,075,579</u>	<u>285,161</u>	<u>29,303</u>	<u>3,493,736</u>
Segment results	(112,646)	614,460	57,188	(422,805)	(15,221)	120,976
Discount on acquisition of additional interests in subsidiaries						222,284
Profit on deemed acquisition of additional interests in subsidiaries						34,401
Net loss on deemed disposal of partial interests in subsidiaries						(5,546)
Loss on fair value change of warrants of a listed associate						(284,089)
Finance costs						(93,751)
Share of results of associates						194,308
Share of results of jointly controlled entities	-	-	54	(6,880)	-	(6,826)
Profit before taxation						181,757
Taxation						(59,805)
Profit for the year						<u>121,952</u>

2007

	Investment, broking and finance <i>HK\$'000</i>	Consumer finance <i>HK\$'000</i>	Healthcare <i>HK\$'000</i>	Property development and investment <i>HK\$'000</i>	Corporate and other operations <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue	2,617,470	1,124,942	957,323	207,806	212,949	5,120,490
Less: inter-segment revenue	(24,710)	–	–	(8,579)	(197,796)	(231,085)
	<u>2,592,760</u>	<u>1,124,942</u>	<u>957,323</u>	<u>199,227</u>	<u>15,153</u>	<u>4,889,405</u>
Segment results	1,917,444	560,750	50,117	601,384	(24,801)	3,104,894
Net profit on deemed disposal of partial interests in subsidiaries						401,844
Gain on fair value change of warrants of a listed associate						36,091
Net profit on deemed disposal of partial interests in listed associates						151,522
Finance costs						(341,273)
Share of results of associates						302,945
Share of results of jointly controlled entities	827	–	–	130,279	–	131,106
Profit before taxation						3,787,129
Taxation						(310,381)
Profit for the year						<u>3,476,748</u>

During the year, less than 10% of the operations of the Group in terms of revenue, segment results and assets were carried on or were situated outside Hong Kong. Accordingly, no geographical segmental information is shown.

(4) Profit on deemed acquisition of additional interests in subsidiaries

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

(5) Net (loss) profit on deemed disposal of partial interests in subsidiaries

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Net (loss) profit on deemed disposal of partial interests in subsidiaries comprises:		
Scrip dividend distributed by a subsidiary	(1,580)	–
Exercise of warrants of subsidiaries by warrants holders	(3,966)	(52,994)
Share placing of 166,000,000 shares of a subsidiary	–	454,838
	<u>(5,546)</u>	<u>401,844</u>

(6) (Loss) gain on fair value change of 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 fair value of the warrants at 31st December, 2008, based on the quoted bid price, dropped when compared to the fair value at 1st January, 2008. The Group incurred an unrealised loss of HK\$284,089,000 (2007: gain of HK\$36,091,000 which was classified under revenue in the previous year and has been disclosed separately on the face of the consolidated income statement for 2008) arising from the fair value change. However, the listed associate recorded a profit in the current year relating to the same changes in fair value of the warrants and the Group shared this profit from the associate, which is approximately the same as the loss incurred.

(7) Changes in values of properties

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Changes in values of properties comprise:		
Net (decrease) increase in fair value of investment properties	(549,307)	445,878
Impairment loss (recognised) reversed for properties held for sale	(36,796)	34,660
Impairment loss reversed for hotel property	943	4,743
	<u>(585,160)</u>	<u>485,281</u>

The recognition and reversal of impairment losses was based on 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, 2008.

(8) Finance costs

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Total finance costs included in:		
Cost of sales and other direct costs	67,137	55,497
Finance costs	93,751	341,273
	<u>160,888</u>	<u>396,770</u>

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

(9) Profit before taxation

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Profit before taxation has been arrived at after charging:		
Depreciation	57,385	46,325
Amortisation of intangible assets	24,957	26,252
Amortisation of prepaid land lease payments	6,108	5,417
Loss on disposal of an associate	28	–
Loss on disposal of property, plant and equipment	744	4,779
and after crediting:		
Dividend income from listed equity securities	45,974	24,566
Dividend income from unlisted equity securities	4,692	8,523
Profit on disposal of available-for-sale financial assets (included in other income)	347,674	598,227
Profit on deemed acquisition of interests in an associate (included in share of results of associates)	–	636
Profit on disposal of an investment property (included in other income)	–	11,902
Profit on disposal of associates (included in other income)	–	2,460
Profit on disposal of a jointly controlled entity (included in other income)	5	–
Profit on disposal of subsidiaries (included in other income)	–	61,689
Share of profit of discontinued operations of listed associates	–	72,922
	<u> </u>	<u> </u>

(10) Taxation

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
The income tax charge (credit) comprises:		
Current tax		
Hong Kong	178,296	277,922
Other jurisdictions	2,585	2,621
	<u> </u>	<u> </u>
	180,881	280,543
Under (over) provision in prior years		
Hong Kong	2,335	465
Other jurisdictions	59	(67)
	<u> </u>	<u> </u>
	183,275	280,941
Deferred tax		
Current year	(111,602)	28,435
Under provision in prior years	–	1,005
Change of tax rate	(11,868)	–
	<u> </u>	<u> </u>
	(123,470)	29,440
	<u> </u>	<u> </u>
	59,805	310,381
	<u> </u>	<u> </u>

Hong Kong Profits Tax is calculated at the rate of 16.5% (2007: 17.5%) of the estimated assessable profit for the year.

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) (Loss) earnings per share

The calculation of the basic (loss) earnings per share is based on the loss attributable to equity holders of the Company of HK\$231,449,000 (2007: profit of HK\$1,901,254,000) and on the weighted average number of 244,141,000 (2007: 245,137,000) shares in issue during the year.

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

(12) Dividend

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Ordinary shares:		
Interim dividend of HK15 cents per share (2007: HK15 cents)	36,622	36,646
Proposed final dividend of HK30 cents per share (2007: HK60 cents)	73,177	146,496
	<u>109,799</u>	<u>183,142</u>

A final dividend of HK30 cents (2007: HK60 cents) per share has been proposed 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, 2008 has been calculated by reference to 243,922,423 shares in issue at 9th April, 2009.

In 2008, the Company paid and recognised dividends of HK\$146,496,000 and HK\$36,617,000, representing HK60 cents per share, being the final dividend of 2007 and HK15 cents per share, being the interim dividend of 2008 respectively.

In 2007, the Company paid and recognised dividends of HK\$97,873,000 and HK\$36,636,000, representing HK40 cents per share, being the final dividend of 2006 and HK15 cents per share, being the interim dividend of 2007 respectively.

(13) Trade and other receivables

The aging analysis of the trade receivables, term loans and margin loans that were past due at the balance sheet date but not impaired were as follows:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Less than 31 days	236,684	117,766
31 to 180 days	55,514	73,707
181 to 365 days	25,362	21,474
Over 365 days	11,755	42,258
	<u>329,315</u>	<u>255,205</u>
Trade and other receivables that were not past due nor impaired	4,335,582	5,629,244
	<u>4,664,897</u>	<u>5,884,449</u>

(14) Trade and other payables

Included in trade and other payables are trade payables of HK\$1,138,229,000 (2007: HK\$1,426,508,000), the aging analysis of which is as follows:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Less than 31 days	1,109,179	1,398,922
31 to 180 days	18,847	12,444
181 to 365 days	3,161	2,062
Over 365 days	7,042	13,080
	<u>1,138,229</u>	<u>1,426,508</u>

(15) Share premium and reserves

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Share premium	1,519,481	1,519,481
Property revaluation reserve	42,286	41,792
Investment revaluation reserve	174,406	631,735
Capital redemption reserve	214,071	213,675
Translation reserve	136,637	80,112
Non-distributable reserve	55,226	55,226
Capital reserve	(8,745)	(2,971)
Accumulated profits	5,643,328	6,010,630
Dividend reserve	73,177	146,496
	<u>7,849,867</u>	<u>8,696,176</u>

DIVIDEND

The Board has recommended a final dividend of HK30 cents per share for the year ended 31st December, 2008 (2007: HK60 cents) payable to the shareholders of the Company (“Shareholders”) whose names appear on the register of members of the Company on Monday, 15th June, 2009, making a total dividend for the year 2008 of HK45 cents per share (2007: HK75 cents). It should also be noted that the Company continued to repurchase its shares during the year at an aggregate consideration of approximately HK\$3.7 million.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 10th June, 2009 to Monday, 15th June, 2009 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to qualify for the final dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company’s share registrar, Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 9th June, 2009. Subject to approval by the Shareholders at the forthcoming annual general meeting of the Company, dividend warrants are expected to be despatched to the Shareholders by post on or around Monday, 6th July, 2009.

FINANCIAL REVIEW

Financial Results

The revenue of the Group for the year was approximately HK\$3,493.7 million, which was a decrease of 28.5% compared with the year 2007. The decrease in revenue was mainly due to reduction in turnover from the Group’s broking and finance businesses but was partly mitigated by an increase in revenues from the Group’s consumer finance, healthcare and property businesses.

The loss attributable to the equity holders of the Company for the year amounted to HK\$231.4 million, as compared to a profit of HK\$1,901.3 million in 2007. The loss per share amounted to HK\$0.95 (2007: earnings per share at HK\$7.76).

The loss was primarily due to:–

- a substantial decrease in contribution from the Group’s broking and finance businesses;
- the Group’s Hong Kong properties recorded a fair value valuation deficit of HK\$583.4 million, compared to a net gain of HK\$475.4 million in 2007 as a result of a reduction in property prices;
- a deemed loss of HK\$5.5 million from the deemed disposal of a portion of the Group’s interest in subsidiaries while in 2007 a profit on deemed disposal of HK\$454.8 million was recorded from the share placing of Sun Hung Kai & Co. Limited (“Sun Hung Kai”);
- losses, both realised and unrealised, arising from the Group’s securities holdings due to lower financial markets.

Material Acquisitions and Disposals

In June, 2008, Famestep Investments Limited (“Famestep”), a direct wholly-owned subsidiary of Allied Properties (H.K.) Limited (“Allied Properties”), completed the acquisition of the entire share capital of Wah Cheong Development (B.V.I.) Limited (“Wah Cheong”) and the assignment of a HK\$271.4 million loan from Sun Hung Kai for an aggregate consideration of approximately HK\$470.7 million. As at the completion date of the disposal, Wah Cheong was beneficially interested in approximately 51.15% of the issued capital of Quality HealthCare Asia Limited (“QHA”). It should be noted that in the consolidated financial statements of the Company, the gain on the disposal of Wah Cheong of approximately HK\$163 million recorded by Sun Hung Kai was eliminated against the goodwill arising from the acquisition of Wah Cheong by Famestep as the transaction is a intercompany transaction.

In October, 2008, QHA, through a wholly-owned subsidiary TCM Products Limited, acquired the entire issued share capital of GHC Holdings Limited (“GHC”), a company which subsidiaries are operating some medical centres situated in various non-central business districts and residential areas and a cosmetic specialist centre in Hong Kong. Details of the acquisition are set out in the circular of QHA dated 30th October, 2008.

Other than the above reorganisation and 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 31st December, 2008, the equity attributable to the equity holders of the Company amounted to HK\$8,337.9 million, representing a decrease of HK\$846.7 million or approximately 9.2% from 2007. The Group maintained a strong cash and bank balance position and had cash, treasury bills and bank balances of approximately HK\$2,722.0 million as at 31st December, 2008 (2007: HK\$2,932.0 million). The Group’s bank and other borrowings totalling HK\$3,883.1 million (2007: HK\$3,786.2 million including loan notes) of which the portion due on demand or within one year increased to HK\$1,403.8 million (2007: HK\$1,006.6 million) and the remaining long-term portion decreased to HK\$2,479.3 million (2007: HK\$2,779.6 million). The liquidity of the Group as evidenced by the current ratio (current assets/current liabilities) was 3.36 times (2007: 3.74 times). The Group’s gearing ratio (net bank and other borrowings/equity attributable to the equity holders of the Company) was 13.9% (2007: 9.3% including loan notes).

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Bank borrowings of the Group are repayable as follows:		
On demand or within one year	1,305,320	871,641
More than one year but not exceeding two years	237,969	721,872
More than two years but not exceeding five years	2,194,040	1,998,510
More than five years	39,300	59,210
	<hr/>	<hr/>
	3,776,629	3,651,233
Other borrowings are repayable as follows:		
On demand or within one year	98,483	19,723
More than two years but not exceeding five years	7,941	–
Loan notes repayable within one year	–	115,226
	<hr/>	<hr/>
	3,883,053	3,786,182
	<hr/>	<hr/>

During the year, the Company had repurchased 198,000 own shares at an aggregate consideration of approximately HK\$3.7 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 31st December, 2008, the Group had guarantees as follows:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Indemnities on banking guarantees made available to a clearing house and regulatory body	4,540	5,540
Other guarantees	3,000	1,400
	<hr/>	<hr/>
	7,540	6,940
	<hr/>	<hr/>

- (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, was required to pay US\$3,000,000 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\$3,000,000 was frozen further to the 2001 Order. Sun Hung Kai 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\$3,000,000 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 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. 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. The Mainland Writ is being vigorously defended. 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). As at the date of this announcement, the HK Writ has not been served on Ms. Cheung. 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 May and June 2003 dealings in the securities of QPL International Holdings Limited. The MMT's determinations of misconduct against two employees of Sun Hung Kai resulted also in adverse determinations against Sun Hung Kai's indirect wholly-owned subsidiaries, Sun Hung Kai Investment Services Limited ("SHKIS") and Cheeroll Limited ("Cheeroll") (now known as Sun Hung Kai Strategic Capital Limited). 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. SHKIS and Cheeroll are presently appealing aspects of the MMT's findings and orders.
- (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 and Ng Yee Mei, 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, the Plaintiff 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. An application for summary judgment against the Defendants has been made and is scheduled to be heard on 6th May, 2009.
- (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 31st December, 2008, 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\$3,834.9 million (2007: HK\$4,370.6 million), bank deposits of HK\$129.0 million (2007: HK\$120.0 million), listed investments belonging to the Group with fair values of HK\$1,033.0 million (2007: HK\$5,717.0 million) and listed investments belonging to margin clients with fair values of HK\$684.1 million (2007: HK\$2,286.3 million) together with certain securities in respect of listed subsidiaries held by Group companies, the carrying value of which in their respective accounts totalling HK\$1,463.4 million (2007: HK\$5,204.3 million) were pledged to secure loans and general banking facilities to the extent of HK\$3,602.1 million (2007: HK\$4,074.2 million) granted to the Group. Facilities amounting to HK\$1,964.1 million (2007: HK\$1,921.2 million) were utilised at 31st December, 2008.

At 31st December, 2008, a bank deposit of HK\$1.5 million (2007: HK\$1.0 million) was pledged to secure a bank guarantee amounting to HK\$2.0 million (2007: HK\$2.0 million).

OPERATIONAL REVIEW

Financial Services

Broking and finance

Sun Hung Kai, the Group's financial services arm, reported revenue of HK\$2,785.4 million, against HK\$4,630.7 million for 2007. Profit attributable to its equity holders decreased by 81.7% from HK\$1,897.6 million in 2007 to HK\$346.5 million.

It should be noted that Sun Hung Kai's profit for the year was adversely impacted by some non-cash charges. Firstly, there was an impairment charge of HK\$69.0 million (2007: HK\$84.0 million) relating to the carrying value of intangible assets, specifically the value of the customer relationships of the Group's Consumer Finance business, which was acquired by Sun Hung Kai in 2006. Furthermore, ongoing amortisation charges of intangible assets totalling HK\$212.4 million (2007: HK\$252.8 million) also adversely impacted Sun Hung Kai's profit. Both these charges are of a non-cash nature and do not affect the underlying operating cash flow of Sun Hung Kai.

Building on its successful customer recruitment strategy, Sun Hung Kai's integrated Wealth Management & Brokerage division opened almost 8,500 new accounts during a challenging year. Investor demand for capital preservation and lower risk profiles helped the Wealth Management division achieve a steady performance. However, with the poor global financial markets, the Brokerage division delivered lower than expected turnover and commission levels. It is hoped that the new e-Business unit will streamline Sun Hung Kai's online trading operations, capitalising on a broader investor trend towards do-it-yourself trade execution by offering a range of enhanced products and services.

Because of significant volatility in commodity prices, Sun Hung Kai's trading volumes of overseas commodities almost doubled for the year on the back of increased demand for hedging instruments, with a 336% increase in Euro Futures contracts and a 93% gain in USD Futures contracts. Sun Hung Kai's leveraged foreign exchange business also showed significant growth with a 18% rise in contracts, while precious metals saw a 10% increase in London Gold contracts as investors moved to more traditional instruments.

Sun Hung Kai's stringent and conservative loan policies, coupled with declining investor confidence and lower trade volumes in the fourth quarter of 2008, saw Sun Hung Kai's margin lending slow during 2008, with the loan book dropping to approximately HK\$2,246.5 million (2007: HK\$3,116.5 million).

However, with the weaker equity and debt markets, Sun Hung Kai's structured finance business saw a 35% increase in loan book to HK\$802.8 million (2007: HK\$596.3 million). Lower competition also meant increased loan margins.

During the year, the Corporate Finance division successfully launched and sponsored one IPO on the main board of The Stock Exchange of Hong Kong Limited ("Stock Exchange"). It was also actively involved in a number of secondary placements for several listed companies, as well as underwriting numerous IPOs during the year. The division will continue to seek mandates for fundraising and corporate advisory opportunities from local and mainland enterprises.

China Xin Yongan Futures Company Limited, Sun Hung Kai's 25% owned joint venture (75% owned by 浙江省永安期貨經紀有限公司 Zhe Jiang Province Yongan Futures Broker Company Limited) doubled its paid-up capital to accommodate an increase in trading volume and a larger client base. The joint venture achieved close to 100% return on equity for shareholders in the first full year of operation.

Sun Hung Kai will continue to allocate more financial resources and management time towards increasing its China exposure. Sun Hung Kai plans to achieve this by seeking strategic PRC partners and increasing representative offices in major PRC cities.

In January 2009, Sun Hung Kai decided to avoid the prolonged and heated debate over the allocation of responsibility for the sale of Lehman minibonds to public investors, by initiating a repurchase scheme whereby Lehman minibonds sold to eligible investors would be repurchased by Sun Hung Kai. This repurchase initiative was completed in early March. This move by Sun Hung Kai was widely praised by the public at large. Sun Hung Kai was seen as a caring company which put the interests of its customers ahead of profitability in such turbulent times.

Consumer finance

United Asia Finance Limited ("UAF"), the Group's Consumer Finance division, achieved double-digit growth in both its loan portfolio and interest income. Excluding a gain on disposal of UAF's interest in The Hong Kong Building and Loan Agency Limited in 2007, profit for the year increased by 20%, representing a record high. However, UAF is concerned with growing loan delinquencies in the early part of 2009 and is consciously adjusting its loan book and lending policies so as to maintain a reasonable growth in profitability for 2009.

UAF added two branches in Hong Kong and eight in Shenzhen during the year under review, extending the company's total branch network to 53 outlets, comprising 41 in Hong Kong and 12 in Shenzhen.

The China business continues to grow at a satisfactory pace as UAF's mainland branch network gradually builds towards critical mass. The challenge now for UAF in its China operations is to secure sufficient Renminbi funding to grow its business. In this regard, the management has been exploring alternative funding sources with several financial institutions.

Properties

Hong Kong

Allied Properties reported a loss attributable to its equity holders of HK\$144.0 million, compared to a profit of HK\$2,253.7 million in 2007.

The rental income of Allied Properties' local property portfolio benefited from the positive rental reversals achieved from 2007 and consequently rental income increased 21.9% on a year-to-year comparison. All the major properties in the portfolio, including Park Place, Allied Cargo Centre, St. George Apartments and China Online Centre, achieved higher rental income. The contribution from Ibis North Point was higher than that of 2007, with both higher occupancy and average room rates.

Allied Kajima Limited, 50% indirectly owned by Allied Properties and holding properties including Allied Kajima Building, Novotel Century Hong Kong hotel and the Sofitel Philippine Plaza Hotel, reported a small loss in 2008. The loss was mainly due to a non-cash investment property revaluation deficit at the end of 2008.

In order to maximise earnings in this uncertain period, Allied Properties will continue to push its Hong Kong property portfolio towards higher occupancies even at the expense of margins.

Mainland PRC

Tian An, the Group's mainland property arm, recorded a profit attributable to its equity holders of HK\$711.1 million (2007: HK\$703.0 million). Tian An's revenue for the year ended 31st December, 2008 was HK\$473.3 million (2007: HK\$670.7 million for continuing operations and HK\$192.5 million for discontinued operations), a decrease of 29% compared to the continuing operations of 2007.

The profit included several non-cash items, including a gain of HK\$794.4 million representing the change in fair value of a derivative financial instrument liability in respect of warrants issued by Tian An. In addition, Tian An also noted an exchange loss of HK\$109.6 million mainly on its Hong Kong Dollar and United States Dollar bank deposits during 2008, due to the fact that its functional currency is Renminbi. It also experienced a decrease in fair value of its investment properties of HK\$187.3 million compared to a gain of HK\$171.5 million in 2007. If these non-cash items are excluded, as well as the profit of HK\$137.8 million from the discontinued cement operation in 2007, the profit attributable to equity holders of Tian An for 2008 would have decreased by 57%.

Total gross floor area ("GFA") sales for Tian An declined slightly to 93,400m² in 2008 (2007: 102,400m²). A total GFA of approximately 180,700m² (2007: 87,900m²) of residential/commercial properties was completed during the year under review, representing an increase of 105% (mainly from jointly controlled entities) over the previous year. By the end of 2008, a total GFA of approximately 403,800m² (2007: 363,000m²) was under construction, representing an 11% increase over 2007. Tian An currently has a landbank of total GFA of approximately 7,253,700m² (total GFA attributable to Tian An is approximately 6,157,100m², consisting of 290,100m² of completed investment properties and 5,867,000m² of properties for development).

Tian An is in a strong financial position with total bank balances and cash as at the end of 2008 of over HK\$2.4 billion.

Investments

QHA

QHA's revenue for the year ended 31st December, 2008 increased by 12.9% to HK\$1,070.0 million from HK\$947.7 million in 2007. The profit attributable to equity holders of QHA was HK\$64.5 million in 2008, a 2.0% growth compared to HK\$63.2 million in 2007.

QHA's results are particularly commendable in view of the difficulty of managing inflationary pressures whilst continuing to develop business initiatives for further growth and development of QHA's network and services.

QHA continued to expand its network of core medical centres during the year, with the opening of a new centre in the central business district and the expansion of a medical centre in the Hong Kong East region into an integrated centre encompassing western medicine, Chinese medicine, dental, and physiotherapy services. QHA expanded further into clinical oncology, gastroenterology, and dermatology and it also opened its first paediatrics and sleep disorders centre in Jordan.

In October 2008, QHA acquired GHC which operated a network of medical centres in residential areas, particularly in the New Territories, with a number of its centres providing 24-hour round-the-clock medical services for the convenience of patients.

QHA now owns more than 50 core medical centres and has more than 700 physicians in its network, strengthening its position as a preferred healthcare provider.

Yu Ming Investments Limited ("Yu Ming")

Yu Ming reported a loss attributable to its equity holders of HK\$376.4 million (2007: profit of HK\$145.2 million) mainly due to the decrease in the fair value in listed and unlisted securities.

In April 2008, Yu Ming disposed of its interests in Grand China Air Company Limited for a consideration of HK\$110 million. Yu Ming received a total of HK\$60 million non-refundable payment in cash during 2008, with the balance of HK\$50 million payable in April 2009.

Yu Ming's portfolio of investments comprises securities in Hong Kong, United States, Malaysia, Australia, Japan, Taiwan and China. Yu Ming also extended its portfolio into corporate bonds issued by local listed companies in December 2008.

In February 2009, Yu Ming announced its proposals to raise approximately HK\$181.5 million, after expenses, by way of a one to one rights issue. Successful applicants for new shares will receive one 2011 warrants for every five new shares taken up. The proposal was approved by its shareholders on 24th March, 2009.

Employees

The total number of staff of the Group as at 31st December, 2008 was 4,028 (2007: 3,444). Total staff costs, including Directors' emoluments, amounted to HK\$895.8 million (2007: HK\$911.0 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

2009 is expected to be a difficult year for both Hong Kong and the global economy generally. The financial crisis that emerged from the US subprime mortgage problem has resulted in the current slow down of the world economy. A prolonged recession in Hong Kong is a distinct possibility.

Various governments around the world are promoting different stimulus packages including plans to support banking systems and promote financial stability. It is too early to determine whether these efforts will prove successful.

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 benefits of the Group and all its shareholders.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

During the year ended 31st December, 2008, 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, 2008 ("2008 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 2008 Annual Report which will be sent to the Shareholders at the end of April 2009.

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, 2008.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the announcement of the Group's consolidated balance sheet, consolidated income statement and the related notes thereto for the year ended 31st December, 2008 have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. 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 Messrs. Deloitte Touche Tohmatsu on the announcement.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

Month of purchase in 2008	Number of shares purchased	Purchase consideration per share		Aggregate consideration paid
		Highest <i>HK\$</i>	Lowest <i>HK\$</i>	
January	64,000	29.00	27.50	1,820,800
March	12,000	33.10	33.05	397,100
July	14,000	28.20	27.60	392,800
September	12,000	14.00	14.00	168,000
October	86,000	13.30	8.98	850,760
November	10,000	9.00	8.80	89,200

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the year.

APPRECIATION

The Board would like to thank all the staff for their effort and contribution in 2008, 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, 9th April, 2009

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.