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

ALLIED GROUP LIMITED
（聯合集團有限公司）

（*Incorporated in Hong Kong with limited liability*）

（Stock code: 373）

(I) MAJOR TRANSACTION AND DEEMED DISPOSAL IN ALLIED PROPERTIES (H.K.) LIMITED RELATING TO PROPOSED ACQUISITION BY ALLIED PROPERTIES (H.K.) LIMITED OF INTEREST IN TIAN AN CHINA INVESTMENTS COMPANY LIMITED FROM SUN HUNG KAI & CO. LIMITED; AND

(II) MAJOR TRANSACTION AND DEEMED DISPOSAL IN SUN HUNG KAI & CO. LIMITED RELATING TO THE PROPOSED ISSUE BY SUN HUNG KAI & CO. LIMITED OF HK$1,708,000,000 IN AGGREGATE PRINCIPAL AMOUNT OF 2% MANDATORY CONVERTIBLE NOTES DUE 2013 MANDATORILY CONVERTIBLE INTO ORDINARY SHARES OF SUN HUNG KAI & CO. LIMITED; AND HK$427,000,000 IN FACE VALUE OF WARRANTS EXERCISABLE TO SUBSCRIBE FOR ORDINARY SHARES OF SUN HUNG KAI & CO. LIMITED

Financial Adviser

禹銘投資管理有限公司
YU MING INVESTMENT MANAGEMENT LIMITED

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

A letter from the Board is set out on pages 8 to 38 of this circular.

As no shareholder has any material interest in the Acquisition Agreement, the Subscription Agreement or transactions contemplated thereunder and no shareholder is required to abstain from voting if the EGM is to be convened to consider and approve the Acquisition Agreement and the Subscription Agreement and transactions contemplated thereunder, the Company has obtained written shareholder's approval from a shareholder holding in aggregate approximately 52.39% of the issued share capital of the Company, to approve the Acquisition Agreement and the Subscription Agreement and transactions contemplated thereunder in lieu of holding the EGM. As such, no EGM will be held.

24th May, 2010

CONTENTS

Page

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

"2009 Warrants"	warrants which entitled the holders to subscribe for SHK Shares at the adjusted subscription price of HK$5.88 per SHK Share and which expired on 31st May, 2009
"Acquisition Agreement"	the conditional Acquisition Agreement dated 19th April, 2010 entered into by the Purchaser, APL and SHK in relation to the Transaction
"Allotment Right"	a right to the holder of the SEN to call for the issue by APL to it of a fixed number of fully paid APL Shares without having to make any payment
"APL"	Allied Properties (H.K.) Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 56) and a non wholly-owned subsidiary of the Company, and the guarantor under the Acquisition Agreement
"APL Board"	the board of directors of APL
"APL Directors"	the directors of APL
"APL EGM"	an extraordinary general meeting of APL to be convened to approve, *inter alia*, the issue of the SEN and the issue of the APL Shares falling to be issued under the SEN
"APL Group"	APL and its subsidiaries
"APL Share(s)"	share(s) of HK$0.20 each in the share capital of APL
"APL Shareholder(s)"	holder(s) of APL Share(s)
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"Business Day(s)"	for the purpose of the Acquisition Agreement, means a day (excluding Saturdays, Sundays, public holidays and days on which a tropical cyclone warning no. 8 or above or a "black" rainstorm warning signal is hoisted in Hong Kong at any time between the hours of 9:00 a.m. and 5:00 p.m.), on which licensed banks are open for general business in Hong Kong; and for the purpose of the Subscription Agreement, means a day on which commercial banks and foreign exchange markets settle payments in Hong Kong and the Cayman Islands, excluding any day in Hong Kong on which a tropical cyclone warning no. 8 or above or a "black" rainstorm warning signal is hoisted

"Closing Date"	the date which is 21 days after and excluding the date upon which the last of the conditions precedent has been or remains satisfied or waived (as applicable) and if such day is not a Business Day on the next Business Day thereafter, provided that it shall be a date no later than 31st October, 2010, or such other time and/or date as SHK and the Investor may agree in writing in accordance with the Subscription Agreement
"Company" or "AGL"	Allied Group Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 373)
"Completion"	completion of the sale and purchase of the Tian An Interest in accordance with the terms of the Acquisition Agreement
"Completion Date"	the date on which Completion takes place, being 10 Business Days after the fulfillment or waiver of the Conditions, or such other date as may be agreed between the parties to the Acquisition Agreement
"Conditions"	the conditions precedent to Completion, as more particularly set out under the section headed "Completion and Conditions of the Transaction" of this circular
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Consolidated Net Income"	the aggregate of the net income (or loss) after deducting any minority interests of the SHK Group for such period, on a consolidated basis, determined in conformity with Hong Kong Financial Reporting Standards ("HKFRS") but excluding the upward or downward impact from the Closing Date (if any) of any fair value adjustments made in accordance with HKFRS to the carrying cost of the Warrants and/or the Mandatory Convertible Notes in the accounts of SHK
"controlling shareholder"	has the meaning ascribed to it under the Listing Rules
"CVC"	CVC Capital Partners
"CVC AP"	CVC Asia Pacific Ltd.
"Deeds of Covenant"	the deed of covenant constituting the Mandatory Convertible Notes and the deed of covenant constituting the Warrants
"Director(s)"	director(s) of the Company
"EGM"	an extraordinary general meeting of the Company

"Executive"	the Executive Director of the Corporate Finance Division of the SFC
"Gearing Ratio"	the gearing ratio determined as follows: $$\frac{A}{B}$$ where: A is the amount of financial indebtedness (excluding the Mandatory Convertible Notes and any back-to-back margin financing for an initial public offering or any other similar financing provided by any of SHK's holding companies or any subsidiaries of SHK's holding companies); and B is the amount of Total Equity (excluding the Mandatory Convertible Notes)
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"Investment Funds"	any funds managed by any member of the SHK Group
"Investor"	Asia Financial Services Company Limited, a company incorporated under the laws of the Cayman Islands with limited liability
"Issue Documents"	the Mandatory Convertible Note terms and conditions, the Warrant terms and conditions and the Deeds of Covenant
"Joint Announcement"	the announcement jointly issued by the Company, APL, SHK and Tian An in relation to the Transaction and the Proposed Distribution dated 26th April, 2010
"Latest Practicable Date"	17th May, 2010, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
"Lee and Lee Trust"	Lee and Lee Trust, a discretionary trust and is beneficially interested in 108,626,492 Shares, representing approximately 52.39% of the issued share capital of the Company as at the Latest Practicable Date

"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Main Board"	the Main Board of the Stock Exchange
"Mandatory Convertible Notes"	HK$1,708,000,000 in aggregate principal amount of 2% mandatory convertible notes due 2013 mandatorily convertible into SHK Shares to be issued in accordance with the Subscription Agreement
"Noteholder(s)"	holder(s) of Mandatory Convertible Notes
"Overseas SHK Shareholder(s)"	holder(s) of SHK Share(s) whose names appear on the register of members of SHK as holding SHK Shares on the record date for the Proposed Distribution whose address on such register is, on such record date, in a place outside Hong Kong and who the SHK Board, after making enquiries regarding the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place where practicable, considers the exclusion of such holder from the distribution of APL Shares under the Proposed Distribution is necessary or expedient
"Percentage Ratio(s)"	percentage ratio(s) as set out in Rule 14.07 of the Listing Rules to be applied for determining the classification of a transaction
"Permitted Transferee(s)"	means, as the case may be: (a) any affiliate of a holder of Mandatory Convertible Notes, from time to time and being a person with power and capacity to hold Mandatory Convertible Notes subject to and in accordance with the terms and conditions of the Mandatory Convertible Notes and (following conversion) SHK Shares; or (b) any affiliate of a holder of Warrants, from time to time and being a person with power and capacity to hold Warrants subject to and in accordance with the terms and conditions of the Warrants and (following exercise) SHK Shares
"PRC"	The People's Republic of China (for the purpose of this circular, excluding Hong Kong, the Macao Special Administrative Region and Taiwan)
"Proposed Distribution"	the proposed distribution of the SEN by SHK to the SHK Shareholders, upon Completion, of 1.309 APL Shares (based on 1,752,148,077 SHK Shares in issue as at the Latest Practicable Date) to be allotted under the SEN for each SHK Share

"Purchaser"	China Elite Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, and a wholly-owned subsidiary of the SEN Issuer
"Remaining Group"	the SHK Group other than the Tian An Group
"SEN"	the share entitlement note to be issued by the SEN Issuer (and guaranteed by APL) to SHK at Completion, which shall confer the right to call for the issue of a fixed number of fully paid APL Shares, including any share entitlement note resulting from any assignment of such share entitlement note
"SEN Issuer"	Joy Club Enterprises Limited, a company incorporated in the British Virgin Islands with limited liability, and a wholly-owned subsidiary of APL
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	share(s) of HK$2.00 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"SHK"	Sun Hung Kai & Co. Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 86), and an indirect non wholly-owned subsidiary of each of the Company and APL
"SHK Board"	the board of directors of SHK
"SHK EGM"	an extraordinary general meeting of SHK to be convened to approve, among other matters, (I) the Acquisition Agreement and the transactions contemplated thereunder including the Proposed Distribution; (II) the Subscription Agreement and the Issue Documents and the transactions contemplated thereunder including the issue of the Mandatory Convertible Notes and the Warrants; and (III) the proposed appointment of two non-executive directors to the SHK Board (conditional upon the approval of the Subscription Agreement and its completion)
"SHK Group"	SHK and its subsidiaries
"SHK Independent Shareholder(s)"	SHK Shareholder(s) other than APL and its associates
"SHK Share(s)"	share(s) of HK$0.20 each in the share capital of SHK

"SHK Shareholder(s)"	holder(s) of SHK Share(s)
"SHKS"	Sun Hung Kai Securities Limited, a company with limited liability incorporated under the laws of Hong Kong and a subsidiary of SHK
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription"	the subscription by the Investor for the Mandatory Convertible Notes and the Warrants contemplated under the Subscription Agreement
"Subscription Agreement"	the conditional subscription agreement dated 22nd April, 2010 entered into between SHK and the Investor in relation to the proposed issue and subscription of the Mandatory Convertible Notes and the Warrants to the Investor
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"Tian An"	Tian An China Investments Company Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 28)
"Tian An Board"	the board of directors of Tian An
"Tian An Group"	Tian An and its subsidiaries
"Tian An Interest"	the 573,589,096 Tian An Shares (representing approximately 38.06% of the total issued share capital of Tian An) being the entire shareholding held and to be sold by SHK to the Purchaser subject to the terms and conditions of the Acquisition Agreement
"Tian An Restructuring"	the proposed acquisition by a wholly-owned subsidiary of APL of approximately 38.06% of the total issued share capital of Tian An from SHK in consideration of an issue of the SEN to SHK and the distribution of the SEN by SHK to SHK Shareholders by way of a distribution in specie, details of which are set out in this circular
"Tian An Share(s)"	share(s) of HK$0.20 each in the share capital of Tian An

"Total Equity"	means, at any time, the total equity of SHK as set out in the financial statements of SHK under the heading "Total equity" (or such other similar heading) excluding the upward or downward cumulative impact from the Closing Date (if any) of any fair value adjustments made in accordance with HKFRS to the carrying cost of the Warrants and/or the Mandatory Convertible Notes in the financial statements of SHK
"Transaction"	the acquisition by the Purchaser of the Tian An Interest from SHK pursuant to the Acquisition Agreement
"UAF"	United Asia Finance Limited, a company incorporated under the laws of Hong Kong with limited liability and a non wholly-owned subsidiary of SHK
"Warrants"	HK$427,000,000 in face value of warrants exercisable to subscribe for SHK Shares to be issued in accordance with the Subscription Agreement
"%"	per cent.

ALLIED GROUP LIMITED

（聯合集團有限公司）

（*Incorporated in Hong Kong with limited liability*）

（Stock code: 373）

Executive Directors:
Lee Seng Hui *(Chief Executive)*
Edwin Lo King Yau
Mak Pak Hung

Non-Executive Directors:
Arthur George Dew *(Chairman)*
Lee Su Hwei

Independent Non-Executive Directors:
Wong Po Yan
David Craig Bartlett
John Douglas Mackie
Alan Stephen Jones

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

24th May, 2010

To the Shareholders

Dear Sir or Madam,

(I) MAJOR TRANSACTION AND DEEMED DISPOSAL IN ALLIED PROPERTIES (H.K.) LIMITED RELATING TO PROPOSED ACQUISITION BY ALLIED PROPERTIES (H.K.) LIMITED OF INTEREST IN TIAN AN CHINA INVESTMENTS COMPANY LIMITED FROM SUN HUNG KAI & CO. LIMITED; AND

(II) MAJOR TRANSACTION AND DEEMED DISPOSAL IN SUN HUNG KAI & CO. LIMITED RELATING TO THE PROPOSED ISSUE BY SUN HUNG KAI & CO. LIMITED OF HK$1,708,000,000 IN AGGREGATE PRINCIPAL AMOUNT OF 2% MANDATORY CONVERTIBLE NOTES DUE 2013 MANDATORILY CONVERTIBLE INTO ORDINARY SHARES OF SUN HUNG KAI & CO. LIMITED; AND HK$427,000,000 IN FACE VALUE OF WARRANTS EXERCISABLE TO SUBSCRIBE FOR ORDINARY SHARES OF SUN HUNG KAI & CO. LIMITED

INTRODUCTION

Reference is made to the Joint Announcement in which the Company, APL, SHK and Tian An jointly announced that on 19th April, 2010, the Purchaser (as purchaser), an indirect wholly-owned subsidiary of APL, and APL (as guarantor to the Purchaser) entered into the Acquisition Agreement with SHK (as vendor) for the acquisition of the Tian An Interest (representing approximately 38.06% of the total issued share capital of Tian An), being the entire interest held by SHK in Tian An. Upon Completion, (i) SHK will be more focused on its financial services business; (ii) the SHK Independent Shareholders will receive APL Shares pursuant to the Proposed Distribution; and (iii) APL will hold approximately 38.06% equity interest in Tian An directly instead of holding through SHK, its 62.31% owned subsidiary.

The consideration of the Transaction is to be satisfied by the issuance of the SEN to SHK, which will confer the right to call for the issue of 2,293,561,833 fully paid APL Shares.

The Transaction constitutes a major transaction for the Company under the Listing Rules on the basis that the relevant Percentage Ratio(s) of the Transaction exceeds 25% but is less than 100% for the Company and is subject to reporting, announcement and shareholders' approval requirements under the Listing Rules.

The issuance of APL Shares under the SEN also constitutes a deemed disposal of the Company's equity interest in APL, which constitutes a major transaction for the Company on the basis that the relevant Percentage Ratios(s) for the Company exceeds 25% but is below 75%, and is subject to reporting, announcement and shareholders' approval requirements under the Listing Rules.

Reference is made to another joint announcement in which the Company, APL and SHK jointly announced that on 22nd April, 2010, SHK entered into the Subscription Agreement with the Investor pursuant to which SHK conditionally agreed to issue and the Investor conditionally agreed to subscribe for the HK$1,708,000,000 in aggregate principal amount of Mandatory Convertible Notes and HK$427,000,000 in face value of Warrants, subject to the fulfilment of the conditions precedent to the Subscription Agreement.

The Subscription constitutes a deemed disposal of the Company's equity interest in SHK, which constitutes a major transaction for the Company under the Listing Rules on the basis that the relevant Percentage Ratio(s) for the Company exceeds 25% but is below 75%, and is subject to reporting, announcement and shareholders' approval requirements under the Listing Rules.

As no person is required to abstain from voting on the Acquisition Agreement and the Subscription Agreement and transactions contemplated thereunder at the EGM if it were to be held, the Company has obtained a written shareholder's approval from the controlling shareholder of the Company, namely Lee and Lee Trust, which holds 108,626,492 Shares as at the Latest Practicable Date (representing approximately 52.39% of the existing total issued share capital of the Company), for approving the Acquisition Agreement and the Subscription Agreement and transactions contemplated thereunder in lieu of holding the EGM.

The purpose of this circular is to provide you with, among other things, further details of (i) the Acquisition Agreement and transactions contemplated thereunder including the Proposed Distribution; and (ii) the Subscription Agreement and transactions contemplated thereunder including the issue of the Mandatory Convertible Notes and the Warrants.

I. THE ACQUISITION AGREEMENT

Based on the information and the confirmations provided by APL and SHK, the principal terms of the Acquisition Agreement and the transaction contemplated therein are as follows:

Date

19th April, 2010

Parties

Purchaser:	the Purchaser, an indirect wholly-owned subsidiary of APL
Vendor:	SHK
Guarantor:	APL

The Transaction

Pursuant to the Acquisition Agreement, subject to the Conditions, the Purchaser has agreed, *inter alia*, to acquire, and SHK has agreed, *inter alia*, to sell, the Tian An Interest, being 573,589,096 Tian An Shares, representing approximately 38.06% of the existing total issued share capital of Tian An. APL has agreed to guarantee the performance of the obligations of the Purchaser under the Acquisition Agreement.

Consideration

The consideration of the Transaction is to be satisfied by the issuance of the SEN to SHK, which will confer the right to call for the issue of 2,293,561,833 fully paid APL Shares. Based on the closing price of APL Shares of HK$1.66 per APL Share on 16th April, 2010 (the last trading day prior to the date of the Acquisition Agreement), and 573,589,096 Tian An Shares held by SHK, the Tian An Interest is valued at approximately HK$3,807.31 million. The consideration for the Transaction represents an exchange ratio of approximately 4 APL Shares for every 1 Tian An Share held by SHK.

The consideration for the Transaction values the Tian An Interest at approximately HK$6.64 per Tian An Share, which is determined after arm's length negotiation between the contractual parties after taking into account, *inter alia*, (i) the carrying value of the Tian An Interest in SHK's financial statements less its share of reserves of Tian An as at 31st December, 2009 of approximately HK$3,804.24 million; (ii) the closing price of the Tian An Shares of HK$5.10 per Tian An Share on 16th April, 2010; and (iii) the closing price of the APL Shares of HK$1.66 per APL Share on 16th April, 2010.

The premium of the consideration for the Transaction is determined and agreed upon by the contractual parties based on the ratio of approximate 4 APL Shares over 1 Tian An Share when comparing both their respective market value and audited consolidated net asset value as at 31st December, 2009 as follows:

	For Every Four APL Shares	For Every Tian An Share	Premium
Market value as at 16th April, 2010	HK$6.64	HK$5.10	30.2%
Audited consolidated net asset value as at 31st December, 2009	HK$8.32	HK$7.22	15.2%

The APL Board is optimistic about the long term prospects of the PRC property market, and considers a premium as necessary to be attractive enough for the SHK Independent Shareholders to vote for the Transaction at the SHK EGM, where APL and its associates will have to abstain from voting.

However, the actual value of the consideration for the Transaction, being 2,293,561,833 fully paid APL Shares to be issued under the SEN, will depend on the market price of APL Shares on the Completion Date, and may or may not represent a premium to the value of the Tian An Shares as at the Completion Date. Based on the above, the APL Directors are of the view that the consideration for the Transaction is fair and reasonable.

Dividends

Holders of APL Shares issued and allotted under the SEN will be entitled to dividends proposed or declared after Completion. For the avoidance of doubt, holders of the APL Shares (which would fall to be issued and allotted under the SEN) will not be entitled to the final dividend distribution of HK$0.015 per APL Share, which was proposed by APL Board on 1st April, 2010 for the financial year ended 31st December, 2009.

It is agreed that, prior to Completion, all rights and entitlements to dividends, distributions and return of capital declared, paid or made by Tian An accrued or accruing to the Tian An Interest, including but not limited to the final dividend of HK$0.07 per Tian An Share proposed by Tian An Board on 19th March, 2010 for the financial year ended 31st December, 2009, shall belong to SHK absolutely.

Completion and Conditions of the Transaction

Completion will take place on the Completion Date, subject to the fulfillment (or waiver, in certain cases as stated below) of the following Conditions:

(a) the obtaining of all relevant third party consents or approvals by the Purchaser and APL as are necessary for the purpose of the Transaction;

(b) the obtaining of all relevant third party consents or approvals by SHK and Tian An as are necessary for the purpose of the Transaction;

(c) the obtaining of the approval by SHK Independent Shareholders in respect of the Acquisition Agreement and the transactions contemplated under the Acquisition Agreement and the Proposed Distribution at the SHK EGM;

(d) the obtaining of the approval by the APL Shareholders in respect of the Acquisition Agreement and the transactions contemplated under the Acquisition Agreement and the issue of the APL Shares pursuant to the SEN at the APL EGM;

(e) the obtaining of the approval of the Shareholders in respect of the Acquisition Agreement and the transactions contemplated thereunder at the EGM, or, if permitted by the Listing Rules, by way of written resolution(s) of the Shareholders holding more than 50% in nominal value of the issued share capital of the Company;

(f) approval being granted or agreed to be granted by the Stock Exchange for the listing of, and permission to deal in, all APL Shares which would fall to be issued pursuant to the SEN on terms and conditions satisfactory to APL and SHK; and

(g) confirmation and/or waiver pursuant to Note 6 to Rule 26.1 of the Takeovers Code being granted by the Executive to the effect that the consummation of the transactions contemplated under the Acquisition Agreement will not give rise to any general offer obligations by the Purchaser under the Takeovers Code for Tian An Shares (other than those Tian An Shares held by the Purchaser and the parties acting in concert with it) pursuant to Rule 26.1 of the Takeovers Code.

SHK may at any time waive in writing the Condition set out in (b) (in so far as consents and approvals in respect of SHK are concerned) above either in whole or in part and such waiver may be made subject to such terms and conditions as SHK may require. The Purchaser and APL may at any time waive in writing the Condition set out in (a) above in whole or in part and such waiver may be made subject to such terms and conditions as the Purchaser and/or APL may require. Parties to the Acquisition Agreement may together waive by agreement in writing the Condition set out in (b) (other than in relation to consents and approvals in respect of SHK) above either in whole or in part and such waiver may be made subject to such terms and conditions as they may agree. Condition (g) as set out above cannot be waived. Conditions (e) and (g) have been fulfilled as at the Latest Practicable Date.

If any Condition has not been fulfilled or waived on or before 31st July, 2010 (or such later date as is otherwise agreed between the parties in writing), the Acquisition Agreement shall terminate and be of no further effect, and no party shall be entitled to any rights or benefits or be under any obligation under or in respect of the Acquisition Agreement or have any liability to the other party, save in respect of any antecedent breach.

TERMS OF THE SEN

Issuer	:	SEN Issuer
Guarantor	:	APL

Entitlement

The SEN confers on the holder the Allotment Right. The SEN to be issued to SHK at Completion will carry Allotment Right for 2,293,561,833 APL Shares.

Any APL Shares (to be issued pursuant to the SEN) will be issued and credited as fully paid and rank *pari passu* in all respects among themselves and with all other APL Shares outstanding as at the date of issue and be entitled to all dividends and other distributions the record date of which falls on a date on or after the date of issue.

Rank for dividend

Holders of APL Shares issued and allotted under the SEN will be entitled to dividends declared after Completion. For the avoidance of doubt, holders of APL Shares (issued and allotted under the SEN) will not be entitled to the final dividend distribution of HK$0.015 per APL Share, which was proposed by APL Board on 1st April, 2010 for the financial year ended 31st December, 2009.

Transferability and Exercise

The SEN may be assigned once only under the Proposed Distribution and the Allotment Right thereunder is deemed to be automatically exercised upon such assignment, so that the relevant APL Shares will be automatically issued to the relevant SHK Shareholders. Accordingly, the SHK Shareholders will not receive the SEN, but will receive APL Shares directly, under the Proposed Distribution. However, any SEN assigned to APL or any of its subsidiaries will be automatically cancelled and the Allotment Right thereunder will be automatically extinguished, and therefore they will not receive any APL Shares under the Proposed Distribution. Any APL Shares to be issued pursuant to the SEN will be issued at an issue price which is equal to the closing price of the APL Shares as stated in the Stock Exchange's daily quotation sheets on the Completion Date. For reference, the closing price of the APL Shares as stated in the Stock Exchange's daily quotation sheets on 16th April, 2010 (the last trading day prior to the date of the Acquisition Agreement) was HK$1.66 per APL Share.

Validity period

The SEN remains valid until the Allotment Right is or is deemed to be exercised or cancelled.

Listing

No application will be made for the listing of the SEN. Application will be made by APL to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, any new APL Shares which may be issued pursuant to exercise of the Allotment Right under the SEN. No application will be made for the listing of any new APL Shares on any other stock exchange.

The issue of the APL Shares under the SEN will be subject to approval by the APL Shareholders at the APL EGM.

Subsequent Sale Restriction

Save for any restrictions on the subsequent sale of the APL Shares (which are to be issued and allotted under the SEN) which may be imposed on an Overseas SHK Shareholder under any laws and/or regulations of the relevant overseas jurisdiction, there are no restrictions on the subsequent sale of the APL Shares (which are to be issued and allotted under the SEN). Such Overseas SHK Shareholders are advised to seek independent legal advice on any applicable restriction which may be imposed on the subsequent sale of the APL Shares (which are to be issued and allotted under the SEN).

PROPOSED DISTRIBUTION IN SPECIE BY SHK

The SHK Board proposes to recommend for approval by SHK Independent Shareholders at the SHK EGM, that upon Completion, for each SHK Share, 1.309 fully paid APL Shares be allotted under the SEN, on the basis of 1,752,148,077 SHK Shares issued and outstanding as at the Latest Practicable Date. Assuming that Completion takes place, the Proposed Distribution will take the following form:

Form of Distribution	Amount	Type of Distribution
Final dividend of HK$0.16 per SHK Share proposed by SHK for the year ended 31st December, 2009 *(Note)*	Approximately HK$280 million	SEN
Special dividend	Value depends on the market price of each APL Share on the Completion Date	SEN

Note: The proposed final dividend has been calculated with reference to the number of SHK Shares in issue as at 29th March, 2010 (HK$0.16 x 1,752,148,077 issued SHK Shares at 29th March, 2010 = approximately HK$280 million).

A resolution will be proposed at the SHK EGM to approve the Acquisition Agreement and the transactions contemplated thereunder including the Proposed Distribution. In the event that the Transaction is not approved by the SHK Independent Shareholders at the SHK EGM, or if the Transaction has been approved at the SHK EGM but Completion does not take place, the final dividend of SHK of HK$0.16 per SHK Share may be paid in cash with a scrip alternative whereby SHK Shareholders may elect to receive the final dividend wholly or partly by the allotment of new SHK Shares in lieu of cash, in which case further details will be announced by SHK. Further, if such resolution is not passed at the SHK EGM, approval will be sought by the SHK Board from the SHK Shareholders for the declaration of the final dividend of SHK at the annual general meeting to be convened by SHK after the SHK EGM. Details in this respect will be announced by the SHK Board as and when appropriate separately.

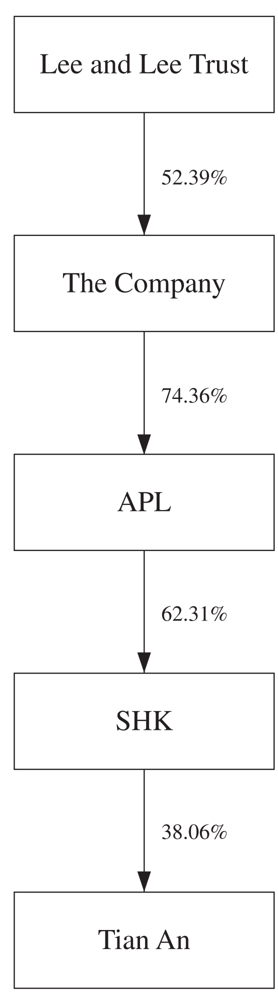
Out of the total of 2,293,561,833 APL Shares falling to be issued under the SEN, APL or its subsidiaries would have an entitlement of 1,429,277,678 APL Shares, representing approximately 23.47% of the total issued share capital of APL (based on its current holding of 1,091,885,163 SHK Shares). Such entitlement will be cancelled upon distribution of the SEN to APL or its subsidiaries and the APL Shares relating thereto will not be allotted. Accordingly, only up to 864,284,155 APL Shares will be allotted to the SHK Independent Shareholders. The 864,284,155 APL Shares represent approximately 14.19% of the existing issued share capital of APL, and approximately 12.43% of the issued share capital of APL as enlarged by the issue of such APL Shares under the SEN.

Tian An will continue to be equity accounted for in the consolidated financial statements of APL following the Completion and there will be no change in the ultimate control of Tian An as a result of the Transaction. The Executive has granted a waiver to dispense with APL's obligation to make a general offer for the Tian An Shares as a result of the Transaction pursuant to Note 6 to Rule 26.1 of the Takeovers Code.

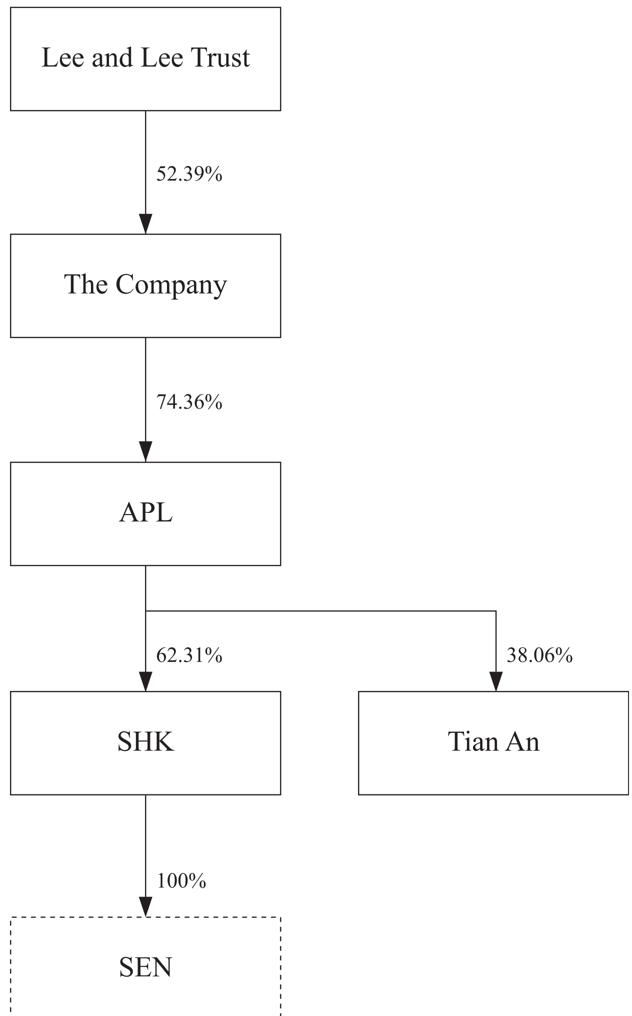
Fractional entitlements to the APL Shares will not be distributed under the Proposed Distribution to the SHK Shareholders, but will be converted into APL Shares and sold in the market for the benefit of SHK. Further information regarding the entitlements of the Overseas SHK Shareholders will be disclosed in the circular of SHK dated 24th May, 2010.

Expected Changes to Shareholding

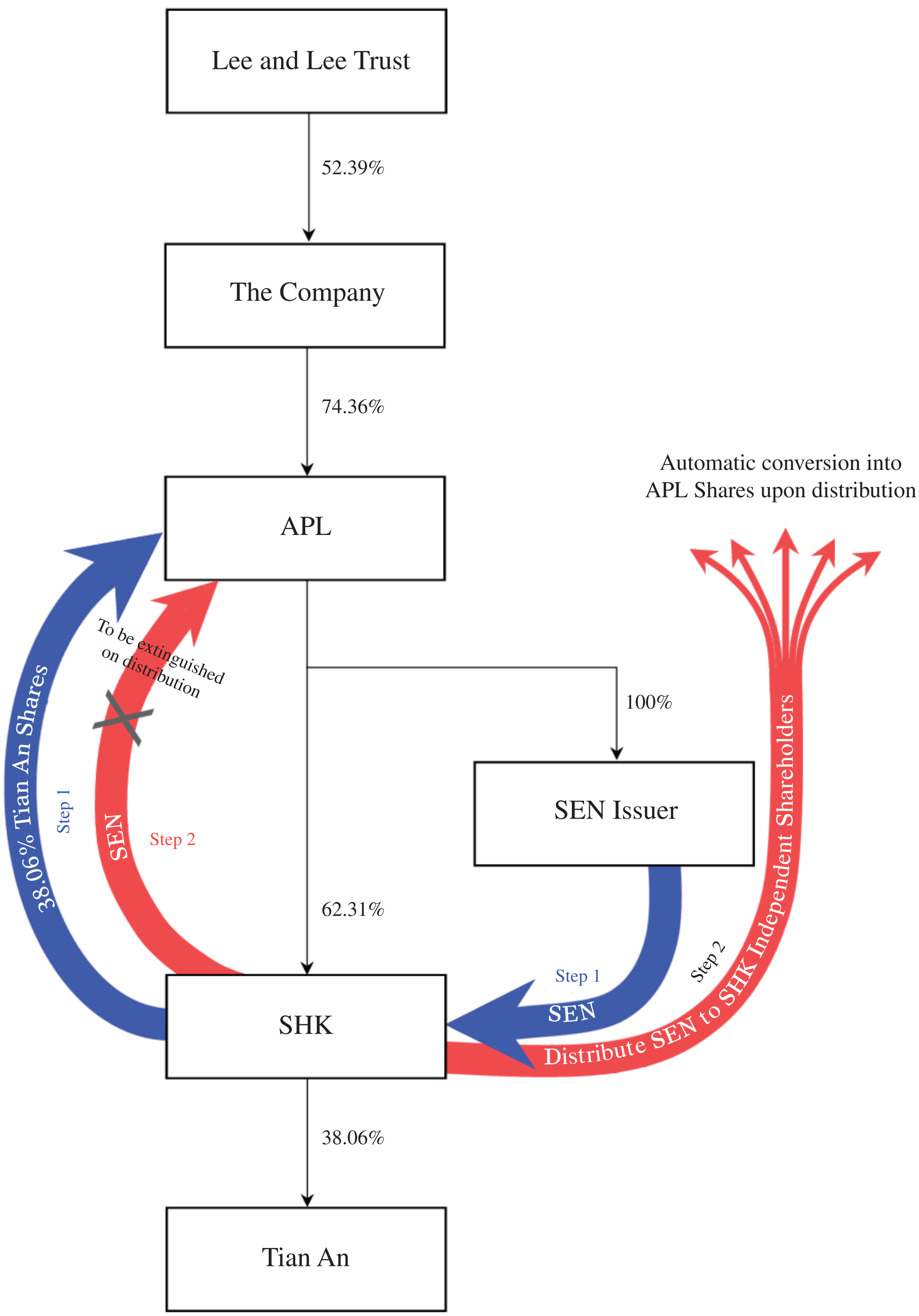
The shareholding structure of the Company, APL, SHK and Tian An as at the Latest Practicable Date is as follows:



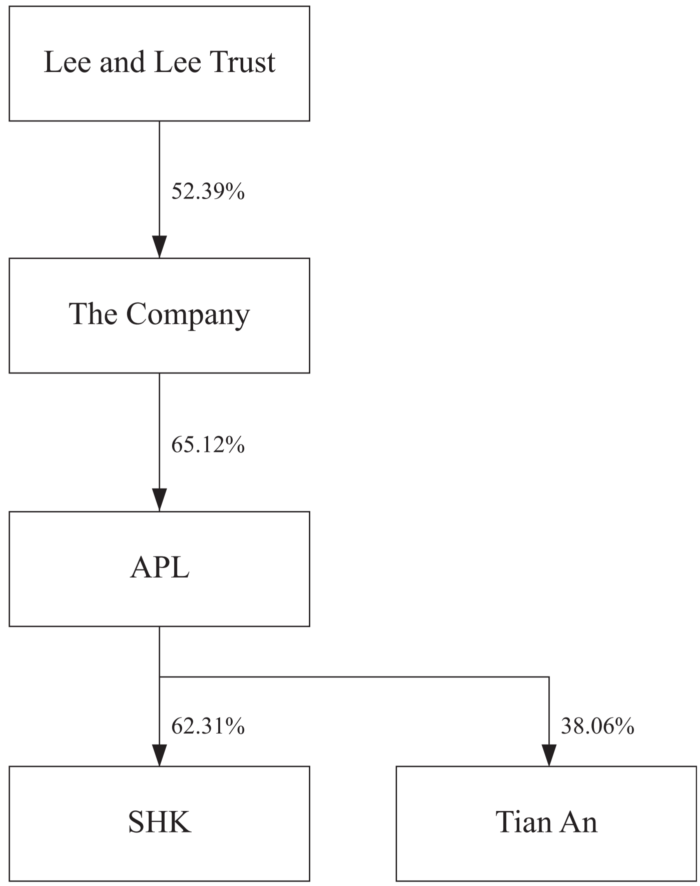
Upon Completion but before the Proposed Distribution, APL would hold approximately 38.06% interest in Tian An, and SHK would hold the SEN. The shareholding structure of the Company, APL, SHK and Tian An upon Completion but before the Proposed Distribution would be as follows:



The following chart depicts the flow of the Transaction and the Proposed Distribution:



The shareholding of the relevant companies after Completion and after the Proposed Distribution would be as follows:



For illustration purpose, the changes in interest in the APL Shares are shown below:

Beneficial shareholders of APL Shares *(Note 1)*	**As at the Latest Practicable Date** *APL Shares* *(Note 1)*	*%*	**Upon distribution to SHK Independent Shareholders and full conversion of SEN** *APL Shares*	*%*
Lee and Lee Trust *(Note 2)*	4,528,120,310	74.36	4,528,120,310	65.12
Penta Investment Advisers Limited *(Notes 3, 4 and 5)*	306,798,000	5.04	512,937,733	7.38
Ms. Chong Sok Un *(Note 5)*	375,082,000	6.16	375,082,000	5.40
Mr. Patrick Lee Seng Wei *(Note 6)*	2,700,000	0.04	2,700,000	0.04
Public APL Shareholders	876,132,120	14.40	876,132,120	12.60
SHK Independent Shareholders *(Notes 3 & 4)*	—	—	658,144,422	9.46
Total	6,088,832,430	100.00	6,953,116,585	100.00

Notes:

1. The shareholding figures used herein are extracted from the latest forms of Disclosure of Interests filed by APL Shareholders pursuant to Part XV of the SFO on the website of the Stock Exchange and shareholders referred to herein are ultimate beneficial owners of relevant APL Shares.

2. The 4,528,120,310 APL Shares are held directly and indirectly by the Company, which is owned as to approximately 15.81% by Cashplus Management Limited, a wholly-owned subsidiary of Zealous Developments Limited ("Zealous") and approximately 36.58% by Minty Hongkong Limited ("Minty"). Minty and Zealous are wholly-owned by the trustees of Lee and Lee Trust, being a discretionary trust, therefore, Lee and Lee Trust is deemed to have an interest in such APL Shares under Part XV of the SFO.

3. Penta Investment Advisers Limited, a SHK Independent Shareholder, has an interest in 157,478,788 SHK Shares which represents approximately 8.99% of the total issued share capital of SHK. On this basis, Penta Investment Advisers Limited will receive 206,139,733 APL Shares to be allotted and issued under the SEN on a pro-rata basis in accordance with the Proposed Distribution. As a result, assuming its interest remains unchanged on the record date for the Proposed Distribution, Penta Investment Advisers Limited would hold 512,937,733 APL Shares upon Completion.

4. Taking into account the 206,139,733 APL Shares to be allotted and issued under the SEN to Penta Investment Advisers Limited as mentioned above, the total number of APL Shares to be allotted and issued under the SEN to the SHK Independent Shareholders will be 864,284,155 APL Shares.

5. Save as disclosed herein, neither Penta Investment Advisers Limited, Ms. Chong Sok Un nor their respective associates have any other relationship with and are connected persons of APL.

6. Mr. Patrick Lee Seng Wei is the chief executive and an executive director of APL.

7. The public float of APL as at the Latest Practicable Date is and after completion of the Transaction and the Proposed Distribution is expected to be approximately 25.6% and 34.8% respectively.

FINANCIAL INFORMATION ON TIAN AN

Based on the audited financial statements of Tian An as at 31st December, 2009, the revenue, net profit and net assets of Tian An are as follows:

	For the year ended 31st December	
	2008	**2009**
	HK$'000	*HK$'000*
Revenue	473,329	1,083,528
Profit before taxation and extraordinary items	689,250	1,367,830
Profit after taxation and extraordinary items	689,307	1,082,993
Net assets	9,847,087	10,884,316

FINANCIAL IMPACT OF THE TRANSACTION

Following Completion, SHK will remain a listed company and the principal business of the Remaining Group is the provision of financial services.

In respect of the acquisition of the Tian An Interest by APL under the Transaction, the Directors expect that there will be no material effect on the assets, liabilities and earnings of the Group.

Pursuant to the Proposed Distribution, the Company's shareholdings in APL will decrease from 74.36% to 65.12% meaning that 9.24% interest in APL is deemed to be disposed of by the Company. The audited net profit of APL (before taxation and extraordinary items) for the financial years ended 31st December, 2008 and 2009 was HK$65.6 million and HK$2,814.6 million respectively (of which HK$6.1 million and HK$260.1 million are respectively attributable to the 9.24% interest that is deemed to have been disposed of by the Company) and the net profit of APL (after taxation and extraordinary items) for the financial years ended 31st December, 2008 and 2009 was HK$86.0 million and HK$2,483.5 million respectively (of which HK$7.9 million and HK$229.5 million are respectively attributable to the 9.24% interest that is deemed to have been disposed of by the Company).

Based on the audited consolidated net asset value of APL of HK$12,641.3 million at 31st December, 2009 as shown in APL's published 2009 annual report, the amount attributable to the 9.24% interest in APL deemed disposed of by the Company is approximately HK$1,168.1 million under the Proposed Distribution. The consideration for the deemed disposal of the 9.24% interest in APL by the Company would be approximately HK$934.3 million which is calculated with reference to 65.12% (i.e. the Company's interest in APL upon Completion of the Transaction and the Proposed Distribution) of the consideration of HK$1,434.7 million, based on the 864,284,155 APL shares under the SEN to be issued to SHK Shareholders (other than the APL Group) at HK$1.66 per APL Share at 16th April, 2010, being the closing price of the last trading day prior to the Acquisition Agreement. Accordingly, the estimated loss on the deemed disposal of 9.24% interest in APL by the Company would be, subject to audit, approximately HK$233.8 million which would be directly charged to the consolidated equity. The Directors expect that the Proposed Distribution will not have material effect on the assets, liabilities and earnings of the Group.

REASONS FOR AND BENEFITS OF THE TRANSACTION

The principal business activity of the Purchaser is investment holding.

The principal business activity of APL is investment holding. The principal business activities of its major subsidiaries are property investment and development, hospitality related activities, the provision of medical and healthcare services and the provision of financial services.

The principal business activities of the SHK Group are wealth management, brokerage and margin finance, corporate finance, asset management, consumer finance, and provision of strategic investments and properties holding and rental through its interest in Tian An.

The principal business activity of Tian An is investment holding. The Tian An Group is engaged principally in the development of high-end apartments, villas, office buildings and commercial properties, property investment, property management and hotel operation, as well as the manufacture and sale of construction materials in China.

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

Upon Completion, (i) SHK will be more focused on financial services business; (ii) the SHK Independent Shareholders will receive APL Shares pursuant to the Proposed Distribution; and (iii) APL will hold approximately 38.06% equity interest in Tian An directly, instead of holding through SHK, its 62.31% owned subsidiary.

Reasons for and benefits of the Transaction for APL and the Company

The Transaction will enable APL to maintain a more direct holding in Tian An and result in an improved corporate structure for APL by consolidating all property interests in Hong Kong and mainland China under APL. In addition, the benefit of the Transaction is that it will increase APL's effective interest in Tian An from approximately 23.72% to approximately 38.06% of the total issued share capital of Tian An.

The APL Board believes that the terms of the Transaction are fair and reasonable and in the interests of APL and the APL Shareholders as a whole.

The Company will enjoy similar benefits through its subsidiary, APL.

II. SUBSCRIPTION AGREEMENT

Issue of and subscription for the Mandatory Convertible Notes and Warrants

As advised and confirmed by SHK, on 22nd April, 2010, SHK as issuer entered into the Subscription Agreement with the Investor pursuant to which SHK conditionally agreed to issue and the Investor conditionally agreed to subscribe for the HK$1,708,000,000 in aggregate principal amount of Mandatory Convertible Notes and HK$427,000,000 in face value of Warrants, subject to the fulfilment of the conditions precedent in the Subscription Agreement.

Based on the information and confirmation provided by SHK, which has made all reasonable enquiries and relied on the confirmation of the Investor, and to the best of the knowledge, information and belief of the Board, APL Board and the SHK Board, having made all reasonable enquiries, the Investor and its ultimate beneficial owners are third parties independent of and not connected with the Company, APL and SHK and their respective connected persons.

Conditions precedent

As advised and confirmed by SHK, completion of the Subscription is subject to a number of conditions precedent, including:

(a) the shareholders of SHK, the Company and APL (if applicable), respectively, passing a resolution at an extraordinary general meeting or by way of written resolution (if applicable), to approve the terms of, and the transactions contemplated by, the Subscription Agreement and the Issue Documents;

(b) all necessary regulatory filings, notifications and approvals to the relevant authorities to enter into the Subscription Agreement and the Issue Documents and perform SHK's obligations thereunder have been made and obtained, and such filings, notifications and approvals remain valid and effective;

(c) all requisite consents and approvals in relation to the possible change in shareholding of the investment manager and/or investment advisor of each of the Investment Funds (to the extent that a member of the SHK Group is appointed as the investment adviser to such Investment Funds) (on the basis that the Investor will hold the shares in SHK upon conversion of the Mandatory Convertible Notes and exercise of the Warrants) have been obtained in writing from any applicable regulators, including the SFC, the Mandatory Provident Fund Schemes Authority, the Stock Exchange, Hong Kong Futures Exchange Limited and the Hong Kong Confederation of Insurance Brokers;

(d) the Stock Exchange having granted approval for the listing of, and a permission to deal in, the SHK Shares to be issued on conversion of the Mandatory Convertible Notes and upon exercise of the Warrants and such approval remains valid and effective; and

(e) completion of the Tian An Restructuring substantially in accordance with its terms.

As advised and confirmed by SHK, if all the conditions precedent are not either waived or satisfied, as the case may be, by 10:00 a.m. on 31st October, 2010 or such later date as may be agreed between SHK and the Investor, the Subscription Agreement shall automatically terminate.

Undertakings of SHK

As advised and confirmed by SHK, SHK has given a number of undertakings to the Investor, including the following:

(a) SHK confirms that if the Tian An Restructuring is approved and completed, apart from the Proposed Distribution in specie undertaken as part of the Tian An Restructuring and any dividend declared prior to 22nd April, 2010, no other distribution to its shareholders (whether in cash or otherwise) will be made for the financial year ended 31st December, 2009.

(b) For so long as the Investor holds:

(i) at least 15% of the issued SHK Shares, or SHK Shares and/or Mandatory Convertible Notes and/or Warrants which on an as converted or exercised basis in aggregate represent at least 15% of the issued SHK Shares, the Investor shall be entitled to: (A) nominate for appointment two individuals as non-executive directors on the SHK Board; (B) from time to time recommend an individual as an independent non-executive director for consideration by the SHK Board; and (C) nominate for appointment an individual as a non-executive director on the board of directors of each of UAF and SHKS, in each case provided such individual is fit and proper; and

(ii) at least 7.5% but below 15% of the issued SHK Shares, or SHK Shares and/or Mandatory Convertible Notes and/or Warrants which on an as converted or exercised basis in aggregate represent at least 7.5% but below 15% of issued SHK Shares, the Investor shall be entitled to: (A) nominate for appointment one individual as a non-executive director on the SHK Board; and (B) from time to time recommend an individual as an independent non-executive director for consideration by the SHK Board.

As a separate undertaking, SHK shall put forward resolutions, for the appointment of the non-executive directors nominated by the Investor as described in paragraph (b)(i)(A) above to the SHK Board at the SHK EGM.

As advised and confirmed by SHK, the Mandatory Convertible Notes and the Warrants represent a significant investment in SHK. Upon full conversion of the Mandatory Convertible Notes and full exercise of the Warrants, the Investor would hold approximately 18.96% of the fully diluted share capital of SHK, making it the second largest shareholder in SHK after APL. In view of the Investor's significant stake in SHK, the size of its investment and the expertise the Investor can bring to SHK, SHK agreed to grant the Investor a nomination right to the SHK Board as one of the negotiated commercial terms of the Subscription.

As advised and confirmed by SHK, it is important to note that the Investor only has the right to nominate (but not appoint) a person for election as a director of SHK under the Subscription Agreement. All SHK Shareholders also have the right to nominate a person for election as a director of SHK, but such right is granted under the articles of association of SHK. In addition, pursuant to section 113 of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), SHK Shareholder(s) who hold more than 5% of the voting shares of SHK may requisition an extraordinary general meeting to make proposals such as a director nomination, following which the SHK Board is obliged to convene an extraordinary general meeting to consider such proposals. On the other hand, the Investor, in its capacity as a noteholder, has the director nomination right under the Subscription Agreement but not under the articles of association of SHK as such articles of association is a contract between SHK and the SHK Shareholders.

The SHK Board considers that giving the Investor such nomination right is appropriate in the circumstances in view of the benefits of the Subscription, and the entry into the Subscription Agreement and performance of the obligations under it are in the interest of the SHK Group.

SHK Share repurchase

As advised and confirmed by SHK, within three months from the Closing Date, if the price of the SHK Shares falls below HK$5.00 at any time during such period, within five Business Days of such date SHK shall use its best endeavours to repurchase SHK Shares subject to the terms of the existing share repurchase mandate, and provided that it is in the best interest of the SHK Shareholders as determined by the SHK Board in its sole discretion to do so and subject to:

(a) such repurchase not giving rise to an obligation on any person to make a general offer for SHK pursuant to The Codes on Takeovers and Mergers and Share Repurchases;

(b) such repurchase not constituting a repurchase by way of general offer pursuant to The Codes on Takeovers and Mergers and Share Repurchases (if applicable); and

(c) such repurchase not resulting in an insufficient public float for the purposes of the Listing Rules.

Restrictions on the issue of further securities

As advised and confirmed by SHK, from 22nd April, 2010 to (and including) the Closing Date, neither SHK nor any person acting on its behalf will (without the prior written consent of the Investor) take, directly or indirectly, any action designed to or which would constitute or which might reasonably be expected to cause or result in an adjustment to the conversion price of the Mandatory Convertible Notes or the subscription price for SHK Shares on the exercise of the Warrants (and the circumstances where the conversion price and subscription price may be adjusted are summarised in the principal terms and conditions of the Mandatory Convertible Notes and Warrants below). The reason is that completion of the Subscription will only be after a few months, but the initial conversion price of the Mandatory Convertible Notes and the initial subscription price of the Warrants have already been fixed. Accordingly, the Investor's interest would be adversely affected if SHK issues new SHK Shares below the initial conversion price or initial subscription price. This restriction falls away upon completion under the Subscription Agreement. Therefore, the SHK Board is of the view that the temporary restriction is reasonable having regard to the benefits to the SHK Group as a whole by virtue of the Investor's substantial investment in and involvement with the SHK Group.

Breach of the Subscription Agreement

As advised and confirmed by SHK, the Subscription Agreement contains provisions relating to claims for breach of the Subscription Agreement, including the minimum and maximum amounts of a claim.

In addition, if the Investor, any Permitted Transferee or any of their affiliates makes a claim for a breach by SHK of the Subscription Agreement or the Issue Documents or otherwise arising from or relating to the transactions contemplated by those documents, SHK shall have a certain period to exercise its right to redeem all the Mandatory Convertible Notes and to cancel the Warrants held by the Investor, any Permitted Transferee or any of their affiliates (as the case may be) at a redemption price equal to (a) the principal amount of such Mandatory Convertible Notes, plus (b) any accrued but unpaid interest and any amounts owing pursuant to the terms and conditions of the Mandatory Convertible Notes, plus (c) an amount equal to 3% of the principal amount of the Mandatory Convertible Notes to be redeemed, and to the extent SHK does not exercise its rights within this period, the Investor, any Permitted Transferee or any of their affiliates shall be free to pursue remedies in accordance with the provisions of Subscription Agreement.

Termination of the Subscription Agreement

As advised and confirmed by SHK, the Subscription Agreement shall terminate upon:

(a) any funds managed by CVC AP (whether individually or together) ceasing to control the Investor or any of its affiliates which hold SHK Shares and/or Mandatory Convertible Notes and/or Warrants;

(b) the Investor and any of its affiliates, in aggregate, ceasing to hold at least 15% of issued SHK Shares or SHK Shares and/or Mandatory Convertible Notes and/or Warrants which on an as converted or exercised basis (as applicable) in aggregate represent at least 15% of the issued SHK Shares (the "Investor Rights Threshold") on any date (the "Relevant Date"), provided that if within 45 Business Days of the Relevant Date the Investor and any of its affiliates, in aggregate, hold, such amount of issued SHK Shares and/or Mandatory Convertible Notes and/or Warrants that exceeds the Investor Rights Threshold, the Subscription Agreement shall be reinstated from the day the Investor Rights Threshold is reached;

(c) redemption of the Mandatory Convertible Notes for breach of the Subscription Agreement or the terms and conditions of the Mandatory Convertible Notes pursuant to which each Noteholder receives the full amount payable; or

(d) a conversion of all of the Mandatory Convertible Notes in accordance with the Mandatory Convertible Note terms and conditions.

If the Subscription Agreement is terminated by reason of paragraph (b) or (d) above, the right of the Investor to nominate individual(s) to the SHK Board referred to above and to obtain certain information of the SHK Group shall survive and shall terminate only in accordance with such relevant clause set out in the Subscription Agreement.

Undertaking by the Trustees of Lee and Lee Trust

In connection with the Subscription, the trustees of Lee and Lee Trust have given undertakings on 22nd April, 2010 to the Investor on behalf of Lee and Lee Trust which are summarized as follows:

(a) It will not, until the date immediately following the Closing Date, sell, transfer, charge, encumber, create or grant any option over or otherwise dispose of (or permit any such action to occur in respect of) all or any of its shares in the Company or any interest therein (or enter into any agreement, arrangement or incur any obligation to do so).

(b) It undertakes in respect of its shares in the Company and any other shares in the Company which it is capable of exercising (or controlling the exercise of) the voting rights thereof, to vote (or procure to vote) in favour of any resolution in any general meeting of the Company convened and by way of written resolutions (if applicable), in each case after the date of the undertaking, to approve the transactions contemplated under the Subscription Agreement.

Undertaking by APL

As advised and confirmed by APL, in connection with the Subscription, APL has given undertakings on 22nd April, 2010 to the Investor which are summarized as follows:

(a) Other than in respect of any renewal of existing facilities and related existing charges, APL will not, until the date immediately following the Closing Date, sell, transfer, charge, encumber, create or grant any option over or otherwise dispose of (collectively, "Transfer") all or any of its SHK Shares or any interest therein.

(b) APL undertakes in respect of its SHK Shares and any other shares of SHK which APL is from time to time capable of exercising (or controlling the exercise of) the voting rights thereof, to vote (or procure to vote) in favour of any resolution in any general meeting of SHK convened, in each case after the date of the undertaking:

  (i) to approve the transactions contemplated under the Subscription Agreement; and

  (ii) to approve the appointments by the Investor of two non-executive directors to SHK Board pursuant to the Subscription Agreement.

(c) In the event that APL Transfers any of its SHK Shares after the Closing Date to a person controlled by APL, APL will use its best endeavours to procure the transferee of such SHK Shares to give an equivalent undertaking in respect of the matters stated in paragraph (b)(ii) above to the Investor.

PRINCIPAL TERMS AND CONDITIONS OF THE MANDATORY CONVERTIBLE NOTES

As advised and confirmed by SHK, the terms and conditions of the Mandatory Convertible Notes were determined after arm's length negotiations between SHK and the Investor. The principal terms and conditions of the Mandatory Convertible Notes, are summarised as follows:

Issuer:	SHK
Issue:	HK$1,708,000,000 in aggregate principal amount of 2% mandatory convertible notes due 2013 mandatorily convertible into SHK Shares.
Issue price:	100% of the principal amount of the Mandatory Convertible Notes.
Ranking:	The Mandatory Convertible Notes constitute direct, unguaranteed, unconditional and unsecured obligations of SHK and shall rank (a) senior to the share capital of SHK from time to time; and (b) at least pari passu with all other present and future unsecured and unsubordinated obligations of SHK.
Transferability:	Unless a transfer of Mandatory Convertible Notes is to a Permitted Transferee, the Mandatory Convertible Notes may only be transferred provided certain requirements are met, including the prior written consent from SHK (which consent is to be considered at the sole discretion of SHK).
Interest:	The Mandatory Convertible Notes bear interest from the date of their issue pursuant to the Subscription Agreement at the rate of 2% per annum, payable in Hong Kong dollars semi-annually on each of 30th June and 31st December in each year in arrears.
Maturity date:	The date which is three years after the issue date of the Mandatory Convertible Notes.
Conversion period:	The period commencing on the Closing Date, and ending on the maturity date.
Conversion price:	HK$5.00 per SHK Share (subject to adjustment under the terms and conditions of the Mandatory Convertible Notes).

Conversion price adjustments:	The conversion price will be subject to adjustment in certain circumstances, including adjustment from time to time on the occurrence of certain specified events that have a dilutive or concentrative effect on the value of the SHK Shares which include capitalisation of profits and reserves, sub-division, consolidation and reclassification of SHK Shares, rights issues, other issues of SHK Shares, issue of equity-related securities at a discount to the then market price, and modification of rights of conversion or exchange or subscription attached to options or warrants, provided that the new shares would be issued at less than the prevailing conversion price in the case of rights issue, other issues of SHK Shares or issue of equity-related securities.
Conversion right and mandatory conversion:	The Noteholders have the right to convert their Mandatory Convertible Notes into SHK Shares at any time during the conversion period. To the extent not previously so converted or redeemed, on the maturity date, the Noteholders shall be deemed to have exercised their right to convert all outstanding Mandatory Convertible Notes and such Mandatory Convertible Notes will automatically convert to SHK Shares.
Right to participate in distribution:	If SHK distributes more than 50% of its Consolidated Net Income in respect of any six month period beginning on the date immediately after the date of the last interest payment date to the last date of the following interest payment date (both dates inclusive) by way of distribution (whether in cash or scrip), the Noteholders shall be entitled to and receive an amount equal to such distribution on an as converted basis less the amount of interest received by the Noteholders in respect of such relevant period.
SHK Shares to be issued:	The SHK Shares to be issued upon conversion will rank at least pari passu with all other SHK Shares then outstanding, free and clear of all liens, claims, charges, security, encumbrances or like interest. Fractions of SHK Shares will not be issued on conversion and no cash adjustments will be made in respect thereof.
Listing:	No listing will be sought for the Mandatory Convertible Notes on the Stock Exchange or any other stock exchange.

Redemption for Event of Default:	The Noteholders will have the right at their sole option, to require SHK to redeem all (but not some) of the Mandatory Convertible Notes on the redemption date at a redemption amount equal to the principal amount of the Mandatory Convertible Notes plus any accrued but unpaid interest on the redemption date (the "Redemption Amount"), following the occurrence of any of the Events of Default (as defined in the Mandatory Convertible Notes terms and conditions). If the Noteholders exercise their right to redeem the Mandatory Convertible Notes upon the occurrence of an Event of Default, all Noteholders will be deemed to have exercised the same rights in respect of all Mandatory Convertible Notes held by them and SHK will redeem all the Mandatory Convertible Notes by paying the relevant Redemption Amount to each Noteholder on the redemption date.
Redemption for breach of Subscription Agreement or Issue Documents:	SHK may redeem all (but not some) of the Mandatory Convertible Notes held by the Investor and any of its Permitted Transferees at a redemption price equal to (a) the principal amount of such Mandatory Convertible Notes, plus (b) any accrued but unpaid interest, plus (c) any distribution amounts owing to the Investor, plus (d) an amount equal to 3% of the principal amount of the Mandatory Convertible Notes to be redeemed.
General undertakings:	SHK makes certain general undertakings to Noteholders. Certain undertakings are only in favour of the Investor and its Permitted Transferees if they hold at least 80% in aggregate principal amount of the Mandatory Convertible Notes which are issued to the Investor on the Closing Date, including: (a) it will not, and will procure that neither UAF and SHKS will not enter into any business that is unrelated to the general nature of its respective businesses as at 22nd April, 2010; and (b) it will procure that the Gearing Ratio remains below 100%.
Form and denomination:	The Mandatory Convertible Notes will be in registered form and in a minimum denomination of HK$1,000,000 each or integral multiples thereof.

As advised and confirmed by SHK, the Investor would have a limited right to participate in a distribution by SHK. The reason is that convertible notes often include a provision for the adjustment of the conversion price following a distribution to shareholders. The terms of the Mandatory Convertible Notes do not include such a provision. Therefore, the Investor will not get the benefit of any distribution. Instead of a conversion price adjustment mechanism, SHK and the Investor agreed, as one of the negotiated commercial terms, that the Investor would have the right to participate in a distribution by SHK. This right to participate in a distribution is limited in that it only arises where the amount of distribution is more than 50% of the Consolidated Net Income of the SHK Group.

PRINCIPAL TERMS AND CONDITIONS OF THE WARRANTS

As advised and confirmed by SHK, the terms and conditions of the Warrants were determined after arm's length negotiations between SHK and the Investor. The principal terms and conditions of the Warrants, are summarised as follows:

Issuer:	SHK
Issue size:	HK$427,000,000 in face value
Issue price:	Nil
Transferability:	The Warrants may only be transferred with the prior consent from SHK (which consent is to be considered at the sole discretion of SHK) (unless the transfer is made to a Permitted Transferee) and upon the Warrant holder obtaining the requisite regulatory approvals and consents required.
Subscription right:	The Warrant holders have the right to subscribe for SHK Shares at any time during the subscription period. On expiry of the subscription period, any Warrants which have not been exercised will lapse and cease to be valid for any purpose.
Expiration date:	The date which is three years after the issue date of the Warrants.
Subscription period:	The period commencing on the Closing Date, and ending on the expiration date.
Subscription price:	HK$6.25 per SHK Share (subject to adjustment under the terms and conditions of the Warrants).
Subscription price adjustment:	The subscription price will be subject to adjustment in certain circumstances, including: (a) if and whenever SHK shall pay or make any distribution to the SHK Shareholders that is not in the ordinary course and in accordance with past practice (including but not limited to any distribution expressed by SHK or declared by the SHK Board to be a capital distribution); and

(b) adjustment from time to time on the occurrence of certain specified events that have a dilutive or concentrative effect on the value of the SHK Shares which include capitalisation of profits and reserves, sub-division, consolidation and reclassification of SHK Shares, rights issues, other issues of SHK Shares, issue of equity-related securities at a discount to the then market price, and modification of rights of conversion or exchange or subscription attached to options or warrants, provided that the new shares would be issued at less than the prevailing warrant strike price in the case of rights issue, other issues of SHK Shares or issue of equity-related securities.

SHK Shares to be issued:	The SHK Shares to be issued upon exercise will rank at least pari passu with all other SHK Shares then outstanding, free and clear of all liens, claims, charges, security, encumbrances or like interest. Fractions of SHK Shares will not be issued on exercise and no cash adjustments will be made in respect thereof.
Listing:	No Listing will be sought for the Warrants on the Stock Exchange or any other stock exchange.
Form and denomination:	The Warrants will be in registered form and in a minimum denomination of HK$20,000 each and integral multiples thereof.

As advised and confirmed by SHK, there is no restriction to sell the new SHK Shares to be issued on conversion of the Mandatory Convertible Notes and upon exercise of the Warrants.

As advised and confirmed by SHK, the SHK Board considers that the terms of the proposed issue of the Mandatory Convertible Notes and the Warrants are fair and reasonable having considered the current market conditions and in the interests of SHK and the SHK Shareholders as a whole.

SHAREHOLDING STRUCTURE OF SHK

As advised and confirmed by SHK, on conversion of the Mandatory Convertible Notes, based on the conversion price per SHK Share of HK$5.00, a maximum of 341,600,000 SHK Shares will be issued upon full conversion of the principal amount of the Mandatory Convertible Notes, representing 16.32% of the issued shares of SHK as enlarged by the issue of such SHK Shares.

As advised and confirmed by SHK, on the exercise of the Warrants, based on the subscription price of HK$6.25 per SHK Share, a maximum of 68,320,000 SHK Shares will be issued upon full exercise of the Warrants, representing 3.16% of the issued shares of SHK as enlarged by the issue of new SHK Shares upon full conversion of the Mandatory Convertible Notes and full exercise of the Warrants.

As advised and confirmed by SHK, the effects on the shareholding structure of SHK upon full conversion of the Mandatory Convertible Notes and the exercise of the Warrants are as follows:

SHK Shareholders	**As at the Latest Practicable Date**		**Assuming that the Mandatory Convertible Notes are fully converted into SHK Shares at the initial conversion price of HK$5.00 per SHK Share**		**Assuming that: (a) the Mandatory Convertible Notes are fully converted into SHK Shares at the initial conversion price of HK$5.00 per SHK Share; and (b) the Warrants are fully exercised for SHK Shares at the initial subscription price of HK$6.25 per SHK Share**	
(Note 1)	*No. of SHK Shares*	*%*	*No. of SHK Shares*	*%*	*No. of SHK Shares*	*%*
APL	1,091,885,163	62.31	1,091,885,163	52.15	1,091,885,163	50.50
Dubai Group Limited *(Note 2)*	166,000,000	9.47	166,000,000	7.93	166,000,000	7.68
Penta Investment Advisers Limited *(Note 2)*	157,478,788 *(Note 3)*	8.99	157,478,788 *(Note 3)*	7.52	157,478,788 *(Note 3)*	7.28
Lee Mei Wan Betty *(Note 2)*	113,085,000	6.45	113,085,000	5.40	113,085,000	5.23
Tong Tang Joseph, a director of SHK	77,000	0.00	77,000	0.00	77,000	0.00
Directors of subsidiaries of SHK	2,706,010	0.16	2,706,010	0.13	2,706,010	0.13
Public shareholders	220,916,116	12.62	220,916,116	10.55	220,916,116	10.22
The Investor	0	0.00	341,600,000	16.32	409,920,000	18.96
Total	1,752,148,077	100.00	2,093,748,077	100.00	2,162,068,077	100.00

Notes:

1. The interests of the SHK Shareholders are extracted from the register kept under section 336 of the SFO and/or the latest information available to SHK.

2. Each of Dubai Group Limited and Goldlex Limited (in which Lee Mei Wan Betty has a 100% interest) nominated directors to the SHK Board in their capacity as SHK Shareholders. Dubai Group Limited and Goldlex Limited are not associates of any of the directors of SHK so nominated. A member company of Dubai Group Limited and Goldlex Limited also maintained securities accounts with a subsidiary of SHK in its usual and ordinary course of business. Save as the shareholding interests and relationship as disclosed herein, so far as SHK is aware of, Dubai Group Limited, Penta Investment Advisers Limited (such shares were previously held by John Zwaanstra who ceased to hold such interest as from 29th April, 2010) and Lee Mei Wan Betty and their associates have no other relationship with the SHK Group.

3. This includes interests in (i) 74,408,824 SHK Shares; and (ii) unlisted cash settled derivatives of SHK giving rise to an interest in 83,069,964 underlying SHK Shares.

4. The public float of SHK as at the Latest Practicable Date and after the full conversion of the Mandatory Convertible Notes and exercise of the Warrants is and will be not less than 25%.

REASONS FOR AND BENEFITS OF THE ISSUE OF THE MANDATORY CONVERTIBLE NOTES AND WARRANTS AND USE OF PROCEEDS

Since SHK is a 62.31% owned subsidiary of APL, which in turn is a 74.36% owned subsidiary of the Company as at the Latest Practicable Date, both APL and the Company are expected to benefit, through their respective shareholdings in SHK, from the additional financial resources made available to

SHK through the Subscription. SHK is expected to benefit from the Subscription as it is anticipated that the proceeds will be used to facilitate the future development, distribution and/or provision of consumer finance services by the SHK Group and in the interim for general working capital for the SHK Group.

As advised and confirmed by SHK, after arm's length negotiations between SHK and Investor, the issue price of the Mandatory Convertible Notes was determined based on the face value of the Mandatory Convertible Notes and the Warrants were issued at nil consideration as part of the Subscription. The conversion price per SHK Share upon the conversion of the Mandatory Convertible Notes and the subscription price per SHK Share upon the exercise of the Warrants were determined after arm's length negotiations between SHK and the Investor with reference to the market price of the SHK Shares as well as the Proposed Distribution under the Tian An Restructuring. The conversion price of the Mandatory Convertible Notes and the subscription price of the Warrants above are considered and negotiated on a post-distribution basis. The Mandatory Convertible Notes would be mandatorily convertible into new SHK Shares, while the Warrants are exercisable at the discretion of their holder. Therefore, the Warrant exercise price is negotiated between the parties to be at 25% premium to the conversion price of the Mandatory Convertible Note. The Proposed Distribution involves distributing 1.309 APL Shares for every SHK Shares held, on the basis of 1,752,148,077 SHK Shares in issue as at the Latest Practicable Date. For illustrative purposes, based on the closing price per APL Share of HK$1.66 as at 16th April, 2010 (being the last trading day prior to the date of the Subscription Agreement), the value of the Proposed Distribution per SHK Share is approximately HK$2.173. However, SHK Shareholders should note that the value of distribution per SHK Share is determined by the market price per APL Share from time to time prior to the Proposed Distribution.

As advised and confirmed by SHK, the total proceeds from the issue of the Mandatory Convertible Notes and the Warrants will be HK$1,708,000,000 (before deduction of expenses) which will be paid by the Investor to SHK on the Closing Date and a further amount of HK$427,000,000 would be received by SHK if the Warrants are exercised in full. As advised and confirmed by SHK, it is intended that all the proceeds will be used to fund the development, distribution and/or provision of consumer finance services by the SHK Group (the "Permitted Businesses"). However, the SHK Board has not finalized and adopted a business plan for the Permitted Businesses. If the approved business plan (which may be modified by the SHK Board from time to time as it considers appropriate) requires less capital than the amount of proceeds, the SHK Board shall determine how best to deploy the remaining proceeds in such a way that it considers to be in SHK's best interest and deploy them accordingly. If the capital is idle because of timing issue, to maximize return for the SHK Group, SHK may use the proceeds for the SHK Group's general working capital purposes and would manage them in a responsible way such that they can be funneled back for the purpose of the Permitted Businesses as and when required in accordance with then prevailing business plan.

As advised and confirmed by SHK, the Subscription not only provides the new capital to expand SHK's consumer finance business but also enables SHK to leverage on the Investor's network and expertise to develop the SHK Group's business. Therefore, the Subscription is considered in the interest of the SHK Shareholders despite the dilution effect as a result of the Subscription.

As advised and confirmed by SHK, the SHK Board has not considered a pro-rata issue of securities to the SHK Shareholders as it would not accrue the benefits of the Subscription to SHK, in particular, Investor's network and expertise in developing SHK Group's business.

INFORMATION ABOUT THE INVESTOR AND CVC CAPITAL PARTNERS

Investor

As advised and confirmed by SHK, based on confirmations provided by the Investor, the Investor is a company incorporated in the Cayman Islands on 15th April, 2010, with limited liability. Its principal business is investment holding and it was incorporated specifically for the purpose of making this investment in SHK. The Investor is ultimately owned by funds which are advised by CVC AP, a company incorporated in Hong Kong.

CVC Capital Partners

As advised and confirmed by SHK, based on confirmations provided by the Investor, CVC is one of the world's largest private equity firms, with approximately US$45 billion in equity funds. Founded in 1981, CVC now has a network of 20 offices and over 220 employees throughout Europe, Asia and the United States. CVC's current portfolio consists of 52 companies, with aggregate sales of Euro 88 billion and over 300,000 employees. Since 1999, CVC, through CVC AP, has completed 32 investments in the Asia Pacific region. CVC's previous investments in the financial services sector include:

- IG Group: UK's leading provider of speculative investment products
- Collins Stewart: a leading independent financial advisory group in UK
- Fraikin: a leading commercial vehicle operational leasing company in Europe
- Acromas: UK's leading provider of insurance, financial and travel services

FINANCIAL EFFECTS OF THE SUBSCRIPTION

Upon receipt of HK$1,708 million under the Subscription, the cash and cash equivalent of the Group will be increased by HK$1,708 million while the financial liability portion of the Mandatory Convertible Notes will be HK$91.9 million. Accordingly, the assets and liabilities will be increased by HK$1,708.0 million and HK$91.9 million respectively. Further details of the effect of the Subscription was set out in the unaudited pro forma financial information of the Group in Appendix II of this circular.

The audited net profit of SHK (before taxation and extraordinary items) for the financial years ended 31st December, 2008 and 2009 was HK$533.0 million and HK$1,610.6 million respectively (of which HK$62.9 million and HK$190.2 million are respectively attributable to the 11.81% interest that is deemed to have been disposed of by APL under the Subscription) and the net profit of SHK (after taxation and extraordinary items) for the financial years ended 31st December, 2008 and 2009 was HK$487.8 million and HK$1,405.3 million respectively (of which HK$57.6 million and HK$166.0 million are respectively attributable to the 11.81% interest that is deemed to have been disposed of by the Company under the Subscription).

Based on the audited accounts of SHK for the year ended 31st December, 2009 and in respect of the deemed disposal by the Company, audited net asset value of SHK as at 31st December, 2009 was approximately HK$12,683.4 million (of which HK$1,497.9 million is attributable to the 11.81% interest that is deemed to have been disposed of by the Company under the Subscription).

Assuming, after the completion of the Tian An Restructuring, the principal amounts of the Mandatory Convertible Notes and the Warrants are fully converted into SHK Shares at the initial conversion price of HK$5.00 per SHK Share and subscription price of HK$6.25 per SHK Share respectively, APL's shareholding in SHK will decrease from 62.31% by 11.81% to 50.50% after the completion of the full conversion. The results of SHK will continue to be consolidated into the APL Group's financial results. Based on the audited net asset value of SHK as at 31st December, 2009 and after adjusting for the estimated effect arising from the Tian An Restructuring, the estimated net asset value of SHK is approximately HK$8,586.5 million.

APL estimated that the corresponding net asset value of 11.81% interest in SHK as at 31st December, 2009 of which APL is deemed to dispose (after adjusting for the estimated effect arising from the Tian An Restructuring) would be approximately HK$1,014.1 million and the proceeds of the full conversion of the Mandatory Convertible Notes and the Warrants deemed to be received by the APL Group would be approximately HK$1,078.2 million which is calculated with reference to 50.50% of the total conversion amount of HK$2,135.0 million. The estimated gain from the deemed disposal by the APL Group would be approximately HK$64.1 million before release of goodwill. APL estimated that an amount of HK$12.4 million would be released from goodwill upon the deemed disposal of SHK. Therefore, the estimated net gain to APL deriving from the deemed disposal will be, subject to audit, approximately HK$51.7 million directly credited to the consolidated equity.

Upon the completion of the Tian An Restructuring, the Company's shareholding in APL will decrease from 74.36% to 65.12%. Assuming, after the completion of the Tian An Restructuring, the principal amounts of the Mandatory Convertible Notes and the Warrants are fully converted into SHK Shares at the initial conversion price of HK$5.00 per SHK Share and subscription price of HK$6.25 per SHK Share respectively, the Company's effective interest in SHK will decrease from 40.58% by 7.69% to 32.89% after the completion of the full conversion. The results of SHK will continue to be consolidated into the Group's financial results. For illustrative purposes, the estimated gain to the Company deriving from the deemed disposal will be, subject to audit, approximately HK$33.7 million directly credited to the consolidated equity, which represented 65.12% of APL's estimated net gain of approximately HK$51.7 million derived from the deemed disposal.

LISTING RULES IMPLICATION

As APL is a 74.36% subsidiary of the Company, the Transaction is also considered a transaction for the Company under the Listing Rules. As one or more applicable Percentage Ratio(s) in respect of the Transaction is more than 25% but is less than 100%, the Transaction constitutes a major transaction of the Company. As such, for the Company, the Transaction is subject to the announcement, reporting and shareholders' approval requirements of Chapter 14 of the Listing Rules.

The issuance of APL Shares under the SEN also constitutes a deemed disposal of the Company's equity interest in APL, which constitutes a major transaction for the Company on the basis that the relevant Percentage Ratios(s) for the Company exceeds 25% but is below 75% and is subject to reporting, announcement and shareholders' approval requirements under the Listing Rules.

As the SEN is to be issued to SHK (which is not a connected person of the Company and APL) in satisfaction of the consideration payable by APL under the Transaction, any issue and allotment of APL Shares pursuant thereto upon distribution of the SEN by SHK to any SHK Shareholder who happens to be a connected person of APL and/or the Company and/or APL will not constitute a connected transaction for the Company and/or APL as the Proposed Distribution is to be made by SHK to SHK Shareholders as pro-rata entitlement to securities in the capacity as SHK Shareholders and there is no transaction between the Company and/or APL and such SHK Shareholders.

Mr. Mak Pak Hung, an Executive Director, holds 5,000 SHK Shares as beneficiary of trust under the SHK Employee Ownership Scheme of SHK as at the Latest Practicable Date. As advised and confirmed by APL, Mr. Steven Samuel Zoellner is an independent non-executive director of APL and is also a SHK Shareholder holding 49,200 SHK Shares representing approximately 0.00% of the total issued share capital of SHK as at the Latest Practicable Date. Save for Mr. Mak Pak Hung and Mr. Steven Samuel Zoellner, there is no SHK Shareholder, who is a connected person of the Company and/or APL as at the Latest Practicable Date. The issue and allotment of APL Shares under the SEN to Mr. Mak Pak Hung and Mr. Steven Samuel Zoellner will not constitute connected transactions for the Company and/or APL as they will only receive APL Shares as pro-rata entitlement to the APL Shares in their capacity as SHK Shareholders.

The Subscription constitutes a deemed disposal of the Company's equity interest in SHK which constitutes a major transaction for the Company on the basis that the relevant Percentage Ratio(s) for the Company exceeds 25% but is below 75% and is subject to reporting, announcement and shareholders' approval requirements under the Listing Rules.

As no person is required to abstain from voting on the Acquisition Agreement and the Subscription Agreement and transactions contemplated thereunder if the EGM were to be held, the Company has obtained a written shareholder's approval from the controlling shareholder of the Company, namely Lee and Lee Trust, which holds 108,626,492 Shares in the Company as at the Latest Practicable Date (representing approximately 52.39% of the existing total issued share capital of the Company), for approving the Acquisition Agreement and the Subscription Agreement and transactions contemplated thereunder in lieu of holding the EGM.

Despite the reduction of shareholding percentage, APL will continue to be a subsidiary of the Company.

Despite the reduction of shareholding percentage, SHK will continue to be a subsidiary of each of APL and the Company.

As advised and confirmed by SHK, under Rule 13.36(1)(a) of the Listing Rules, the allotment and issue of the Mandatory Convertible Notes and Warrants pursuant to the Subscription Agreement are conditional upon approval being obtained from the SHK Shareholders.

As advised and confirmed by SHK, applications will be made to the Stock Exchange for the listing of, and permission to deal in, the SHK Shares to be issued on conversion of the Mandatory Convertible Notes and upon exercise of the Warrants.

PROPERTY VALUATION REPORT

The Company and SHK have applied to the Stock Exchange for consent to include in their respective circulars a summary of the valuation report with respect to the property interests of the SHK Group in the PRC through its holding of the Tian An Interest as at 31st March, 2010 (comprising the text of a letter and a summary of values prepared by Norton Appraisals Limited) (the "Summary Report") in lieu of a full valuation report (comprising the text of a letter, a summary of values and the valuation certificates) (the "Full Report"), which is required pursuant to Rules 14.66(11), 14A.59(6), 5.02 and 5.03 of the Listing Rules. On 14th May, 2010, the Stock Exchange has granted a waiver to the Company and SHK from strict compliance with the requirements set out in Rules 14.66(11), 14A.59(6), 5.02 and 5.03 of the Listing Rules, on the conditions that the Company and SHK will:

(1) include the Summary Report in this circular and in the circular of SHK;

(2) publish the Full Report (both the English and Chinese version) on the websites of the Company, SHK and the Stock Exchange, and include proper reference to such websites in this circular and in the circular of SHK;

(3) make the Full Report available for public inspection;

(4) send hardcopies of the Full Report (either the English or Chinese version) to shareholders within 10 business days upon their written requests; and

(5) disclose details of the waiver granted by the Stock Exchange including the circumstances and conditions imposed in this circular and the circular of SHK.

In compliance with the conditions set by the Stock Exchange, the Company has made the following arrangements:

(1) the Summary Report is included in this circular;

(2) the Full Report is published on the website of the Company at *www.alliedgroup.com.hk* and on that of the Stock Exchange at *www.hkexnews.hk*;

(3) the Full Report is available for inspection at such place and time as set out in Appendix IV to this circular under the section headed "Documents Available for Inspection";

(4) hardcopies of the Full Report will be sent to Shareholders whose names appear on the register of members of the Company (the "Registered Shareholders") within 10 business days of receipt of a written request made by such Registered Shareholders, detailed procedures for which are set out below:

    (a) a Registered Shareholder may by written notice (the "Notice") sent to the registered office of the Company, being 22nd Floor, Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong (for the attention of Ms. Winnie Lui Mei Yan, Company Secretary) to request for one English or Chinese hardcopy (but not both), or in the case of a Registered Shareholder who is a depositary and acts in such a capacity (the "Depositary"), such reasonable number of hardcopies of the English and/or Chinese Full Report;

(b) *for an individual Registered Shareholder*: the Notice shall specify (i) the choice of language of the Full Report; and (ii) the correspondence address for which the Full Report shall be sent. Each individual Registered Shareholder may request for one copy of the Full Report only in either English or Chinese;

(c) *for a Depositary*: the Notice shall specify (i) the choice of language of the Full Report(s); (ii) the correspondence address for which the Full Report(s) shall be sent; and (iii) such reasonable number of hardcopies of the Full Report in the specified language;

(d) each Registered Shareholder is entitled to make one request for the Full Report only; and any Notice received after 5:00 p.m. on 18th June, 2010 will not be effective;

(e) upon receipt of a Notice, the Company will, at its own costs, despatch such number of Full Report(s) as requested in such Notice or as such Registered Shareholder is entitled, within 10 business days by ordinary post to the relevant Registered Shareholder at his/her/their own risks;

(f) if the Registered Shareholder fails to elect the choice of language of the Full Report, only an English Full Report will be sent to such Registered Shareholder;

(g) if the Registered Shareholder fails to specify the correspondence address or if such correspondence address is, in the reasonable opinion of the Company, illegible, the Full Report will only be sent to the address as recorded in the register of members of the Company; and

(h) if a Registered Shareholder who is a Depositary fails to specify such reasonable number of hardcopies of the Full Report, only one hardcopy of the Full Report will be sent to such Registered Shareholder.

RECOMMENDATION

Based on the information and confirmation provided by APL and/or SHK, the Board concurred with the views of the APL Board and/or the SHK Board and considers that the terms and conditions of the Acquisition Agreement and the Subscription Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Yours faithfully,
For and on behalf of the Board
ALLIED GROUP LIMITED
Edwin Lo King Yau
Executive Director

1. THREE-YEAR SUMMARY OF FINANCIAL INFORMATION

Set out below is a summary of the audited consolidated results and financial position of the Group for each of the three years ended 31st December, 2007, 2008 and 2009 respectively extracted from the Company's relevant annual reports and restated as appropriate.

There were neither extraordinary nor exceptional items during each of the three years ended 31st December, 2007, 2008 and 2009.

The reports of the auditors of the Company, Deloitte Touche Tohmatsu, for the three years ended 31st December, 2007, 2008 and 2009 do not contain any qualifications.

Financial Summary

Extract from Consolidated Income Statement

	Financial year ended 31st December,		
	2007	**2008**	**2009**
	HK$ Million	*HK$ Million*	*HK$ Million*
	(Restated)	*(Restated)*	
Revenue	4,807.1	3,402.0	4,886.4
Profit from operations	3,694.4	88.0	2,890.6
Finance costs	(341.3)	(93.8)	(43.0)
Share of results of associates	302.9	194.3	467.4
Share of results of jointly controlled entities	131.1	(6.8)	102.5
Profit before taxation	3,787.1	181.7	3,417.5
Taxation	(310.4)	(59.8)	(341.1)
Profit for the year	3,476.7	121.9	3,076.4
Attributable to:			
Owners of the Company	1,901.2	(231.5)	1,779.1
Minority interests	1,575.5	353.4	1,297.3
	3,476.7	121.9	3,076.4
Basic earnings (loss) per share	HK$7.76	HK$(0.95)	HK$7.38

Certain comparative figures had been restated to conform with the current year's presentation.

Consolidated Statement of Financial Position

	At 31st December,		
	2007	**2008**	**2009**
	HK$ Million	*HK$ Million*	*HK$ Million*
Non-current assets			
Investment properties	3,405.2	3,024.0	3,868.7
Property, plant and equipment	322.6	349.5	339.3
Prepaid land lease payments	349.8	349.1	343.0
Goodwill	229.2	268.2	278.0
Intangible assets	358.8	370.5	405.2
Interests in associates	3,453.9	4,010.5	4,345.1
Interests in jointly controlled entities	998.8	934.7	1,043.2
Available-for-sale financial assets	1,424.0	273.3	749.5
Held-to-maturity investments	—	—	51.5
Statutory deposits	29.7	18.4	36.0
Amounts due from associates	—	—	56.1
Loans and advances to consumer finance customers due after one year	1,475.4	1,743.5	1,870.2
Loans and receivables	5.8	164.2	—
Deferred tax assets	66.6	122.5	100.5
	12,119.8	11,628.4	13,486.3
Current assets			
Properties held for sale and other inventories	482.8	410.5	374.5
Financial assets at fair value through profit or loss	1,209.5	423.3	1,443.6
Prepaid land lease payments	6.0	6.1	6.1
Loans and advances to consumer finance customers due within one year	2,145.2	2,588.4	2,456.2
Trade and other receivables	5,884.5	4,664.9	5,922.4
Amounts due from associates	156.4	104.8	67.3
Amount due from a jointly controlled entity	2.2	3.4	3.9
Tax recoverable	3.4	36.8	5.9
Short-term pledged bank deposits	121.0	130.5	141.6
Cash and cash equivalents	2,811.0	2,591.5	2,278.4
	12,822.0	10,960.2	12,699.9

	At 31st December, 2007	2008	2009
	HK$ Million	*HK$ Million*	*HK$ Million*
Current liabilities			
Trade and other payables	2,071.8	1,638.4	1,831.7
Financial liabilities at fair value through profit or loss	71.8	49.0	96.5
Amounts due to associates	12.6	13.8	13.7
Amounts due to jointly controlled entities	39.1	14.1	0.3
Tax payable	152.6	76.0	82.7
Bank and other borrowings due within one year	891.4	1,403.8	3,126.0
Loan notes	115.2	—	—
Provisions	75.1	62.8	26.3
Other liabilities due within one year	0.7	0.6	—
	3,430.3	3,258.5	5,177.2
Net current assets	9,391.7	7,701.7	7,522.7
Total assets less current liabilities	21,511.5	19,330.1	21,009.0
Capital and reserves			
Share capital	488.5	488.1	414.7
Share premium and reserves	8,696.2	7,849.9	9,033.9
Equity attributable to owners of the Company	9,184.7	8,338.0	9,448.6
Shares held for employee ownership scheme	—	(32.6)	(28.0)
Employee share-based compensation reserve	—	10.0	9.9
Minority interests	9,234.3	8,268.8	10,089.0
Total equity	18,419.0	16,584.2	19,519.5
Non-current liabilities			
Bank and other borrowings due after one year	2,779.5	2,479.3	1,141.6
Deferred tax liabilities	308.2	241.9	335.6
Provisions	4.8	24.7	12.3
	3,092.5	2,745.9	1,489.5
	21,511.5	19,330.1	21,009.0

2. FINANCIAL INFORMATION OF THE GROUP FOR THE YEAR ENDED 31ST DECEMBER, 2009

Set out below is the full text of the audited financial statements of the Group for the year ended 31st December, 2009 extracted from the annual report of the Company for the year ended 31st December, 2009.

CONSOLIDATED INCOME STATEMENT

for the year ended 31st December, 2009

	Notes	**2009** *HK$ Million*	**2008** *HK$ Million (Restated)*
Revenue	5 & 6	4,886.4	3,402.0
Other income		93.0	399.8
Total income		4,979.4	3,801.8
Cost of sales and other direct costs		(648.4)	(684.5)
Brokerage and commission expenses		(224.5)	(211.7)
Selling and marketing expenses		(52.5)	(61.3)
Administrative expenses		(1,582.6)	(1,388.2)
Discount on acquisition of a subsidiary	47	138.5	—
Discount on acquisition of additional interests in subsidiaries		44.3	222.3
Profit on deemed acquisition of additional interests in subsidiaries	7	13.7	34.4
Net loss on deemed disposal of partial interests in subsidiaries	8	(31.1)	(5.5)
Loss on warrants of a listed associate	9	(1.2)	(284.1)
Changes in values of properties	10	824.7	(585.2)
Impairment loss recognised for available-for-sale financial assets		—	(109.9)
Bad and doubtful debts	11	(443.1)	(463.2)
Other operating expenses		(126.6)	(176.9)
Finance costs	13	(43.0)	(93.8)
Share of results of associates		467.4	194.3
Share of results of jointly controlled entities		102.5	(6.8)
Profit before taxation	14	3,417.5	181.7
Taxation	15	(341.1)	(59.8)
Profit for the year		3,076.4	121.9
Attributable to:			
Owners of the Company		1,779.1	(231.5)
Minority interests		1,297.3	353.4
		3,076.4	121.9
		HK$	*HK$*
Earnings (loss) per share	16		
Basic		7.38	(0.95)
Diluted		7.38	(0.95)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31st December, 2009

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 31st December, 2009

	Notes	2009 HK$ Million	2008 HK$ Million
Non-current assets			
Investment properties	18	3,868.7	3,024.0
Property, plant and equipment	19	339.3	349.5
Prepaid land lease payments	20	343.0	349.1
Goodwill	21	278.0	268.2
Intangible assets	22	405.2	370.5
Interests in associates	26	4,345.1	4,010.5
Interests in jointly controlled entities	27	1,043.2	934.7
Available-for-sale financial assets	28	749.5	273.3
Held-to-maturity investments	29	51.5	—
Statutory deposits		36.0	18.4
Amounts due from associates	35	56.1	—
Loans and advances to consumer finance customers due after one year	30	1,870.2	1,743.5
Loans and receivables		—	164.2
Deferred tax assets	31	100.5	122.5
		13,486.3	11,628.4
Current assets			
Properties held for sale and other inventories	32	374.5	410.5
Financial assets at fair value through profit or loss	33	1,443.6	423.3
Prepaid land lease payments	20	6.1	6.1
Loans and advances to consumer finance customers due within one year	30	2,456.2	2,588.4
Trade and other receivables	34	5,922.4	4,664.9
Amounts due from associates	35	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	36	2,278.4	2,591.5
		12,699.9	10,960.2
Current liabilities			
Trade and other payables	37	1,831.7	1,638.4
Financial liabilities at fair value through profit or loss	38	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	42	3,126.0	1,403.8
Provisions	43	26.3	62.8
Other liabilities due within one year		—	0.6
		5,177.2	3,258.5
Net current assets		7,522.7	7,701.7
Total assets less current liabilities		21,009.0	19,330.1

	Notes	**2009** *HK$ Million*	**2008** *HK$ Million*
Capital and reserves			
Share capital	39	414.7	488.1
Share premium and reserves	41	9,033.9	7,849.9
Equity attributable to owners of the Company		9,448.6	8,338.0
Shares held for employee ownership scheme		(28.0)	(32.6)
Employee share-based compensation reserve		9.9	10.0
Minority interests		10,089.0	8,268.8
Total equity		19,519.5	16,584.2
Non-current liabilities			
Bank and other borrowings due after one year	42	1,141.6	2,479.3
Deferred tax liabilities	31	335.6	241.9
Provisions	43	12.3	24.7
		1,489.5	2,745.9
		21,009.0	19,330.1

STATEMENT OF FINANCIAL POSITION
at 31st December, 2009

	Notes	**2009** *HK$ Million*	**2008** *HK$ Million*
Non-current assets			
Property, plant and equipment	19	1.4	1.1
Investments in subsidiaries	24	800.3	714.4
Amounts due from subsidiaries	25	2,687.3	2,207.7
		3,489.0	2,923.2
Current assets			
Financial assets at fair value through profit or loss	33	—	10.8
Trade and other receivables		4.6	7.2
Amounts due from subsidiaries	25	1,760.8	2,391.2
Cash and cash equivalents	36	295.3	506.5
		2,060.7	2,915.7
Current liabilities			
Trade and other payables		28.4	3.1
Provisions	43	0.1	0.1
		28.5	3.2
Net current assets		2,032.2	2,912.5
Total assets less current liabilities		5,521.2	5,835.7
Capital and reserves			
Share capital	39	414.7	488.1
Share premium and reserves	41	1,965.9	1,924.2
Total equity		2,380.6	2,412.3
Non-current liability			
Amount due to a subsidiary	25	3,140.6	3,423.4
		5,521.2	5,835.7

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31st December, 2009

	Attributable to owners of the Company														
	Share capital	Share premium	Property revaluation reserve	Investment revaluation reserve	Capital redemption reserve	Translation reserve	Non-distributable reserve	Capital reserve	Accumulated profits	Dividend reserve	Total	Shares held for employee ownership scheme	Employee share-based compensation reserve	Minority interests	Total
	HK$ Million	*HK$ Million*	*HK$ Million*	*HK$ Million*	*HK$ Million*	*HK$ Million*	*HK$ Million*	*HK$ Million*	*HK$ Million*	*HK$ Million*	*HK$ Million*	*HK$ Million*	*HK$ Million*	*HK$ Million*	*HK$ Million*
At 1st January, 2008	488.5	1,519.5	41.8	631.7	213.7	80.1	55.2	(2.9)	6,010.6	146.5	9,184.7	—	—	9,234.3	18,419.0
(Loss) profit for the year	—	—	—	—	—	—	—	—	(231.5)	—	(231.5)	—	—	353.4	121.9
Other comprehensive income for the year	—	—	0.5	(457.3)	—	56.5	—	(5.8)	—	—	(406.1)	—	—	(441.8)	(847.9)
Total comprehensive income for the year	—	—	0.5	(457.3)	—	56.5	—	(5.8)	(231.5)	—	(637.6)	—	—	(88.4)	(726.0)
Acquisition of associates	—	—	—	—	—	—	—	—	(22.3)	—	(22.3)	—	—	(7.9)	(30.2)
Deemed disposal of partial interests in subsidiaries	—	—	—	—	—	—	—	—	—	—	—	—	—	21.8	21.8
Decrease in minority interests due to repurchase of shares of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	—	—	(103.7)	(103.7)
Decrease in minority interests due to further acquisition of shares of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	—	—	(508.4)	(508.4)
Purchase of shares for employee ownership scheme	—	—	—	—	—	—	—	—	—	—	—	(32.6)	—	—	(32.6)
Recognition of equity-settled share-based payment	—	—	—	—	—	—	—	—	—	—	—	—	10.0	—	10.0
Dividend distribution to minority interests	—	—	—	—	—	—	—	—	—	—	—	—	—	(278.9)	(278.9)
Interim dividend declared	—	—	—	—	—	—	—	—	(36.6)	36.6	—	—	—	—	—
Dividend paid	—	—	—	—	—	—	—	—	—	(183.1)	(183.1)	—	—	—	(183.1)
Proposed final dividend	—	—	—	—	—	—	—	—	(73.2)	73.2	—	—	—	—	—
Share repurchased and cancelled	(0.4)	—	—	—	—	—	—	—	(3.3)	—	(3.7)	—	—	—	(3.7)
Transfer on share repurchase	—	—	—	—	0.4	—	—	—	(0.4)	—	—	—	—	—	—
At 31st December, 2008	488.1	1,519.5	42.3	174.4	214.1	136.6	55.2	(8.7)	5,643.3	73.2	8,338.0	(32.6)	10.0	8,268.8	16,584.2
Profit for the year	—	—	—	—	—	—	—	—	1,779.1	—	1,779.1	—	—	1,297.3	3,076.4
Other comprehensive income for the year	—	—	—	102.7	—	12.6	—	—	7.7	—	123.0	—	—	58.3	181.3
Total comprehensive income for the year	—	—	—	102.7	—	12.6	—	—	1,786.8	—	1,902.1	—	—	1,355.6	3,257.7
Acquisition of a subsidiary	—	—	—	—	—	—	—	—	—	—	—	—	—	397.6	397.6
Deemed disposal of partial interests in subsidiaries	—	—	—	—	—	—	—	—	—	—	—	—	—	324.4	324.4
Decrease in minority interests due to repurchase of shares of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	—	—	(101.6)	(101.6)
Net increase in minority interests due to further acquisition of shares of subsidiaries and exercise of warrants by minority interests	—	—	—	—	—	—	—	—	—	—	—	—	—	12.8	12.8
Purchase of shares for employee ownership scheme	—	—	—	—	—	—	—	—	—	—	—	(3.1)	—	—	(3.1)
Recognition of equity-settled share-based payment	—	—	—	—	—	—	—	—	—	—	—	—	7.6	—	7.6
Vesting of shares for employee ownership scheme	—	—	—	—	—	—	—	—	—	—	—	7.7	(7.7)	—	—
Dividend distribution to minority interests	—	—	—	—	—	—	—	—	—	—	—	—	—	(168.6)	(168.6)
Interim dividend declared	—	—	—	—	—	—	—	—	(36.6)	36.6	—	—	—	—	—
Dividend paid	—	—	—	—	—	—	—	—	—	(109.8)	(109.8)	—	—	—	(109.8)
Proposed final dividend	—	—	—	—	—	—	—	—	(72.6)	72.6	—	—	—	—	—
Share repurchased and cancelled	(73.4)	—	—	—	—	—	—	—	(608.3)	—	(681.7)	—	—	—	(681.7)
Transfer on share repurchase	—	—	—	—	73.4	—	—	—	(73.4)	—	—	—	—	—	—
At 31st December, 2009	414.7	1,519.5	42.3	277.1	287.5	149.2	55.2	(8.7)	6,639.2	72.6	9,448.6	(28.0)	9.9	10,089.0	19,519.5

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31st December, 2009

	2009	2008
	HK$ Million	*HK$ Million*
Operating activities		
Profit for the year	3,076.4	121.9
Adjustments for:		
Bad and doubtful debts	489.2	497.2
Taxation	341.1	59.8
Depreciation	61.8	57.4
Finance costs	43.0	93.8
Net loss on deemed disposal of partial interests in subsidiaries	31.1	5.5
Amortisation of intangible assets	28.0	24.9
Impairment loss recognised for interests in associates	27.9	14.8
Net exchange loss (gain)	24.0	(27.3)
Expenses recognised for employee ownership scheme of Sun Hung Kai & Co. Limited ("SHK")	7.1	9.7
Amortisation of prepaid land lease payments	6.1	6.1
Impairment loss recognised (reversed) for hotel property	5.2	(0.9)
Loss on disposal of property, plant and equipment	2.1	0.7
Impairment loss recognised for available-for sale financial assets	—	109.9
Net (increase) decrease in fair value of investment properties	(804.3)	549.3
Share of results of associates	(467.4)	(194.3)
Fair value (gain) loss on financial assets and liabilities at fair value through profit or loss	(421.3)	588.3
Discount on acquisition of a subsidiary	(138.5)	—
Shares of results of jointly controlled entities	(102.5)	6.8
Discount on acquisition of additional interests in subsidiaries	(44.3)	(222.3)
Impairment loss (reversed) recognised for properties held for sale	(25.6)	36.8
Profit on disposal of available-for-sale financial assets	(24.8)	(347.7)
Profit on deemed acquisition of additional interests in subsidiaries	(13.7)	(34.4)
Profit on disposal of a jointly controlled entity	(4.4)	—
Profit on disposal of investment properties	(2.1)	—
Gain on distribution of assets	(0.4)	—
Operating cash flows before movements in working capital	2,093.7	1,356.0

	Notes	2009 HK$ Million	2008 HK$ Million
Increase in properties held for sale and other inventories		(0.7)	(2.6)
(Increase) decrease in financial assets and financial liabilities at fair value through profit or loss		(238.0)	161.0
Increase in loans and advances to consumer finance customers		(487.9)	(1,067.0)
(Increase) decrease in trade and other receivables		(1,042.1)	1,127.5
Decrease in amounts due from associates		—	15.9
Increase in loans and receivables		—	(183.0)
Increase (decrease) in trade and other payables		205.2	(401.0)
Decrease in provision and other liabilities		(52.6)	(16.9)
Cash from operations		477.6	989.9
Hong Kong Profits Tax paid		(184.8)	(293.7)
Interest paid		(44.9)	(101.0)
Taxation outside Hong Kong paid		(4.2)	(2.7)
Net cash from operating activities		243.7	592.5
Investing activities			
Acquisition of a subsidiary	47	128.5	(39.6)
Proceeds on disposal of available-for-sale financial assets		82.0	347.8
Dividends received from associates		24.9	—
Proceeds on disposal of investment properties		12.6	—
Amounts repaid by jointly controlled entities		4.4	5.1
Dividends received from a jointly controlled entity		1.0	—
Proceeds from distribution of assets		0.4	—
Proceeds on disposal of property, plant and equipment		0.1	—
Disposal of subsidiaries		0.1	—
Amounts repaid by associates		0.1	79.4
Purchase of available-for-sale financial assets		(217.6)	(33.9)
Acquisition of associates		(66.6)	(75.4)
Additions to intangible assets		(62.6)	(26.8)
Acquisition of jointly controlled entities		(53.9)	(15.6)
Purchase of property, plant and equipment		(41.7)	(79.9)
Acquisition of additional interests in subsidiaries		(31.2)	(306.1)
Amounts advanced to an associate		(24.0)	(38.5)
Net (payment) repayment of statutory deposits		(17.7)	11.4
Increase in pledged bank deposits		(11.1)	(9.5)
Amount advanced to a jointly controlled entity		(4.7)	(6.2)
Additions to investment properties		(2.5)	(128.6)
Acquisition of additional interests in associates		—	(104.9)
Additions to prepaid land lease payments		—	(5.5)
Net cash used in investing activities		(279.5)	(426.8)

	2009	2008
	HK$ Million	*HK$ Million*
Financing activities		
New bank and other borrowing raised	765.2	1,084.8
Net proceeds received from issue of shares by subsidiaries	381.6	11.0
Amount advanced by a jointly controlled entity	35.0	35.0
Amounts advanced by associates	0.1	0.6
Amounts paid on shares repurchase of the Company	(681.7)	(3.7)
Repayment of bank and other borrowings	(425.5)	(826.8)
Dividend paid by subsidiaries to minority interests	(167.6)	(273.8)
Dividend paid	(109.8)	(183.1)
Amounts paid for share repurchase by subsidiaries	(90.1)	(70.7)
Purchase of shares for employee ownership scheme of SHK	(3.1)	(32.6)
Amounts repaid to associates	(0.2)	—
Repayment of loan notes	—	(117.0)
Net cash used in financing activities	(296.1)	(376.3)
Net decrease in cash and cash equivalents	(331.9)	(210.6)
Effect of foreign exchange rate changes	0.8	9.1
Cash and cash equivalents at the beginning of the year	2,591.5	2,793.0
Cash and cash equivalents at the end of the year	2,260.4	2,591.5
Analysis of the balances of cash and cash equivalents		
Cash and cash equivalents	2,278.4	2,591.5
Bank overdrafts	(18.0)	—
	2,260.4	2,591.5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31st December, 2009

1. GENERAL

The Company is a public limited company incorporated in the Hong Kong Special Administrative Region ("Hong Kong") and its shares are listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange"). The ultimate parent undertaking of the Company is the trustees of Lee and Lee Trust. The address of the principal place of business of the trustees of Lee and Lee Trust is 24/F, Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong. The address of the registered office and principal place of business of the Company is 22/F, Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong.

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

The Company acts as an investment holding company and provides corporate management services. The principal activities of its principal subsidiaries, associates and jointly controlled entities are set out in notes 57, 58 and 59 respectively.

2. 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:

	2009	**2008**
	HK$ Million	*HK$ Million*
Net decrease in revenue — Healthcare	96.3	91.7
Net decrease in costs of sales and other direct costs	96.3	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[1]
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[2]
HKAS 24 (Revised)	Related Party Disclosures[5]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Rights Issues[4]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[6]

1 Effective for annual periods beginning on or after 1st July, 2009
2 Effective for annual periods beginning on or after 1st July, 2009 and 1st January, 2010, as appropriate
3 Effective for annual periods beginning on or after 1st January, 2010
4 Effective for annual periods beginning on or after 1st February, 2010
5 Effective for annual periods beginning on or after 1st February, 2011
6 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 applicable 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.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis, except for certain properties and financial instruments, which are measured at fair value, as explained in the principal accounting policies set out below.

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Business combinations

The acquisition of businesses is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 "Business Combinations" are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

When a subsidiary is acquired through more than one exchange transaction, the cost of acquisition is the aggregate cost of the individual transactions, with the cost of each individual transaction determined at the date of each exchange transaction. Each transaction is treated separately to determine the goodwill on that transaction, using cost and fair value information at the date of each exchange transaction.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's statement of financial position at cost plus deemed capital contribution less impairment. The results of subsidiaries are accounted for by the Company on the basis of dividend received or receivable.

Interests in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any identified impairment loss. Where necessary, adjustments are made to bring the accounting policies of associates in conformity with the Group. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is not tested for impairment separately. Instead, the entire carrying amount of the investment is tested for impairment as a single asset. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment in the associate. Any reversal of impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Interests in jointly controlled entities

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control, that is when the strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control.

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities. The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statement using the equity method of accounting. Under the equity method, investments in jointly controlled entities are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the jointly controlled entities, less any identified impairment loss. Where necessary, adjustments are made to bring the accounting policies of jointly controlled entities in conformity with the Group. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the jointly controlled entity recognised at the date of acquisition is recognised as goodwill. Goodwill is included within the carrying amount of the investment and is not tested for impairment separately. Instead, the entire carrying amount of the investment is tested for impairment as a single asset. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment in the jointly controlled entity. Any reversal of impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

When a Group entity transacts with a jointly controlled entity of the Group, unrealised profits and losses are eliminated to the extent of the Group's interest in the jointly controlled entity.

Goodwill and discount on acquisition

Goodwill arising on acquisitions prior to 1st January, 2005

Goodwill arising on an acquisition of a subsidiary, an associate or a jointly controlled entity for which the agreement date is before 1st January, 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the relevant subsidiary, associate or jointly controlled entity at the date of acquisition.

For previously capitalised goodwill arising on acquisitions after 1st January, 2001, the Group has discontinued amortisation from 1st January, 2005 onwards, and such goodwill is tested for impairment annually, and whenever there is an indication that the cash generating unit to which the goodwill relates may be impaired.

Goodwill arising on acquisitions on or after 1st January, 2005

Goodwill arising on an acquisition of a subsidiary, an associate or a jointly controlled entity for which the agreement date is on or after 1st January, 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiary, associate or jointly controlled entity at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a subsidiary is presented separately in the consolidated statement of financial position. Capitalised goodwill arising on an acquisition of an associate or a jointly controlled entity is included in the cost of the investment of the relevant associate or jointly controlled entity.

On subsequent disposal of the relevant subsidiary, associate and jointly controlled entity, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Excess of an acquirer's interests in the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over cost ("discount on acquisition")

A discount on acquisition arising on an acquisition of a subsidiary, an associate or a jointly controlled entity for which an agreement date is on or after 1st January, 2005 represents the excess of the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination. Discount on acquisition is recognised immediately in profit or loss. A discount on acquisition arising on an acquisition of an associate or a jointly controlled entity is included as income in the determination of the investor's share of results of the associate or a jointly controlled entity in the period in which the investment is acquired.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Income from properties developed for sale is recognised when the significant risks and rewards of ownership of the properties are transferred to buyers, which is when the construction of relevant properties has been completed and the properties have been delivered to the purchasers and collectibility of related receivables is reasonably assured. Profit or loss arising from the outright sale of an entire development property prior to completion is recognised when a binding sales contract becomes unconditional and the risks and rewards of the ownership have been transferred to the buyer. Deposits received from sales of properties are carried in the statement of financial position under current liabilities.

Rental income from properties under operating leases, including rentals invoiced in advance, is recognised on a straight-line basis over the terms of the relevant leases.

Income from the provision of services, including medical services, nursing agencies, physiotherapy and dental services and elderly care services, is recognised upon the provision of the relevant services or on a time apportionment basis over the terms of service contracts.

Income from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

Revenue from hotel operations is recognised when services are provided.

Interest income from financial assets is recognised on a time apportionment basis, taking into account the principal amounts outstanding and the effective interest rate applicable, which is the rate that discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the owners' right to receive payment has been established.

Commission income is recognised as income on a trade date basis.

Underwriting commission, sub-underwriting income, placing commission and sub-placing commission are recognised as income in accordance with the terms and conditions of the relevant agreement or deal mandate when relevant significant act has been completed.

Fees for management and advisory of funds are recognised when the related services are rendered.

Realised profits or losses from financial assets at fair value through profit or loss are recognised on a trade date basis whilst the unrealised profits or losses are recognised from valuation at the end of the reporting period.

Profits or losses on trading in foreign currencies include both realised and unrealised gains less losses and charges, less premiums arising from position squaring and valuation at the end of the reporting period of foreign currency positions on hand.

Fixed-fee contracts

Fee received or receivable under fixed-fee contracts are recognised on a time apportionment basis over the terms of the fixed-fee contracts. Expenses incurred in connection with the fixed-fee contracts are charged to the consolidated income statement as incurred.

At the end of each reporting period, tests are performed to ensure the adequacy of the contract liabilities under the fixed-fee contracts. In performing these tests, current best estimates of future contractual cash flows under fixed-fee contracts are used. Any deficiency is immediately charged to the consolidated income statement by establishing a provision for losses.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Operating lease payment are recognised as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases and amortised over the lease term on a straight-line basis.

Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Hong Kong dollars, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of the reporting period, and their income and expense are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during that period, in which case, the exchange rates prevailing at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the translation reserve).

Goodwill and fair value adjustments on identifiable asset acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of the reporting period. Exchange differences arising are recognised in the translation reserve.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

The contributions payable to the Group's retirement benefit schemes and the mandatory provident fund scheme are charged to the consolidated income statement as an expense when employees have rendered service entitling them to the contribution.

The Group recognises a liability and an expense for bonuses and profit-sharing, where appropriate, based on approved formulas that take into consideration the profit attributable to the Group after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

For shares of SHK ("Awarded Shares") granted under the employee ownership scheme of SHK, the fair value of the employee services received is determined by reference to the fair value of Awarded Shares granted at the grant date and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (employee share-based compensation reserve). At the end of each reporting period, the Group revises its estimates of the number of Awarded Shares that are expected to ultimately vested. The impact of the revision of the estimates, if any, is recognised in the consolidated income statement, with a corresponding adjustment to the employee share-based compensation reserve.

Taxation

Taxation represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interests in associates and jointly controlled entities, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rate (and tax law) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amounts of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Investment properties

Investment property, which is property held to earn rentals and/or for capital appreciation, is stated at its fair value at the end of the reporting period. Gains or losses arising from changes in the fair value of investment property are credited or charged to the consolidated income statement in the year in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the assets (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the period in which the item is derecognised.

Transfers to, or from, investment property are made in the following circumstances:

— commencement of owner-occupation, for a transfer from investment property to owner-occupied property;

— end of owner-occupation, for a transfer from owner-occupied property to investment property; and

— commencement of an operating lease to another party, for a transfer from inventories to investment properties.

For a transfer from investment property carried at fair value to owner-occupied property or inventories, the property's deemed cost for subsequent accounting shall be in its fair value at the date of changes in use.

For a transfer from owner-occupied property to investment property, the entity shall treat any difference at that date between the carrying amount of the property and its fair value in the same way as a revaluation surplus. The excess of the fair value of the property at the date of transfer over the carrying amount of the property is credited to other comprehensive income and accumulated in revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense, in which case the increase is credited to the consolidated income statement to the extent of the decrease previously charged to consolidated income statements. The excess of the carrying amount of the property at the date of transfer over the fair value of the property is recognised in consolidated income statement to the extent it exceeds the balance, if any, on the revaluation reserve relating to a previously revaluation of the same asset.

For a transfer from inventories to investment property that will be carried at fair value, any difference between the fair value of the property at that date and its previous carrying amount shall be recognised in profit or loss.

On subsequent disposal of the investment properties, the revaluation surplus included in equity may be transferred to accumulated profits. The transfer from revaluation surplus to accumulated profits is not made through profit or loss.

Property, plant and equipment

Property, plant and equipment including land and buildings held for use in the production or supply of goods or services, or for administrative purposes are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method, at the following rates per annum:

Hotel property	2% or over the remaining terms of the leases or usefullives, whichever is shorter
Leasehold land and buildings	2% to 3% or over the remaining terms of the leases or useful lives, whichever is shorter
Leasehold improvements	20%
Furniture, fixtures and equipment	10% to 50%
Motor vehicles and vessels	$16\frac{2}{3}$% to 20%

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss in the period in which the item is derecognised.

When the nature of the lessee's property interest changed from investment property to property, plant and equipment, the lessee shall continue to account for the lease as a finance lease.

Prepaid land lease payments

The up-front prepayments made for the leasehold land and land use rights are amortised in the consolidated income statement on a straight-line basis over the period of the lease or when there is impairment, the impairment is expensed in the consolidated income statement.

Intangible assets

On initial recognition, intangible assets acquired separately and from business combinations are recognised at cost and at fair value, respectively.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated income statement when the asset is derecognised.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Intangible assets with indefinite lives are carried at cost less any impairment losses and are tested for impairment annually by comparing their recoverable amount with their carrying amount.

Intangible assets acquired separately

Exchange participation rights and club membership

They comprise:

— the eligibility right to trade through the Stock Exchange, Hong Kong Futures Exchange Limited and other exchanges; and

— the eligibility right to use the facilities of various clubs.

The exchange participation rights are considered by the management of the Group as having an indefinite useful life because they are expected to contribute to net cash flows indefinitely. The management also considers that the club membership does not have a finite useful life. They are both carried at cost less any impairment losses and are tested for impairment annually by comparing their recoverable amount with their carrying amounts. Useful lives are also examined on an annual basis and adjustments where applicable are made on a prospective basis.

Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring into use the specific software. These costs are amortised using the straight-line method.

Costs associated with developing or maintaining computer software are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are amortised from the dates when the software becomes available for use using the straight-line method.

Impairment of tangible and intangible assets excluding financial assets

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

Intangible assets (other than goodwill) that have indefinite useful lives are not subject to amortisation, and are tested at least annually for impairment and reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Tangible and intangible assets that are subject to depreciation and amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash-generating units) if an impairment test cannot be performed for an individual asset.

Financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the four categories, including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables, held-to-maturity investments and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition. Interest income is recognised on an effective interest basis for debt instruments.

Financial assets at fair value through profit or loss

Financial assets at FVTPL has two subcategories, including financial assets held for trading and those designated as at FVTPL on initial recognition.

A financial asset is classified as held for trading if:

— it has been acquired principally for the purpose of selling in the near future; or

— it is a part of an identified portfolio of financial instruments that the Group manages together and has recent actual pattern of short-term profit-taking; or

— it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

— such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

— the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

— it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from associates, amount due from a jointly controlled entity, short-term pledged bank deposits and bank deposits and bank balances, loan receivables and loans and advances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Subsequent to initial recognition, held to maturity investments are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

Available-for-sale financial assets are measured at fair value at the end of each reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see accounting policy on impairment loss on financial assets below).

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at the end of the reporting period (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

The Group assesses at the end of the reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the securities below their cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale investments, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the consolidated income statement) is removed from equity and recognised in the consolidated income statement. Impairment losses recognised in the consolidated income statement on equity investments are not reversed through the consolidated income statement.

Each receivable that is individually significant is reviewed for indication of impairment at the end of each reporting period. Loans and receivables that are individually not significant and are assessed not to be impaired individually are reviewed at the end of each reporting period on a collective portfolio basis.

Individual impairment allowance applies to securities margin financing and secured term loans which are individually significant and have objective evidence of impairment. In assessing the individual impairment, management estimates the present value of future cash flows which are expected to be received, taking into account the borrower's financial situation and the net realisable value of the underlying collateral or guarantees in favour of the Group. Each impaired asset is assessed on its merits and the impairment allowance is measured as the difference between the loan's carrying amount and the present value of the estimated future cash flows discounted at the loan's original effective interest rate.

Collective impairment allowances cover credit losses inherent in portfolios of loans receivable and other accounts with similar economic and credit risk characteristics where objective evidence for individual impaired items cannot be identified. In assessing the collective impairment, management makes assumptions both to define the way the Group assesses inherent losses and to determine the required input parameters, based on historical loss experience and current economic conditions.

Financial liabilities at fair value through profit or loss

Financial liabilities at FVTPL has two subcategories, including financial liabilities held for trading and those designated at FVTPL on initial recognition.

A financial liability is classified as held for trading if:

— it has been incurred principally for the purpose of repurchasing in the near future; or

— it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

— it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

— such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

— the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

— it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with changes in fair value arising on remeasurement recognised directly in profit or loss in the period in which they arise.

Other financial liabilities

Other financial liabilities including bank and other borrowings, trade and other payables, amounts due to associates, amount due to a jointly controlled entity and other liabilities are subsequently measured at amortised cost, using the effective interest method.

Fair value measurement principles

Fair values of quoted investments are based on bid prices. For unlisted securities or financial assets without an active market, the Group establishes the fair value by using valuation techniques including the use of recent arm's length transactions, reference to other investments that are substantially the same, discounted cash flow analysis and option pricing models.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 Revenue.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Provisions and contingent liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, if it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated income statement net of any reimbursement.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Cost includes freehold and leasehold land cost, development cost, borrowing costs and other direct costs attributable to such properties until the relevant properties reach a marketable state. Net realisable value is determined by reference to management estimates of the selling price based on prevailing market conditions, less all estimated costs to completion and costs to be incurred in marketing and selling.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, bank balances, short-term time deposits and treasury bills. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities with the next financial year, are set out as follows.

Estimate of fair value of investment properties

At the end of the reporting period, investment properties are stated at fair value based on the valuation performed by an independent professional valuer. In determining the fair value, the valuer has based on a method of valuation of which involves certain estimates. In relying on the valuation report, the management has exercised their judgement and is satisfied that the assumption used in valuation is reflective of the current market conditions.

Impairment allowances for loans and receivables other than loans and advances to consumer finance customers

The Group periodically reviews its loan portfolios to assess whether impairment allowances exist. In determining whether impairment allowances should be recorded in the consolidated income statement, management estimates the present value of future cash flows which are expected to be received, taking into account the borrower's financial situation and the net realisable value of the underlying collateral or guarantees in favour of the Group.

Impairment allowances for loans and advances to consumer finance customers

The policy for impairment allowances for loans and advances to consumer finance customers of the Group is based on the evaluation of collectibility and aging analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these loans and advances, including the current creditworthiness, and the past collection history of each loan.

Impairment of available-for-sale financial assets

For listed available-for-sale equity investments, a significant or prolonged decline in fair value below cost is considered to be objective evidence of impairment. Judgement is required when determining whether a decline in fair value has been significant or prolonged. In making this judgement, the historical data on market volatility as well as the price of the specific investment are taken into account.

For those unlisted equity investments that are carried at fair values, the Group determines their fair values by using appropriate valuation techniques and making assumptions that are based on market conditions existing at the end of each reporting period. The Group also takes into account other factors, such as industry and sector performance and financial information regarding the investee.

Estimated impairment of goodwill and intangible assets with indefinite useful lives

The Group conducts tests for impairment of goodwill and intangible assets with indefinite useful lives annually in accordance with the relevant accounting standards. Determining whether the goodwill and intangible assets with indefinite useful lives are impaired requires an estimation of the fair value less cost to sell or value in use on basis of data available to the Group. Where the future cash flows are less than expected, an impairment loss may arise.

Deferred tax

Estimating the amount for deferred tax assets arising from tax losses requires a process that involves forecasting future years' taxable income and assessing the Group's ability to utilise tax benefits through future earnings. Where the actual future profits generated are less than expected, a reversal of the deferred tax asset may arise, which would be recognised in the consolidated income statement for the period in which such a reversal takes place. While the current financial models indicate that the tax losses can be utilised in future, any changes in assumptions, estimates and tax regulation can affect the recoverability of this deferred tax asset.

Fair value of derivative and financial instruments

As included in notes 28, 33 and 38, the Group selects appropriate valuation techniques for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied (note 45b).

The Group's unlisted equity instruments that are classified as available-for-sale financial assets and carried at fair value with a carrying amount of HK$66.6 million (2008: HK$42.0 million) are valued using generally accepted pricing models such as discount cash flows method.

For the valuation of unquoted convertible bonds and unlisted derivative financial instruments as set out in note 33 and 38, appropriate assumptions are used based on quoted market data as adjusted for specific features of the instrument. The carrying amounts of these derivative financial assets and liabilities are HK$37.3 million (2008: HK$3.1 million) and HK$0.1 million (2008: HK$32.4 million) respectively.

Carrying amount of a listed associate

In determining the carrying amount of a listed associate included in note 26, management used appropriate assumptions to estimate the value in use based on discounted future cash flows of the associate. Where those assumptions and/or future cash flows are different from expected, impairment may arise.

5. REVENUE

Revenue represents the amounts received and receivable that are derived from the provision of medical services, nursing agencies, physiotherapy and dental services, elderly care services, consumer finance, sale of properties, property rental, hotel operations and property management services, provision of consultancy and other services, interest and dividend income, income from corporate finance and advisory services, and profit from securities margin financing and term loan financing and insurance broking services, and net profit from trading in securities and funds, income from bullion transactions and differences on leveraged foreign exchange transactions. An analysis of the Group's revenue for the year is as follows:

	2009	2008
	HK$ Million	*HK$ Million*
		(Restated)
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
	4,886.4	3,402.0

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

6. 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.

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.

The Group has the following operating segments:

— Investment, broking and finance — trading in securities, provision of securities broking and related services, provision of broking services in forex, bullion and commodities, provision of securities margin financing and insurance broking services, provision of related financing and advisory products, and provision of term loan financing.

— Consumer finance — providing consumer loan finance products.

— Healthcare — providing medical services, nursing agencies, physiotherapy, dental services and elderly care services.

— Property development and investment — development and sale of properties, property rental, provision of property management services and hotel operations managed by third parties.

— Corporate and other operations — including corporate revenue and expenses and results of unallocated operations.

Inter-segment transactions have been entered into on terms agreed by the parties concerned.

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

	2009					
	Investment, broking and finance *HK$ Million*	**Consumer finance** *HK$ Million*	**Healthcare** *HK$ Million*	**Property development and investment** *HK$ Million*	**Corporate and other operations** *HK$ Million*	**Total** *HK$ Million*
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	2,009.0	1,511.7	1,109.1	242.3	14.3	4,886.4
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 an associate						(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						3,076.4
Segment assets	9,524.8	5,175.4	966.1	4,591.4	306.5	20,564.2
Interests in associates						4,345.1
Interests in jointly controlled entities	72.0	—	0.6	970.6	—	1,043.2
Deferred tax assets						100.5
Amounts due from associates						123.4
Amount due from a jointly controlled entity	—	—	—	3.9	—	3.9
Tax recoverable						5.9
Total assets						26,186.2
Segment liabilities	1,621.4	2,030.7	194.8	41.4	29.8	3,918.1
Amounts due to associates						13.7
Amounts due to jointly controlled entities	—	—	0.2	0.1	—	0.3
Tax payable						82.7
Bank and other borrowings						2,316.3
Deferred tax liabilities						335.6
Total liabilities						6,666.7
Included in segment results/ segment assets						
Depreciation	25.9	9.8	20.0	5.5	0.6	61.8
Amortisation of prepaid land lease payments	3.1	0.1	—	2.9	—	6.1
Amortisation of intangible assets	11.2	—	16.8	—	—	28.0
Impairment losses reversed	—	—	(20.4)	—	—	(20.4)
Net increase in fair value of investment properties	6.6	7.7	—	790.0	—	804.3
Bad and doubtful debts	(16.2)	459.3	0.7	(0.7)	—	443.1
Capital expenditures	76.6	13.9	14.3	5.2	0.9	110.9

	2008					
	Investment, broking and finance	**Consumer finance**	**Healthcare**	**Property development and investment**	**Corporate and other operations**	**Total**
	HK$ Million	*HK$ Million*	*HK$ Million (Restated)*	*HK$ Million*	*HK$ Million*	*HK$ Million (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	750.3	1,353.3	983.9	285.2	29.3	3,402.0
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						121.9
Segment assets	7,355.2	4,826.5	931.6	3,742.0	520.6	17,375.9
Interests in associates						4,010.5
Interests in jointly controlled entities	16.8	—	0.6	917.3	—	934.7
Deferred tax assets						122.5
Amounts due from associates						104.8
Amounts due from a jointly controlled entity	—	—	—	3.4	—	3.4
Tax recoverable						36.8
Total assets						22,588.6
Segment liabilities	1,458.2	1,995.5	178.3	57.5	5.0	3,694.5
Amounts due to associates						13.8
Amounts due to jointly controlled entities	—	—	14.1	—	—	14.1
Tax payable						76.0
Bank and other borrowings						1,964.1
Deferred tax liabilities						241.9
Total liabilities						6,004.4
Included in segment results/ segment assets						
Depreciation	23.9	9.4	18.3	5.2	0.6	57.4
Amortisation of prepaid land lease payments	3.1	0.1	—	2.9	—	6.1
Amortisation of intangible assets	8.1	—	16.8	—	—	24.9
Impairment losses recognised	109.9	—	—	35.9	—	145.8
Net decrease in fair value of investment properties	—	—	—	549.3	—	549.3
Bad and doubtful debts	119.7	335.3	3.8	4.4	—	463.2
Capital expenditures	152.9	12.7	17.8	58.8	0.2	242.4

7. 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.

8. NET LOSS ON DEEMED DISPOSAL OF PARTIAL INTERESTS IN SUBSIDIARIES

	2009	**2008**
	HK$ Million	*HK$ Million*
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	(31.8)	(4.0)
	(31.1)	(5.5)

9. 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.

10. CHANGES IN VALUES OF PROPERTIES

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

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.

11. BAD AND DOUBTFUL DEBTS

	2009	2008
	HK$ Million	*HK$ Million*
Bad debts written off	28.4	4.1
Impairment allowances recognised	499.4	507.6
Impairment allowances reversed upon recovery of impaired debts	(38.6)	(14.5)
Bad debts recovered	(46.1)	(34.0)
	443.1	463.2

12. INFORMATION REGARDING DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) The emoluments paid or payable to each of the nine (2008: nine) Directors were as follows:

	2009				
	Directors' fees	Salaries and other benefits	Bonus payments	Retirement benefits scheme contributions	Total emoluments
	HK$ Million	*HK$ Million*	*HK$ Million (Note)*	*HK$ Million*	*HK$ Million*
Lee Seng Hui	0.02	6.89	—	0.09	7.00
Edwin Lo King Yau	0.02	1.56	0.90	0.07	2.55
Lee Su Hwei	—	—	—	—	—
Arthur George Dew	0.07	1.50	0.25	0.05	1.87
Wong Po Yan	—	0.15	—	—	0.15
David Craig Bartlett	0.01	0.23	—	—	0.24
John Douglas Mackie	—	0.15	—	—	0.15
Mak Pak Hung	—	2.17	—	0.11	2.28
Alan Stephen Jones	0.01	0.60	—	—	0.61
	0.13	13.25	1.15	0.32	14.85

	2008				
	Directors' fees *HK$ Million*	**Salaries and other benefits** *HK$ Million*	**Bonus payments** *HK$ Million (Note)*	**Retirement benefits scheme contributions** *HK$ Million*	**Total emoluments** *HK$ Million*
Lee Seng Hui	—	6.84	20.00	0.09	26.93
Edwin Lo King Yau	—	1.50	1.57	0.07	3.14
Lee Su Hwei	—	—	—	—	—
Arthur George Dew	—	1.50	0.50	0.06	2.06
Wong Po Yan	—	0.15	—	—	0.15
David Craig Bartlett	0.01	0.23	—	—	0.24
John Douglas Mackie	—	0.15	—	—	0.15
Mak Pak Hung	—	2.15	1.20	0.11	3.46
Alan Stephen Jones	0.01	0.60	—	—	0.61
	0.02	13.12	23.27	0.33	36.74

Note: The amounts represented the actual bonus of the preceding year paid to respective directors during the year. The bonus of the year 2009 has yet to be decided.

The Company provided management services to certain listed subsidiaries and associates and charged these companies management fees. The above emoluments include all amounts paid or payable to the Company's directors by the Company or the subsidiaries during 2009. However, it should be noted that the amounts above for Mr. Lee Seng Hui and Mr. Edwin Lo King Yau include the sums of HK$1.40 million (2008: HK$5.39 million) and HK$1.15 million (2008: HK$1.41 million) respectively that have been included in the 2009 management fee charged by the Company to a listed associate, Tian An China Investments Company Limited ("TACI"), for management services performed by Mr. Lee and Mr. Lo as directors of TACI and TACI has disclosed in its 2009 annual report the HK$1.40 million (2008: HK$5.39 million) and HK$1.15 million (2008: HK$1.41 million) as part of the emoluments of Mr. Lee and Mr. Lo respectively.

The monthly salary of an Executive Director, namely Mr. Edwin Lo King Yau, was increased by 3.9% with retrospective effect from 1st January, 2009 as compared with 2008.

The package adjustment for the year ended 31st December, 2008 was paid to the Chairman, namely Mr. Arthur George Dew, and an Executive Director, namely Mr. Edwin Lo King Yau, in the amount of HK$250,000 and HK$900,000 respectively in September 2009.

Monthly rental payable by the Company for the provision of accommodation, which forms part of the emoluments of (i) the Chairman was decreased by HK$2,000 from 1st June, 2009; and (ii) the Chief Executive was increased by HK$80,000 from 1st January, 2010, due to the renewal of the related tenancy agreements. Other related rental expenses have also changed.

(b) Employees' emoluments

The five highest paid individuals included none (2008: one) of the Directors, details of whose emoluments are set out in 12(a) above. The combined emoluments of the remaining five (2008: four) individuals are as follows:

	2009	**2008**
	HK$ Million	*HK$ Million*
Salaries and other benefits	9.9	5.9
Bonus payments	39.3	38.0
Retirement benefit scheme contributions	0.4	0.4
Incentive/commission	8.9	—
	58.5	44.3

The emoluments of the above employees who were not Directors of the Company, were within the following bands:

	Number of employees	
	2009	**2008**
HK$7,500,001 – HK$8,000,000	1	—
HK$9,000,001 – HK$9,500,000	1	—
HK$9,500,001 – HK$10,000,000	—	1
HK$10,500,001 – HK$11,000,000	—	1
HK$11,500,001 – HK$12,000,000	1	1
HK$12,000,001 – HK$12,500,000	—	1
HK$12,500,001 – HK$13,000,000	1	—
HK$17,000,001 – HK$17,500,000	1	—
	5	4

13. FINANCE COSTS

	2009	2008
	HK$ Million	*HK$ Million*
Interest on:		
Bank borrowings wholly repayable within five years	68.0	149.5
Bank borrowings not wholly repayable within five years	—	1.6
Loan notes wholly repayable within five years	—	3.5
Other borrowings wholly repayable within five years	14.9	6.3
	82.9	160.9
Total finance costs included in:		
Cost of sales and other direct costs	39.9	67.1
Finance costs	43.0	93.8
	82.9	160.9

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

14. PROFIT BEFORE TAXATION

	2009	2008
	HK$ Million	*HK$ Million*
Profit before taxation has been arrived at after charging:		
Auditor's remuneration	7.0	8.8
Amortisation of intangible assets (included in other operating expenses)	28.0	24.9
Amortisation of prepaid land lease payments	6.1	6.1
Commission expenses and sales incentives to account executives and certain staff	175.1	194.1
Cost of properties held for sale and other inventories expensed	63.9	96.8
Depreciation	61.8	57.4
Expenses recognised for employee ownership scheme of SHK	7.1	9.7
Impairment loss for interests in associates (included in other operating expenses)	27.9	14.8
Loss on disposal of property, plant and equipment	2.1	0.7
Net exchange loss	—	13.8
Net loss on dealing in leveraged foreign currencies	5.8	—
Net realised and unrealised loss on financial assets at fair value through profit or loss — securities (included in revenue)	—	643.3
Net realised and unrealised loss on unlisted investment funds (included in revenue)	—	129.4
Net unrealised loss on Lehman Brothers Minibonds (included in revenue)	42.7	—
Retirement benefit scheme contributions, net of forfeited contributions of HK$0.9 million (2008: HK$1.2 million) *(note 52)*	35.8	32.6
Staff costs (including Directors' emoluments but excluding contributions to retirement benefit scheme and employee ownership scheme of SHK)	977.7	863.3

	2009 *HK$ Million*	2008 *HK$ Million*
and after crediting:		
Dividend income from listed equity securities	21.5	46.0
Dividend income from unlisted equity securities	6.6	4.7
Discount on acquisition of additional interest in an associate (included in share of results of associates)	22.6	34.0
Net exchange gain	12.9	—
Net profit on dealing in leveraged foreign currencies	—	3.9
Net profit on other dealing activities	8.6	17.4
Net realised and unrealised profit on unlisted investment funds (included in revenue)	14.2	—
Net realised and unrealised profit on financial assets at fair value through profit or loss — derivatives (included in revenue)	59.9	128.3
Net realised and unrealised profit on financial assets at fair value through profit or loss — securities (included in revenue)	506.6	—
Profit on disposal of investment properties (included in other income)	2.1	—
Profit on disposal of available-for-sale financial assets (included in other income)	24.8	347.7
Rental income from investment properties under operating leases, net of outgoings of HK$23.0 million (2008: HK$25.0 million)	122.4	116.1

15. TAXATION

	2009	2008
	HK$ Million	*HK$ Million*
The income tax charge (credit) comprises:		
Current tax		
Hong Kong	212.0	178.3
Other jurisdictions	13.4	2.6
	225.4	180.9
(Over) under provision in prior years		
Hong Kong	(0.3)	2.3
Other jurisdictions	0.1	0.1
	(0.2)	2.4
Deferred tax *(note 31)*		
Current year	115.0	(111.6)
Underprovision in prior years	0.9	—
Change of tax rate	—	(11.9)
	115.9	(123.5)
	341.1	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.

The charge for the year can be reconciled to the profit before taxation per the consolidated income statement as follows:

	2009 *HK$ Million*	2008 *HK$ Million*
Profit before taxation	3,417.5	181.7
Less: Share of results of associates	(467.4)	(194.3)
Share of results of jointly controlled entities	(102.5)	6.8
Profit (loss) attributable to the Company and subsidiaries	2,847.6	(5.8)
Tax at Hong Kong Profits Tax rate at 16.5%	470.0	(1.0)
Effect of different income tax rates of overseas subsidiaries	3.8	0.4
Tax effect of expenses that are not deductible for tax purposes	46.5	267.4
Tax effect of income that is not taxable for tax purposes	(101.5)	(301.0)
Tax effect of tax losses not recognised	38.2	82.2
Tax effect of utilisation of tax losses previously not recognised	(70.2)	(8.0)
Tax effect of utilisation of deductible temporary differences previously not recognised	(47.2)	—
Tax effect of deductible temporary differences not recognised	—	29.3
Underprovision in previous year	0.7	2.4
Other	0.8	—
Change of tax rate	—	(11.9)
Taxation for the year	341.1	59.8

16. 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.

17. DIVIDEND

	2009 *HK$ Million*	2008 *HK$ Million*
Ordinary shares:		
Interim dividend of HK15 cents per share (2008: HK15 cents)	36.6	36.6
Proposed final dividend of HK35 cents per share (2008: HK30 cents)	72.6	73.2
	109.2	109.8

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.

18. INVESTMENT PROPERTIES

	The Group	
	2009	**2008**
	HK$ Million	*HK$ Million*
Fair value		
At 1st January	3,024.0	3,405.2
Exchange adjustments	0.1	(0.1)
Transferred from properties held for sale	62.3	39.6
Additions	2.5	128.6
Transferred to property, plant and equipment *(note 19)*	(14.0)	—
Disposal	(10.5)	—
Increase (decrease) in fair value recognised in the consolidated income statement	804.3	(549.3)
At 31st December	3,868.7	3,024.0

The carrying amount of investment properties shown above comprises:

	2009	**2008**
	HK$ Million	*HK$ Million*
Properties in Hong Kong		
Long-term	3,125.8	2,364.2
Medium-term	612.8	530.1
Medium-term properties outside Hong Kong	130.1	129.7
	3,868.7	3,024.0

The fair value of the Group's investment properties at 31st December, 2009 and 2008 have been arrived at on the basis of a valuation carried out at that day by Norton Appraisals Limited, a firm of independent and qualified professional valuers not connected with the Group. The valuation was principally based on investment approach by taking into account the current rents passing and the reversionary income potential of tenancies. For the properties which are currently vacant, the valuation was based on capitalisation of the hypothetical and reasonable market rents with a typical lease term or direct comparison approach.

At 31st December, 2009, the carrying value of investment properties pledged as security of the Group's bank and other borrowings amounted to HK$3,642.3 million (2008: HK$2,929.2 million).

Details of the Group's investment properties and other assets being pledged to secure loans and general banking facilities are set out in note 53.

19. PROPERTY, PLANT AND EQUIPMENT

	Hotel property	Leasehold land and buildings	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles and vessels	Total
	HK$ Million	*HK$ Million*	*HK$ Million*	*HK$ Million*	*HK$ Million*	*HK$ Million*
The Group						
Cost						
At 1st January, 2008	374.3	80.5	124.9	219.8	36.0	835.5
Exchange and other adjustments	—	—	0.1	—	—	0.1
Additions	—	2.1	37.4	41.3	0.7	81.5
Acquisition of a subsidiary	—	—	0.6	2.1	—	2.7
Transfer	—	—	(18.2)	18.2	—	—
Disposals	—	—	(6.5)	(6.6)	—	(13.1)
At 31st December, 2008	374.3	82.6	138.3	274.8	36.7	906.7
Exchange and other adjustments	—	—	(0.7)	—	—	(0.7)
Additions	—	—	21.0	23.9	0.9	45.8
Transfer from investment properties *(note 18)*	—	14.0	—	—	—	14.0
Transfer	—	—	(0.6)	0.6	—	—
Disposals	—	—	(2.4)	(5.7)	(1.5)	(9.6)
At 31st December, 2009	374.3	96.6	155.6	293.6	36.1	956.2
Accumulated depreciation and impairment						
At 1st January, 2008	241.2	23.8	81.7	140.6	25.6	512.9
Provided for the year	3.0	1.5	23.5	26.2	3.2	57.4
Transfer	—	—	(7.2)	7.2	—	—
Impairment loss reversed	(0.9)	—	—	—	—	(0.9)
Eliminated on disposals	—	—	(6.1)	(6.1)	—	(12.2)
At 31st December, 2008	243.3	25.3	91.9	167.9	28.8	557.2
Provided for the year	3.0	1.8	23.3	30.6	3.1	61.8
Transfer	—	—	(0.4)	0.4	—	—
Impairment loss recognised	5.2	—	—	—	—	5.2
Eliminated on disposals	—	—	(1.6)	(4.2)	(1.5)	(7.3)
At 31st December, 2009	251.5	27.1	113.2	194.7	30.4	616.9
Carrying amounts						
At 31st December, 2009	122.8	69.5	42.4	98.9	5.7	339.3
At 31st December, 2008	131.0	57.3	46.4	106.9	7.9	349.5

At 31st December, 2009, hotel property with carrying value of HK$122.8 million (2008: HK$131.0 million) and leasehold land and building with carrying value of HK$37.0 million (2008: HK$48.1 million) were pledged as security of the Group's bank and other borrowings.

The Group's leasehold land included in the property, plant and equipment is situated in Hong Kong and held under long-term lease.

	Leasehold improvements	**Furniture, fixtures and equipment**	**Motor vehicles**	**Total**
	HK$ Million	*HK$ Million*	*HK$ Million*	*HK$ Million*
The Company				
Cost				
At 1st January, 2008	7.2	6.4	0.7	14.3
Additions	—	0.2	—	0.2
Disposals	—	(0.1)	—	(0.1)
At 31st December, 2008	7.2	6.5	0.7	14.4
Additions	—	0.4	0.5	0.9
Disposals	—	—	(0.7)	(0.7)
At 31st December, 2009	7.2	6.9	0.5	14.6
Accumulated depreciation				
At 1st January, 2008	6.5	5.7	0.6	12.8
Provided for the year	0.2	0.3	0.1	0.6
Eliminated on disposals	—	(0.1)	—	(0.1)
At 31st December, 2008	6.7	5.9	0.7	13.3
Provided for the year	0.3	0.2	0.1	0.6
Eliminated on disposals	—	—	(0.7)	(0.7)
At 31st December, 2009	7.0	6.1	0.1	13.2
Carrying amounts				
At 31st December, 2009	0.2	0.8	0.4	1.4
At 31st December, 2008	0.5	0.6	—	1.1

20. PREPAID LAND LEASE PAYMENTS

The Group's prepaid land lease payments comprise:

	The Group	
	2009	**2008**
	HK$ Million	*HK$ Million*
Leasehold land in Hong Kong		
Long-term lease	214.5	217.4
Medium-term lease	121.2	123.9
Leasehold land outside Hong Kong		
Medium-term lease	13.0	13.4
Short-term lease	0.4	0.5
	349.1	355.2
Analysed for reporting purposes as:		
Non-current assets	343.0	349.1
Current assets	6.1	6.1
	349.1	355.2

At 31st December, 2009, the carrying value of prepaid land lease payments pledged as security of the Group's bank and other borrowings amounted to HK$296.7 million (2008: HK$332.1 million).

21. GOODWILL

	The Group	
	2009	**2008**
	HK$ Million	*HK$ Million*
Cost		
At 1st January	268.2	229.2
Reclassification from interest in an associate	9.6	—
Arising from deemed acquisition of partial interests in a subsidiary	2.1	—
Arising from acquisition of additional interests in subsidiaries	—	21.4
Arising from acquisition of a subsidiary	—	17.7
Release on deemed disposal of partial interests in a subsidiary	(1.9)	(0.1)
At 31st December	278.0	268.2

22. INTANGIBLE ASSETS

	Computer software						
	Acquired	Internally developed	Trade mark	Sale network	Exchange participation rights	Club memberships	Total
	HK$ Million	*HK$ Million*	*HK$ Million*	*HK$ Million*	*HK$ Million*	*HK$ Million*	*HK$ Million*
The Group							
Cost							
At 1st January, 2008	33.3	8.8	179.0	167.7	2.3	9.3	400.4
Additions	13.5	13.3	—	—	—	—	26.8
Acquisition of a subsidiary	—	—	9.9	—	—	—	9.9
Disposals	(2.3)	—	—	—	—	—	(2.3)
At 31st December, 2008	44.5	22.1	188.9	167.7	2.3	9.3	434.8
Exchange and other adjustments	0.1	—	—	—	—	—	0.1
Additions	52.6	8.1	—	—	—	1.9	62.6
At 31st December, 2009	97.2	30.2	188.9	167.7	2.3	11.2	497.5
Amortisation and impairment							
At 1st January, 2008	18.5	—	—	21.0	1.1	1.0	41.6
Amortisation charged for the year	6.4	1.7	—	16.8	—	—	24.9
Eliminated on disposals	(2.2)	—	—	—	—	—	(2.2)
At 31st December, 2008	22.7	1.7	—	37.8	1.1	1.0	64.3
Amortisation charged for the year	10.1	1.2	—	16.7	—	—	28.0
At 31st December, 2009	32.8	2.9	—	54.5	1.1	1.0	92.3
Carrying amounts							
At 31st December, 2009	64.4	27.3	188.9	113.2	1.2	10.2	405.2
At 31st December, 2008	21.8	20.4	188.9	129.9	1.2	8.3	370.5

Other than the club membership, exchange participation rights and the trade mark, which have indefinite useful lives, the intangible assets are amortised on a straight-line basis over the following periods:

Acquired computer software	3 – 5 years
Internally developed computer software	10 years
Sales network	10 years

23. IMPAIRMENT TESTING ON GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

For impairment testing, goodwill and intangible assets with indefinite useful lives at 31st December, 2009 were allocated to the following cash generating units.

	Goodwill		Trade mark	
	2009	2008	2009	2008
	HK$ Million	*HK$ Million*	*HK$ Million*	*HK$ Million*
Consumer finance segment				
United Asia Finance Limited (“UAF”)	5.9	5.9	—	—
SHK Finance Limited	2.7	2.7	—	—
	8.6	8.6	—	—
Investment, broking and finance segment				
SHK	104.9	106.8	—	—
SHK Hong Kong Industries Limited	9.6	—	—	—
Yu Ming Investment Management Limited	1.2	1.2	—	—
	115.7	108.0	—	—
Healthcare segment				
Quality HealthCare Asia Limited (“QHA”)	153.7	151.6	188.9	188.9
	278.0	268.2	188.9	188.9

The recoverable amounts of the UAF and SHK Finance Limited under the consumer finance segment, SHK Hong Kong Industries Limited and Yu Ming Investment Management Limited under the investment, broking and finance segment have been determined based on a value-in-use calculation. The calculation uses cash flow projection based on respective financial budgets approved by respective management covering a 1-year period at a discount rate of 10.39%. The recoverable amounts of UAF, SHK Finance Limited, SHK Hong Kong Industries Limited and Yu Ming Investment Management Limited were determined to be in excess of their net carrying amounts.

The recoverable amount of QHA represents the value in use at 31st December, 2009 based on a business valuation report on the QHA group prepared by Norton Appraisals Limited. The income-based approach was adopted to determine the recoverable amount. It is based on a fiveyear performance projection and certain key assumptions including an average growth rate of 8.46% from 2010 to 2014 and a sustainable growth rate of 2.5% beyond 2014 and a discount rate of 14.78% to determine the value in use. The recoverable amount of QHA was determined to be in excess of its carrying amount.

Management believes that possible changes in any of the above assumptions would not cause the carrying amounts to exceed their recoverable amounts.

The recoverable amount of SHK has been determined based on the fair value less cost to sell. The fair value represents the market bid price of SHK at 31st December, 2009.

24. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2009	**2008**
	HK$ Million	*HK$ Million*
Listed shares in Hong Kong, at cost	719.4	714.4
Unlisted shares, at cost	50.8	50.8
Deemed capital contribution *(Note)*	80.9	—
Less: impairment	(50.8)	(50.8)
	80.9	—
	800.3	714.4
Market value of listed shares in Hong Kong	1,394.4	741.8

Note: Deemed capital contribution represented the imputed interest on the interest-free loans.

25. AMOUNTS DUE FROM (TO) SUBSIDIARIES

	The Company	
	2009	**2008**
	HK$ Million	*HK$ Million*
Amounts due from subsidiaries, less impairment, are unsecured and repayable on demand and comprise:		
Interest bearing at Hong Kong Prime rate minus 3.85% per annum (2008: Hong Kong Prime rate plus 1%)	275.1	392.5
Interest bearing at Hong Kong Interbank Offered Rate plus 0.5% per annum	1,552.4	2,104.9
Interest bearing at imputed interest of Hong Kong Interbank Offered Rate plus 0.5% per annum	2,664.8	—
Non-interest bearing	295.5	2,482.9
	4,787.8	4,980.3
Less: Allowance for impairment	(339.7)	(381.4)
	4,448.1	4,598.9
Analysed as:		
Non-current *(Note)*	2,687.3	2,207.7
Current	1,760.8	2,391.2
	4,448.1	4,598.9

Note: The amounts due from subsidiaries are not repayable within twelve months from the end of the reporting period and the balance is therefore shown as non-current. Other amounts are repayable on demand and therefore shown as current assets.

The Company assesses at the end of the reporting period whether there is objective evidence that the amounts due from subsidiaries are impaired. An impairment allowance is recognised when there is objective evidence of impairment as a result of one or more loss events having occurred that has an impact on the estimated future cash flows of subsidiaries that can be reliably estimated.

	The Company	
	2009	**2008**
	HK$ Million	*HK$ Million*
Gross amount of impaired amounts due from subsidiaries	2,088.6	2,799.8
Less: Allowance for impairment	(339.7)	(381.4)
Net carrying amount of impaired amounts due from subsidiaries	1,748.9	2,418.4

None of the subsidiaries had any debt securities outstanding at the end of the reporting period or at any time during the year.

Amount due to a subsidiary is unsecured and non-interest bearing. At 31st December, 2009, the subsidiary stated that it will not demand repayment in the next twelve months and the amount is therefore shown as a non-current liability.

Particulars of the Company's principal subsidiaries at 31st December, 2009 are set out in note 57.

26. INTERESTS IN ASSOCIATES

	The Group	
	2009	**2008**
	HK$ Million	*HK$ Million*
Listed securities *(note 26(i))*	4,263.8	3,955.8
Unlisted shares *(note 26(ii))*	81.3	54.7
	4,345.1	4,010.5

Notes:

(i) Listed securities

	The Group	
	2009	**2008**
	HK$ Million	*HK$ Million*
Cost of investment	2,484.9	2,671.8
Share of post-acquisition reserves	1,806.1	1,285.9
Less: impairment loss recognised	(27.2)	(1.9)
	4,263.8	3,955.8
Market value of listed securities	3,250.0	1,243.4

Management has reviewed the shortfall between the carrying amount of a listed associate and the fair value of the associate at year-end. The management considers that the value in use based on a discounted future cash flow of the associate is higher than the carrying amount and the fair value of the associate. Hence, no impairment is required for the carrying amount of the associate.

(ii) Unlisted shares

	The Group	
	2009	**2008**
	HK$ Million	*HK$ Million*
Cost of investment	61.6	43.4
Share of post-acquisition reserves	24.0	13.0
	85.6	56.4
Less: Impairment loss recognised	(4.3)	(1.7)
	81.3	54.7

(iii) Goodwill on acquisition of associate

The goodwill after impairment as included in the cost of investments of listed associates and an unlisted associate is stated below:

	2009			2008		
	Listed associates	**Unlisted associates**	**Total**	**Listed associates**	**Unlisted associates**	**Total**
	HK$ Million	*HK$ Million*	*HK$ Million*	*HK$ Million*	*HK$ Million*	*HK$ Million*
The Group						
Cost						
At 1st January	29.0	—	29.0	12.4	—	12.4
Acquisition of associates	—	14.9	14.9	14.8	—	14.8
Reclassify to goodwill	(9.6)	—	(9.6)	—	—	—
Arising from increase in interest in associates	—	—	—	1.8	—	1.8
At 31st December	19.4	14.9	34.3	29.0	—	29.0
Impairment						
At 1st January	(17.6)	—	(17.6)	(2.8)	—	(2.8)
Amount recognised during the year	—	—	—	(14.8)	—	(14.8)
At 31st December	(17.6)	—	(17.6)	(17.6)	—	(17.6)
	1.8	14.9	16.7	11.4	—	11.4

The summarised financial information in respect of the Group's associates is set out below:

	2009	**2008**
	HK$ Million	*HK$ Million*
Total assets	20,519.6	16,695.7
Total liabilities	(8,613.6)	(5,473.4)
Net assets	11,906.0	11,222.3
Group's share of net assets of associates	4,328.4	3,999.1
Revenue	2,792.8	2,032.4
Profit for the year	1,100.9	91.1
Group's share of profit or loss of associates for the year	422.5	160.3

Particulars of the Group's principal associates at 31st December, 2009 are set out in note 58.

27. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	The Group	
	2009	**2008**
	HK$ Million	*HK$ Million*
Unlisted shares		
Cost of investment	71.4	17.6
Share of post-acquisition reserves	989.4	934.7
	1,060.8	952.3
Elimination of unrealised profit	(17.6)	(17.6)
	1,043.2	934.7

The summarised financial information in respect of the Group's interests in the jointly controlled entities which are accounted for using the equity method is set out below:

	2009	**2008**
	HK$ Million	*HK$ Million*
Non-current assets	1,361.7	1,299.6
Current assets	198.8	144.8
Non-current liabilities	(367.7)	(372.4)
Current liabilities	(132.0)	(119.7)
Group's share of net assets of jointly controlled entities	1,060.8	952.3
Revenue	262.8	285.6
Expenses	(223.1)	(234.6)
Increase/(decrease) in fair value of investment properties	84.2	(70.6)
Taxation	(21.4)	12.8
Group's share of results of jointly controlled entities for the year	102.5	(6.8)

Particulars of the Group's jointly controlled entities at 31st December, 2009 are set out in note 59.

28. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	The Group	
	2009	**2008**
	HK$ Million	*HK$ Million*
Listed equity investments issued by corporate entities, at quoted price		
Listed in Hong Kong	85.6	35.3
Listed outside Hong Kong	45.8	26.3
	131.4	61.6
Unlisted equity investments issued by corporate entities		
Hong Kong shares, at cost less impairment	0.4	0.4
Overseas shares, at cost less impairment	172.0	169.3
At fair value	119.8	42.0
	292.2	211.7
Listed debt securities		
Listed in Hong Kong	24.1	—
Listed outside Hong Kong	294.8	—
	318.9	—
Unlisted debt securities	7.0	—
	749.5	273.3

Available-for-sale financial assets are intended to be held for a continuing strategic or long-term purpose.

As there are no sufficient market comparables as input to measure the fair value reliably, some of the unlisted equity investments are measured at cost less impairment.

Further details on fair values and financial risk management of available-for-sale financial assets are disclosed in note 45.

29. HELD-TO-MATURITY INVESTMENTS

	The Group	
	2009	2008
	HK$ Million	*HK$ Million*
Debt securities, at amortised cost	51.5	—
Debt securities, at fair value	65.6	—

The debt securities represent notes denominated in US dollar with fixed and floating interests and mature in 2011 to 2015. The debt securities are neither past due nor impaired and are with credit rating ranging from A- to B+.

30. LOANS AND ADVANCES TO CONSUMER FINANCE CUSTOMERS

	The Group	
	2009	2008
	HK$ Million	*HK$ Million*
Loans and advances to consumer finance customers	4,884.6	4,732.3
Less: Allowances for impairment		
— Individually assessed	(0.6)	(0.9)
— Collectively assessed	(557.6)	(399.5)
	4,326.4	4,331.9
Less: Current portion	(2,456.2)	(2,588.4)
	1,870.2	1,743.5

Certain loans and advances are secured by properties. All the loans and advances bear interest at market interest rates.

Movements of allowance for impairment during the year were as follows:

	The Group	
	2009	2008
	HK$ Million	*HK$ Million*
At 1st January	(400.4)	(292.7)
Exchange adjustments	—	(0.2)
Amounts written off	335.5	255.3
Amounts recovered	0.3	0.3
Amounts charged to the consolidated income statement	(493.6)	(363.1)
At 31st December	(558.2)	(400.4)

The loans and advances to consumer finance customers have been reviewed by the Consumer Finance division to assess impairment allowances which are based on the evaluation of collectibility, aging analysis of accounts and on management's judgement, including the current creditworthiness and the past collection statistics of individually significant accounts or a portfolio of accounts on a collective basis.

	The Group	
	2009	**2008**
	HK$ Million	*HK$ Million*
Gross amount of impaired loans under individual assessment	2.7	3.4
Less: Loans impairment allowance under individual assessment	(0.6)	(0.9)
Net carrying amount of impaired loans under individual assessment	2.1	2.5

The following is an aged analysis for the loans and advances to consumer finance customers that were past due at the end of the reporting period but not impaired:

	The Group	
	2009	**2008**
	HK$ Million	*HK$ Million*
Less than 31 days	290.0	304.7
31 to 60 days	34.5	33.5
61 to 90 days	30.1	24.2
Over 90 days	115.0	51.6
	469.6	414.0

The amount and type of collateral required depend on an assessment of the credit risk of the customer or counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:

— for personal lending, mortgages over residential properties; and

— for commercial lending, corporate guarantee, charges over real estate properties, pledge of shares or debentures over other assets.

Management requests additional collateral where appropriate in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment losses.

It is the Group's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim. In general, the Group does not occupy repossessed properties for business use.

31. DEFERRED TAX

The following is the major deferred tax assets and liabilities of the Group recognised and movements thereon during the current and prior years:

	Accelerated tax depreciation *HK$ Million*	Revaluation of properties and other assets *HK$ Million*	Provision and impairment *HK$ Million*	Unrealised profits *HK$ Million*	Undistributed earnings and others *HK$ Million*	Tax losses *HK$ Million*	Total *HK$ Million*
The Group							
At 1st January, 2008	212.9	181.8	(51.4)	1.3	5.5	(108.5)	241.6
Exchange adjustments	—	—	—	(0.1)	—	—	(0.1)
Effect of change of tax rate	(12.2)	(8.8)	2.9	—	—	6.2	(11.9)
Acquisition of subsidiaries	—	1.6	—	—	1.2	—	2.8
Credited to other comprehensive income	—	(1.4)	—	—	—	—	(1.4)
Recognised in consolidated income statement *(note 15)*	16.3	(75.3)	(1.3)	0.2	1.2	(52.7)	(111.6)
At 31st December, 2008	217.0	97.9	(49.8)	1.4	7.9	(155.0)	119.4
Credited to other comprehensive income	—	(0.2)	—	—	—	—	(0.2)
Recognised in consolidated income statement *(note 15)*	20.2	76.4	(25.0)	2.9	0.4	41.0	115.9
At 31st December, 2009	237.2	174.1	(74.8)	4.3	8.3	(114.0)	235.1

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances of the Group for financial reporting purposes:

	The Group	
	2009 *HK$ Million*	**2008** *HK$ Million*
Deferred tax liabilities	335.6	241.9
Deferred tax assets	(100.5)	(122.5)
	235.1	119.4

At 31st December, 2009, the Group had unrecognised deductible temporary differences of HK$581.1 million (2008: HK$869.7 million) and estimated unused tax losses of HK$2,819.0 million (2008: HK$2,941.8 million) available for offset against future assessable profits. A deferred tax asset has been recognised in respect of HK$689.8 million (2008: HK$952.7 million) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$2,129.2 million (2008: HK$1,989.1 million) of losses due to the unpredictability of future assessable profit streams. Tax losses may be carried forward indefinitely. There were no other significant temporary differences that are not recognised arising during the year or at the end of the reporting period.

At 31st December, 2009, the Company had estimated unused tax losses of HK$51.2 million (2008: HK$39.5 million) available for offset against future assessable profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future assessable profit streams. Tax losses may be carried forward indefinitely.

32. PROPERTIES HELD FOR SALE AND OTHER INVENTORIES

	The Group	
	2009	**2008**
	HK$ Million	*HK$ Million*
Properties in Hong Kong, at net realisable value	222.6	259.3
Freehold property outside Hong Kong, at cost	135.2	135.2
Medicine, dispensary supplies and other consumables	16.5	15.9
Other inventories	0.2	0.1
	374.5	410.5

Certain of the Group's properties previously held for sales with a net realisable value of HK$62.3 million (2008: HK$39.6 million) were rented out under operating leases during the year and were therefore reclassified as investment properties.

The freehold property outside Hong Kong represent a property in the United States of America. The Group has the intention to sell this asset. The freehold property is included in the Group's property development and investment for segment reporting purposes (note 6).

At 31st December, 2009, the carrying value of properties held for sale pledged as security of the Group's bank and other borrowings amounted to HK$357.8 million (2008: HK$394.5 million).

33. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	The Group	
	2009	**2008**
	HK$ Million	*HK$ Million*
Held for trading investments, at fair value		
Equity securities listed in Hong Kong, at quoted price		
Issued by corporate entities	664.4	222.1
Issued by banks	353.0	50.2
Issued by public utility entities	12.1	—
Equity securities listed outside Hong Kong, at quoted price		
Issued by corporate entities	157.5	24.2
Issued by banks	30.9	—
Unlisted equity securities	9.1	—
Futures and options listed in Hong Kong, at quoted price	5.1	12.3
Futures listed outside Hong Kong, at quoted price	0.2	—
Listed warrants issued by listed associates	—	2.1
Unlisted overseas warrants	16.7	3.1
Equity-linked instruments	—	12.6
Listed bonds	52.4	—
Unlisted bonds, at quoted price	6.6	5.2
Unlisted convertible bonds	20.6	—
Options embedded in bonds	9.2	—
Others	1.0	0.8
	1,338.8	332.6
Equity securities in unlisted investment funds, at fair value		
Issued by corporate entities outside Hong Kong	104.8	90.7
	1,443.6	423.3

	The Company	
	2009	**2008**
	HK$ Million	*HK$ Million*
Financial assets designated as at fair value through profit or loss		
Warrants listed in Hong Kong, at fair value	—	10.8

Further details of the financial assets at fair value through profit or loss are disclosed in note 45.

34. TRADE AND OTHER RECEIVABLES

	The Group			
	2009		2008	
	HK$ Million	*HK$ Million*	*HK$ Million*	*HK$ Million*
Trade receivables				
— Accounts receivable from exchanges, brokers and clients	1,490.6		1,071.4	
— Less: Allowance for impairment	(22.0)		(26.5)	
		1,468.6		1,044.9
Secured term loans	599.7		819.3	
Less: Allowance for impairment	(56.6)		(64.5)	
		543.1		754.8
Unsecured term loans		1.9		21.9
		2,013.6		1,821.6
Margin loans	3,431.4		2,366.9	
Less: Allowance for impairment	(87.8)		(120.4)	
		3,343.6		2,246.5
		5,357.2		4,068.1
Interest receivables	80.2		94.4	
Less: Allowance for impairment	(9.3)		(6.4)	
		70.9		88.0
Consideration receivable for the disposal of held for trading investments secured by listed shares repayable by instalment	241.2		117.5	
Other receivables and deposits	214.0		159.3	
Less: Allowance for impairment	(2.7)		—	
		452.5		276.8
Current portion of loans and receivables		—		117.5
Less: Non-current portion of trade and other receivables		—		(0.2)
		5,880.6		4,550.2
Prepayments		41.8		114.7
		5,922.4		4,664.9

The movements in the allowance for impairment were as follows:

	The Group					
	Trade receivables	Secured term loans	Margin loans	Interest receivables	Other receivables	Total
	HK$ Million	*HK$ Million*	*HK$ Million*	*HK$ Million*	*HK$ Million*	*HK$ Million*
At 1st January, 2008	(22.8)	(14.8)	(76.3)	—	—	(113.9)
Amounts written off	0.4	—	1.7	—	—	2.1
Amounts recovered	—	12.5	0.2	—	—	12.7
Amounts charged to the consolidated income statement	(4.1)	(62.2)	(46.0)	(6.4)	—	(118.7)
At 31st December, 2008	(26.5)	(64.5)	(120.4)	(6.4)	—	(217.8)
Transfer from loans and receivables	—	—	—	—	(25.7)	(25.7)
Amounts written off	4.0	7.9	20.7	—	—	32.6
Amounts recovered	0.5	—	12.0	—	25.7	38.2
Amounts charged to the consolidated income statement	—	—	(0.1)	(2.9)	(2.7)	(5.7)
At 31st December, 2009	(22.0)	(56.6)	(87.8)	(9.3)	(2.7)	(178.4)

Impairments of trade receivables, margin loans, term loans and other receivables are made in the consolidated income statement after proper review by the relevant credit control department or the credit and executive committees of the Group, based on the latest status of trade and other receivables, margin and term loan receivables, and the latest announced or available information about the underlying collateral held.

	The Group					
	2009			2008		
	Gross amount of impaired advances	Individually assessed allowances	Net carrying amount of impaired advances	Gross amount of impaired advances	Individually assessed allowances	Net carrying amount of impaired advances
	HK$ Million	*HK$ Million*	*HK$ Million*	*HK$ Million*	*HK$ Million*	*HK$ Million*
Impaired trade and other receivables under individual assessment						
— Trade receivables	24.0	(22.0)	2.0	37.8	(26.5)	11.3
— Secured term loans	58.1	(56.6)	1.5	65.9	(64.5)	1.4
— Margin loans	151.7	(87.8)	63.9	187.9	(120.4)	67.5
— Other receivables	12.8	(2.7)	10.1	—	—	—
	246.6	(169.1)	77.5	291.6	(211.4)	80.2

The following is an aged analysis of trade and other receivables that were past due at the end of the reporting period but not impaired:

	The Group	
	2009	**2008**
	HK$ Million	*HK$ Million*
Less than 31 days	214.7	236.2
31 to 60 days	13.7	13.5
61 to 90 days	9.9	32.5
Over 90 days	235.2	49.4
	473.5	331.6

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

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

Listed securities, unlisted securities and properties of clients are held as collateral against secured margin loans and term loans. The fair value of the listed securities at 31st December, 2009 held as collateral was HK$12,533.5 million (2008: HK$5,195.7 million).

Further details on financial risk management of trade and other receivables are disclosed in note 45.

35. AMOUNTS DUE FROM ASSOCIATES

	The Group	
	2009	2008
	HK$ Million	*HK$ Million*
Advances	131.8	113.2
Less: Allowance for impairment	(8.4)	(8.4)
	123.4	104.8
Less: Current portion	(67.3)	(104.8)
	56.1	—

Impairment is made when there is objective evidence of impairment after the Group's evaluation of the collectibility of amounts due from associates. There was no movement in the allowance for impairment during the year.

	The Group	
	2009	2008
	HK$ Million	*HK$ Million*
Gross amount of impaired amounts due from associates	64.8	64.7
Less: Allowance for impairment	(8.4)	(8.4)
Net carrying amount of impaired amounts due from associates	56.4	56.3

Further details of amounts due from associates are disclosed in note 45.

36. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2009	2008	2009	2008
	HK$ Million	*HK$ Million*	*HK$ Million*	*HK$ Million*
Bank balances and cash	1,510.6	1,323.9	1.2	1.4
Fixed deposits with banks	760.0	1,259.9	294.1	505.1
Treasury bills	7.8	7.7	—	—
	2,278.4	2,591.5	295.3	506.5

The Group maintains trust and segregated accounts with licensed banks to hold clients' deposits arising from normal business transactions. At 31st December, 2009, trust and segregated accounts not dealt with in these financial statements totalled HK$5,912.2 million (2008: HK$4,088.8 million).

Further details on financial risk management of cash and cash equivalents are disclosed in note 45.

37. TRADE AND OTHER PAYABLES

	The Group 2009 HK$ Million	The Group 2008 HK$ Million
Trade and other payables	1,564.3	1,415.6
Accruals	267.4	222.8
	1,831.7	1,638.4

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

	The Group 2009 HK$ Million	The Group 2008 HK$ Million
Less than 31 days	1,301.7	1,180.0
31 to 60 days	14.0	15.8
61 to 90 days	10.7	10.5
Over 90 days	46.6	36.2
	1,373.0	1,242.5
Accruals and other payables	458.7	395.9
	1,831.7	1,638.4

38. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	The Group 2009 HK$ Million	The Group 2008 HK$ Million
Equity and currency OTC derivatives	0.1	32.4
Futures and options, at quoted price		
Listed in Hong Kong	4.7	14.1
Listed outside Hong Kong	0.3	—
Stock borrowings, at quoted price	31.0	2.5
Call options embedded in bonds and notes	60.4	—
	96.5	49.0

Further information of the financial liabilities at fair value through profit or loss is disclosed in note 45.

39. SHARE CAPITAL

	Number of shares	Value
		HK$ Million
Ordinary shares of HK$2 each		
Authorised:		
At 1st January, 2008, 31st December, 2008 and 31st December, 2009	650,000,000	1,300.0
Issued and fully paid:		
At 1st January, 2008	244,236,423	488.5
Shares repurchased and cancelled	(198,000)	(0.4)
At 31st December, 2008	244,038,423	488.1
Shares repurchased and cancelled	(36,704,363)	(73.4)
At 31st December, 2009	207,334,060	414.7

40. SHARE OPTION SCHEME

The share option scheme of the Company ("Scheme") was adopted pursuant to a resolution passed by the Company's shareholders on 3rd June, 2002 ("Adoption Date") for the primary purpose of providing the eligible participants an opportunity to have a personal stake in the Company and to help motivate, attract and retain the eligible participants whose contributions are important to the long-term growth and profitability of the Group. Eligible participants of the Scheme include any employees, non-executive directors (including independent non-executive directors) of the Company, its subsidiaries or any entity in which the Group holds an equity interest ("Invested Entity"), supplier of goods or services to the Group or any Invested Entity, customer of the Group or any Invested Entity, any minority shareholders of the Group or Invested Entity and any other person or entity who in the opinion of the Directors have contributed or may contribute to the development and growth of the Group. The Scheme will expire on 2nd June, 2012.

The maximum number of shares which may be issuable under the Scheme and any other schemes of the Company (excluding options lapsed pursuant to the Scheme and any other schemes of the Company) must not exceed 10% of the issued shares of the Company at the Adoption Date. At 31st December, 2009, the maximum number of shares issuable under the Scheme was 10% of the Company's shares in issue as at that date.

The total number of shares issued and to be issued to each eligible participant under the Scheme in any 12-month period must not exceed 1% of the issued shares of the Company unless approved in advance by the shareholders of the Company in general meeting.

Any option to be granted under the Scheme to a director, chief executive or substantial shareholder of the Company or to any of their respective associates must be approved by Independent Non-Executive Directors of the Company (excluding Independent Non-Executive Director who is the grantee). In addition, any option to be granted to a substantial shareholder or an Independent Non-Executive Director of the Company or to any of their respective associates which will result in the shares issued and to be issued in excess of 0.1% of the issued shares or with an aggregate value (based on the closing price of the shares at the date of the grant) in excess of HK$5,000,000 within any 12-month period is subject to approval by the shareholders of the Company in general meeting.

The offer of a grant of options under the Scheme may be accepted within 28 business days from the date of the offer and by payment of HK$1.00 as consideration for the grant of an option. An option may be exercised in accordance with the terms of the Scheme at any time during a period as to be determined and notified by the Directors to each grantee, but shall end in any event not later than 10 years from the Adoption Date.

The exercise price is determined by the Directors and shall be at least the highest of: (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant of an option, which must be a trading day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations for the five trading days immediately preceding the date of the offer of grant of an option; and (iii) the nominal value of the Company's shares.

No options have been granted under the Scheme since its adoption and accordingly there were no options outstanding at 31st December, 2009 and 2008.

41. SHARE PREMIUM AND RESERVES

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

	Share premium *HK$ Million*	Capital redemption reserve *HK$ Million*	Accumulated profits *HK$ Million*	Dividend reserve *HK$ Million*	Total *HK$ Million*
The Company					
At 1st January, 2008	1,519.5	213.7	386.7	146.5	2,266.4
2008 interim dividend	—	—	(36.6)	36.6	—
Dividend paid	—	—	—	(183.1)	(183.1)
Proposed final dividend	—	—	(73.2)	73.2	—
Share repurchased and cancelled	—	—	(3.3)	—	(3.3)
Transferred on share repurchase	—	0.4	(0.4)	—	—
Loss attributable to equity holders of the Company	—	—	(155.8)	—	(155.8)
At 31st December, 2008	1,519.5	214.1	117.4	73.2	1,924.2
2009 interim dividend	—	—	(36.6)	36.6	—
Dividend paid	—	—	—	(109.8)	(109.8)
Proposed final dividend	—	—	(72.6)	72.6	—
Share repurchased and cancelled	—	—	(608.8)	—	(608.8)
Transferred on share repurchase	—	73.4	(73.4)	—	—
Profit attributable to equity holders of the Company	—	—	760.3	—	760.3
At 31st December, 2009	1,519.5	287.5	86.3	72.6	1,965.9

The Company's reserves available for distribution to owners of the Company at 31st December, 2009 are represented by accumulated profits and dividend reserve totalling HK$158.9 million (2008: HK$190.6 million).

Note: Non-distributable reserve represents the Group's share of subsidiaries' capital redemption reserve.

42. BANK AND OTHER BORROWINGS

	The Group 2009 HK$ Million	The Group 2008 HK$ Million
Bank borrowings		
Bank loans	4,051.8	3,776.7
Overdrafts	18.0	—
	4,069.8	3,776.7
Other borrowings	197.8	106.4
	4,267.6	3,883.1
Analysed as:		
Secured	2,216.0	1,964.1
Unsecured	2,051.6	1,919.0
	4,267.6	3,883.1
Bank loans and overdrafts are repayable as follows:		
On demand or within one year	2,961.2	1,305.3
More than one year but not exceeding two years	505.8	238.0
More than two years but not exceeding five years	602.8	2,194.1
More than five years	—	39.3
	4,069.8	3,776.7
Other borrowings are repayable as follows:		
On demand or within one year	164.8	98.5
More than one year but not exceeding two years	10.2	—
More than two years but not exceeding five years	22.8	7.9
	197.8	106.4
	4,267.6	3,883.1
Less: Amount repayable within one year shown under current liabilities	(3,126.0)	(1,403.8)
Amount due after one year	1,141.6	2,479.3

The Group has bank loans of HK$117.1 million (2008: HK$86.1 million), HK$27.3 million (2008: nil) and HK$1.5 million (2008: HK$1.6 million) which are denominated in Australian Dollars, British Pound and United States Dollars respectively. Further details on financial risk management of bank and other borrowings are disclosed in note 45.

Details of the assets of the Group pledged to secure bank and other borrowings are set out in note 53.

43. PROVISIONS

	The Group			The Company
	Employee benefits	Others	Total	Employee benefits
	HK$ Million	*HK$ Million*	*HK$ Million*	*HK$ Million*
Provisions:				
At 1st January, 2009	37.9	49.6	87.5	0.1
Additional provisions for the year	17.5	5.2	22.7	—
Amount written back	(25.1)	(1.0)	(26.1)	—
Amount utilised during the year	(9.4)	(0.8)	(10.2)	—
Amount paid during the year	(0.4)	(35.0)	(35.4)	—
Transfer from trade and other payables	—	0.1	0.1	—
At 31st December, 2009	20.5	18.1	38.6	0.1
Less: Current portion	(16.0)	(10.3)	(26.3)	(0.1)
Non-current portion	4.5	7.8	12.3	—

44. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt (which includes bank and other borrowings) and equity attributable to owners of the Company comprising issued share capital, share premium and reserves.

Gearing ratio

The Group's management reviews the capital structure on an ongoing basis using gearing ratio, which is the net debt divided by equity. Net debt includes the Group's bank and other borrowings less short-term pledged bank deposits and cash and cash equivalents. The equity comprises all components of the equity attributable to owners of the Company.

The gearing ratio at the end of the reporting period was as follows:

	The Group	
	2009	**2008**
	HK$ Million	*HK$ Million*
Bank and other borrowings	4,267.6	3,883.1
Less: short-term pledged bank deposits	(141.6)	(130.5)
cash and cash equivalents	(2,278.4)	(2,591.5)
Net debt	1,847.6	1,161.1
Equity attributable to owners of the Company	9,448.6	8,338.0
Gearing ratio	19.6%	13.9%

45. FINANCIAL INSTRUMENTS

45a. Financial Assets and Liabilities

The carrying amounts of the Group's and the Company's financial assets at the end of the reporting period were as follows:

	The Group		The Company	
	2009	**2008**	**2009**	**2008**
	HK$ Million	*HK$ Million*	*HK$ Million*	*HK$ Million*
Financial assets at fair value through profit or loss *(note 33)*				
— Held for trading investments	1,338.8	332.6	—	—
— Designated as at fair value through profit or loss	—	—	—	10.8
— Equity securities in unlisted investment funds	104.8	90.7	—	—
	1,443.6	423.3	—	10.8
Loans and receivables under non-current assets				
— Loans and advances to consumer finance customers *(note 30)*	1,870.2	1,743.5	—	—
— Loans and receivables	—	164.2	—	—
— Amounts due from subsidiaries *(note 25)*	—	—	2,687.3	2,207.7
— Amounts due from associates *(note 35)*	56.1	—	—	—
Loans and receivables under current assets				
— Short-term pledged bank deposits	141.6	130.5	—	—
— Cash and cash equivalents *(note 36)*	2,278.4	2,591.5	295.3	506.5
— Amounts due from subsidiaries *(note 25)*	—	—	1,760.8	2,391.2
— Trade and other receivables *(note 34)*	5,880.6	4,550.2	4.4	7.0
— Loans and advances to consumer finance customers *(note 30)*	2,456.2	2,588.4	—	—
— Amounts due from associates *(note 35)*	67.3	104.8	—	—
— Amount due from a jointly controlled entity	3.9	3.4	—	—
	12,754.3	11,876.5	4,747.8	5,112.4
Available-for-sale financial assets *(note 28)*	749.5	273.3	—	—
Held-to-maturity investments *(note 29)*	51.5	—	—	—
	14,998.9	12,573.1	4,747.8	5,123.2

The carrying amounts of the Group's and the Company's financial liabilities at the end of the reporting period were as follows:

	The Group		The Company	
	2009	**2008**	**2009**	**2008**
	HK$ Million	*HK$ Million*	*HK$ Million*	*HK$ Million*
Financial liabilities measured at amortised cost				
— Bank and other borrowings *(note 42)*	4,267.6	3,883.1	—	—
— Trade and other payables *(note 37)*	1,564.3	1,415.6	3.4	3.1
— Amount due to a subsidiary *(note 25)*	—	—	3,140.6	3,423.4
— Amounts due to associates	13.7	13.8	—	—
— Amount due to jointly controlled entities	0.3	14.1	—	—
	5,845.9	5,326.6	3,144.0	3,426.5
Financial liabilities at fair value through profit or loss *(note 38)*	96.5	49.0	—	—
	5,942.4	5,375.6	3,144.0	3,426.5

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into level 1 to 3 based on the degree to which the fair value is observable.

Level 1 fair value measurements are those derived from quoted price (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from input other than quoted prices included within level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

	At 31st December, 2009			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$ Million	*HK$ Million*	*HK$ Million*	*HK$ Million*
Financial assets at fair value through profit or loss *(note 33)*				
— Held for trading investments	1,230.8	83.2	24.8	1,338.8
— Equity securities in unlisted investment funds	—	—	104.8	104.8
Available-for-sale financial assets *(note 28)*	151.2	359.3	66.6	577.1
	1,382.0	442.5	196.2	2,020.7
Financial liabilities at fair value through profit or loss *(note 38)*	36.0	60.4	0.1	96.5

There were no transfers between level 1 and 2 during the year. The fair value of level 3 financial assets and liabilities are mainly derived from unobservable range of data involved.

The reconciliation of financial assets under level 3 fair value measurements is as follows:

	2009			
	Held for trading investments	**Equity securities in unlisted investment funds**	**Available-for-sale investments**	**Financial liabilities at fair value through profit or loss**
	HK$ Million	*HK$ Million*	*HK$ Million*	*HK$ Million*
Balance at 1 January	3.1	90.7	42.0	(19.0)
Total gains or losses				
— In consolidated income statement	1.3	14.1	4.6	18.9
— In other comprehensive income	—	—	24.6	—
Purchase	50.3	89.0	—	—
Disposal	(29.9)	(89.0)	(4.6)	—
Balance at 31 December	24.8	104.8	66.6	(0.1)

45b. Fair Value of Financial Assets and Liabilities

The fair values of financial assets and financial liabilities are determined as follows:

The fair value of financial assets and financial liabilities (including derivative instruments and stock borrowing) with standard terms and conditions and traded on active markets are determined with reference to quoted market bid prices and ask prices respectively or the quoted market ask prices of the underlying financial assets for stock borrowings.

Included in available-for-sale financial assets, there are debt securities, the debt elements of which are recognised at fair value at the date of initial recognition and subsequent measurement with fair value change at each reporting date recognised directly in equity until the instrument is sold. At 31st December, 2009, the fair value of the debt element is approximately HK$306.0 million (2008: nil) which was calculated based on the present value of contractually determined stream of future cash flows discounted at the required yield, which was determined with reference to instruments of similar terms. The effective interest rates of the debt element at 31st December, 2009 range from 5.56% to 16.73%. The fair values of the debt element have been determined by a firm of independent professional valuers, Greater China Appraisal Limited.

Included in financial assets at fair value through profit or loss and available-for-sale financial assets, there are unlisted investment funds, unlisted equity securities and unlisted convertible bonds without an active market. The fair value of unlisted investment funds are established by reference to the prices quoted by respective fund administrators whereas the fair value of unlisted equity securities and unlisted convertible bonds are established by using valuation techniques including the use of recent arm's length transactions, reference to other investments that are substantially the same and generally accepted pricing models such as Binominal Option Pricing model or discounted cash flows.

The fair values of unlisted warrants included in financial assets at fair value through profit or loss are estimated using the Black-Scholes Option Pricing model. Due to the non-availability of quoted prices of the equity and currency OTC derivatives (included in financial liabilities at fair value through profit or loss) and the lack of market transactions in such derivatives in recent months as a consequence of current market conditions, the Group estimated their fair values by reference to the prices provided by respective counterparties at year-end.

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

45c. Financial Risk Management

Risk is inherent in the financial service business and sound risk management is a cornerstone of prudent and successful financial practice. The Group acknowledges that a balance must be achieved between risks control and business growth. The principal financial risks inherent in the Group's business are market risk (includes equity risk, interest rate risk and foreign exchange risk), credit risk and liquidity risk. The Group's risk management objective is to enhance shareholders' value while retaining exposure within acceptable thresholds.

The Group's risk management governance structure is designed to cover all business activities and to ensure all relevant risk classes are properly managed and controlled. The Group has adopted a sound risk management organisational structure equipped with comprehensive policies and procedures which are reviewed regularly and enhanced when necessary in response to changes to markets, the Group's operating environment and business strategies. The Group's relevant independent control divisions, namely Internal Audit, Compliance and Risks Control, play an important role in the provision of assurance to the relevant board of directors and senior management that a sound internal risk mechanism is implemented, maintained and adhered to.

(a) ***Market Risk***

(i) *Equity Risk*

There are many asset classes available for investment in the marketplace. One of the Group's key business undertakings is investing in equity. Market risk arising from any equity investments is driven by the daily fluctuations in market prices or fair values. The ability to mitigate such risk depends on the availability of any hedging instruments and the diversification level of the investment portfolios undertaken by the Group. More importantly, the knowledge and experience of the trading staff managing the risk are also vital to ensure exposure is being properly hedged and rebalanced in the most timely manner. Trading activities, including market-making and proprietary trading, across the Group are subject to limits approved by the relevant risk management committee ("RMC"). These limits are recommended and proposed by Risks Control after consulting with the relevant Trading Heads to understand their risk appetite. Risks Control independently monitors and reports risk positions of the Group's trading activities, including cash equities and equity derivatives. Valuation of these instruments is measured on a "mark-to-market" and "mark-to-fair" basis depending on whether they are listed or unlisted. Value at Risk ("VaR") and stress tests are employed in the assessment of risk. Meanwhile other non-VaR limits such as "maximum loss" and "position" limits are also set out to restrict excessive risk undertakings. VaR and stress tests are approaches which are widely used in the financial industry as tools to quantify risk by combining the size of a position and the extent of a potential market movement into a potential financial impact.

The Group's market-making and proprietary trading positions and their financial performance are reported daily to senior management for review. Internal Audit also performs sanity checks to ensure there is adequate compliance in accordance with the established market risk limits and guidelines.

The table below summaries the overall financial impact on the Group arising from market movements in global equity indices. The analysis is based on the assumption that equity indices move ±20% with all other variables being held constant and all equity instruments undertaken by the Group moving simultaneously. Declines in the indices are expressed as negatives.

	At 31st December, 2009				At 31st December, 2008			
	Potential impact for the year		Potential impact on other components of equity		Potential impact for the year		Potential impact on other components of equity	
	20%	*–20%*	*20%*	*–20%*	*20%*	*–20%*	*20%*	*–20%*
	HK$ Million	*HK$ Million*	*HK$ Million*	*HK$ Million*	*HK$ Million*	*HK$ Million*	*HK$ Million*	*HK$ Million*
Local Index	202.7	(210.3)	74.1	(74.1)	62.8	(62.6)	54.6	(54.6)
Overseas Index	85.4	(85.4)	—	—	24.8	(24.8)	—	—

There is no material financial impact arising from market movements in the global equity indices on the Group's performance for the year. Futures, options and knock-out options are hedged by other derivatives in view of the volatile markets and wide trading ranges.

(ii) *Interest Rate Risk*

Interest rate risk results mainly from timing differences in the re-pricing of interest bearing assets, liabilities and commitments. It is also considered as the opportunity cost of holding interest bearing assets and commitments while benchmark interest rates of the similar assets and commitments are rising.

The Group's interest rate risk exposure arises predominantly from margin financing, term financing and other lending activities. The Group possesses the legal capacity to initiate recalls efficiently which enables timely re-pricing of margin loans to appropriate levels, in which those particularly large sensitive positions can readily be identified. Interest rates paid by the Group are managed with the objective of maximising spreads to ensure consistency with liquidity and funding obligations.

At 31st December, 2009, assuming that Hong Kong market interest rates move by ±100 basis points, with all other variables held constant, a potential financial impact for the year for the Group would have been HK$27.4 million higher or HK$23.1 million lower (2008: HK$14.9 million higher or HK$6.9 million lower), mainly as a result of interest expense on denominated floating rate borrowings compensated by interest income on floating rate loans and advances to consumer finance customers and margin loans. The Company's exposure to financial risk is immaterial.

(iii) *Foreign Exchange Risk*

Foreign exchange risk is the risk to earnings or capital arising from movements in foreign exchange rates.

The Group's foreign exchange risk primarily arises from currency exposures originating from its leveraged foreign exchange business and purchases of foreign securities on behalf of clients. Foreign exchange risk is managed and monitored by the respective businesses in accordance with the limits approved by the board of directors of the relevant group companies and RMC. In relation to the Group's leveraged foreign exchange activity, its position is that of a market-maker. Hence, the risk arises from the open currency positions which are subject to management approved limits and are monitored and reported daily. The other source of foreign exchange risk is contributed by clients' inability to meet margin calls following a period of substantial currency turbulence.

At 31st December, 2009, assuming that the foreign exchange rates moved ±10% with all other variables held constant, a potential financial impact for the year for the Group would have been HK$25.8 million (2008: HK$18.2 million) higher/lower, mainly as a result of Group's assets and liabilities in Australian dollars.

(b) ***Credit Risk***

Credit risk arises from the failure of a customer or counterparty to meet settlement obligations. As long as the Group lends, trades and deals with third parties, there will always be credit risk exposure.

The credit policy, governed by the relevant credit committee ("CM"), sets out the credit approval processes and monitoring procedures, which are established in accordance with sound business practices, the requirements and provisions of the relevant ordinances, and where applicable, the codes or guidelines issued by the Securities and Futures Commission.

Day-to-day credit management is performed by the relevant credit division with reference to the aforementioned criteria including creditworthiness, type and amount of collateral pledged, and risk concentration of the counterparties. Decisions are made daily by relevant credit division and are reported to and reviewed by the senior management of the Group and CM at its regular meetings.

The table below shows the maximum exposure to and concentration of credit risk for the components of the statement of financial position. The maximum exposure is shown in gross value before the effect of mitigation through the use of collateral agreements. The percentage figure next to the gross value reflects its concentration.

	The Group			
	At 31st December, 2009		**At 31st December, 2008**	
	HK$ Million	*%*	*HK$ Million*	*%*
Maximum credit exposure				
Trade and other receivables	5,880.6	46%	4,550.2	39%
Loans and advances to consumer finance customers	4,326.4	34%	4,331.9	36%
Short-term pledged bank deposits	141.6	1%	130.5	1%
Cash and cash equivalents	2,278.4	18%	2,591.5	22%
Loans and receivables	—	0%	164.2	1%
Amounts due from associates	123.4	1%	104.8	1%
Amount due from a jointly controlled entity	3.9	0%	3.4	0%
	12,754.3	100%	11,876.5	100%

	The Company			
	At 31st December, 2009		**At 31st December, 2008**	
	HK$ Million	*%*	*HK$ Million*	*%*
Maximum credit exposure				
Trade and other receivables	4.4	0%	7.0	0%
Cash and cash equivalents	295.3	6%	506.5	10%
Amounts due from subsidiaries	4,448.1	94%	4,598.9	90%
	4,747.8	100%	5,112.4	100%

The maximum credit exposure at Group level is spread evenly between "trade and other receivables" and "loans and advances to consumer finance customers", which represented more than three-quarters of the total exposure. "Trade and other receivables" consist of amount receivables from exchanges, brokers and clients, secured term loans, margin loans and other interest and receivables items. The breakdown and its aging analysis are disclosed in note 34 to the consolidated financial statements. There are no major concerns on margin loans, as margin calls for equity trading have been tightened and most clients have cut off their positions. The margin loan book of the Group remains at a low gearing level.

"Loans and advances to consumer finance customers" are granted by the Company's principal subsidiary, UAF, which consists of HK$4,009.7 million unsecured (2008: HK$3,727.2 million) and HK$316.7 million secured (2008: HK$604.6 million) before taking into account of any collateral held or other credit enhancements. The table below summarises its credit quality based on the internal credit rating system employed:

	The Group	
	At 31st December, 2009	**At 31st December, 2008**
	HK$ Million	*HK$ Million*
Credit quality		
Neither past due nor impaired	3,854.6	3,915.3
Past due or individually impaired	471.8	416.5
	4,326.4	4,331.8

Loans with strategic clients are all properly authorised by the CM and with other controls in place to monitor their performance. As at 31st December, 2009, any default of an individual loan will not be greater than 6% of the total loan portfolio and management considers that control are adequate to monitor the performance of these loans.

(c) ***Liquidity Risk***

The goal of liquidity management is to enable the Group, even under adverse market conditions, to actively manage and match funds inflow against all maturing repayment obligations to achieve maximum harmony on cash flow management.

The Group manages its liquidity position to ensure a prudent and adequate liquidity ratio, in strict accordance with statutory requirements. This is achieved by a transparent and collective monitoring approach across the Group involving the management and other relevant senior managers on a daily basis to ensure the availability of sufficient liquid funds to meet all obligations while in compliance with statutory requirements such as the Financial Resources Rules ("FRR").

The exposure of the Group's contractual undiscounted cash flow for the financial liabilities and their contractual maturity dates are as follows:

	Less than 31 days HK$ Million	31 days to 90 days HK$ Million	90 days to 1 year HK$ Million	1 year to 5 years HK$ Million	Over 5 years HK$ Million	Total HK$ Million
At 31st December, 2009						
Bank and other borrowings	698.7	249.1	2,113.3	1,247.9	—	4,309.0
Trade and other payables	1,564.3	—	—	—	—	1,564.3
Amounts due to associates	13.7	—	—	—	—	13.7
Amounts due to jointly controlled entities	0.3	—	—	—	—	0.3
Financial liabilities at fair value through profit or loss	96.5	—	—	—	—	96.5
At 31st December, 2008						
Bank and other borrowings	172.4	652.9	618.9	2,550.8	39.7	4,034.7
Trade and other payables	1,415.6	—	—	—	—	1,415.6
Amounts due to associates	13.8	—	—	—	—	13.8
Amounts due to jointly controlled entities	14.1	—	—	—	—	14.1
Financial liabilities at fair value through profit or loss	49.0	—	—	—	—	49.0

At the end of the reporting period, the Group had outstanding loan commitments of HK$340.4 million (2008: HK$ 314.8 million) from the principal subsidiary, UAF, which fall due within one year.

The Company's exposure to financial risks at the end of the reporting period is immaterial. Financial risk exposure at the Company level is mainly contributed by the amount due from its subsidiaries and is managed by assessing the recoverability of the repayment from those subsidiaries. The management monitors on a regular basis the availability of funds among the Group and the assets held by subsidiaries are considered sufficient to cover the amount due from them. Hence, the Company's exposure to financial risks at the end of the reporting period is considered immaterial.

46. MANAGEMENT OF THE FIXED-FEE CONTRACTS

The Group enters into certain fixed-fee contracts, in which the Group uses its own medical centres/clinics staff and other resources to provide medical/dental services covered by the contracts. The level of services to be rendered under the fixed-fee contracts is uncertain and depends on uncertain future events. The Group has to consider whether the cost of meeting its contractual obligations to provide the services under the fixed-fee contracts may exceed the revenue it will receive and the probability of such risk (the "Risk"), when assessing the pricing and provisioning for such contracts.

The frequency and severity of the risk are affected by many factors, including, inter alia, the health status and awareness of the persons covered by the fixed-fee contracts and that of the general public in Hong Kong, the outbreak/potential outbreak of any epidemic, climatic changes, the duration of those contracts (which in general are of short duration), as well as a diversity of social, industrial and economic factors. The risk associated with such factors (including an undue concentration thereof and the probability of the occurrence of certain events affected by them) on the actual recovery rate for individual contracts is the key source of uncertainty that needs to be estimated.

The Group manages the risk through periodic reviews of the estimated and actual recovery rate of individual contracts and includes such assessment in establishing its pricing and contract continuance policies.

As the related assets and liabilities of the fixed-fee contracts are non-interest bearing and as the provisions of services on credit are in general only made to customers with good credit history or of low risk profile, the Group's exposure to interest rate risk and credit risk in respect of such contracts is considered to be minimal.

As at 31st December, 2009, accounts receivable and deferred revenue of the Group attributable to its fixed fee contracts amounted to approximately HK$5.8 million (2008: HK$8.4 million) and HK$4.4 million (2008: HK$4.7 million), respectively.

47. ACQUISITION OF A SUBSIDIARY

On 23rd April, 2009, the Group acquired an additional 27.74% interests in SHK Hong Kong Industries Limited ("SHK HK IND") (formerly known as Yu Ming Investments Limited), a former associate of the Group, by way of subscription for shares under the rights issue of SHK HK IND. Accordingly, the Group's shareholding in the SHK HK IND increased from 26.98% to 54.72% and SHK HK IND became a subsidiary of the Group. The consideration for the acquisition of the 27.74% interest in SHK HK IND of HK$154.2 million was settled in cash. The fair value of the net assets acquired from the acquisition were as follows:

	Carrying amount and fair value
	HK$ Million
Available-for-sale financial assets	140.5
Held-to-maturity investments	33.7
Trade and other receivables	55.7
Financial assets at fair value through profit or loss	380.2
Cash and cash equivalents	282.7
Trade and other payables	(10.6)
Financial liabilities at fair value through profit or loss	(2.9)
Tax payable	(1.2)
Net assets	878.1
Minority interests	(397.6)
	480.5
Cash, including expenses paid, for subscription for shares under the rights issue of SHK HK IND	(154.2)
Transfer from interest in an associate	(187.8)
	(342.0)
Discount on acquisition	138.5
Net cash inflow arising on acquisition:	
— cash consideration settled in cash	(154.2)
— cash and cash equivalents in the subsidiary acquired	282.7
	128.5

The Group's interest in the net fair value of SHK HK IND's identifiable assets, liabilities and contingent liabilities at the date of acquisition exceeds the cost of the business combination as the subscription price for the rights shares of SHK HK IND was lower than the fair value of the net assets acquired. Accordingly, a discount arose on acquisition and was recognised immediately in the consolidated income statement.

SHK HK IND contributed HK$212.9 million to the Group's profit for the year between the date of acquisition and the reporting date.

If the acquisition had been completed on 1st January, 2009, total Group's revenue and profit for the year ended 31st December, 2009 would have been HK$4,974.0 million and HK$3,136.8 million respectively. The information is for illustrative purposes only and is not necessarily an indication of the revenue and results of the operations of the Group that actually would have been achieved had the acquisition been completed on 1st January, 2009, nor is it intended to be a projection of future results.

48. MAJOR NON-CASH TRANSACTION

During the year, dividend income of HK$50.0 million (2008: HK$60.0 million) was declared by a jointly controlled entity, out of which HK$49.0 million (2008: HK$60.0 million) was recorded by setting off the amount against the current account of the jointly controlled entity.

49. CONTINGENT LIABILITIES

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

	2009 *HK$ Million*	2008 *HK$ Million*
Indemnities on banking guarantees made available to a clearing house and regulatory body	4.5	4.5
Other guarantees	3.0	3.0
	7.5	7.5

(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 SHK, was required to pay US$3 million to Chang Zhou Power Development Company Limited ("JV"), a mainland PRC joint venture. SHKS had disposed of all of its beneficial interest in the JV to SHK's listed associate, TACI, in 1998 and disposed of any and all interest it might hold in the registered capital of the JV ("Interest") to Long Prosperity Industrial Limited ("LPI") in October 2001.

Subsequent to those disposals, SHKS' registered interest in the JV in the amount of US$3 million was frozen further to the 2001 Order. SHKS is party to the following litigation relating to the JV:

(i) On 29th February, 2008, a writ of summons with general indorsement of claim was issued by Global Bridge Assets Limited ("GBA"), LPI and Walton Enterprises Limited ("Walton") ("2008 Writ") in the High Court of Hong Kong against SHKS ("HCA 317/2008"). In the 2008 Writ,

  (a) GBA claims against SHKS for damages for alleged breaches of a guarantee, alleged breaches of a collateral contract, for an alleged collateral warranty, and for alleged negligent and/or reckless and/or fraudulent misrepresentation;

  (b) LPI claims against SHKS damages for alleged breaches of a contract dated 12th October, 2001; and

  (c) Walton claims against SHKS for the sum of US$3 million under a shareholders agreement and/or pursuant to the Award and damages for alleged wrongful breach of a shareholders agreement. GBA, LPI and Walton also claim against SHKS interest on any sums or damages payable, costs, and such other relief as the Court may think fit. The 2008 Writ was served on SHKS on 29th May, 2008. It is being vigorously defended. Among other things, pursuant to a 2001 deed of waiver and indemnification, LPI (being the nominee of GBA) waived and released SHKS from any claims including any claims relating to or arising from the Interest, the JV or any transaction related thereto, covenanted not to sue, and assumed liability for and agreed to indemnify SHKS from any and all damages, losses and expenses arising from any claims by any entity or party arising in connection with the Interest, the JV or any transaction related thereto. On 24th February, 2010 the Court of Appeal struck out the claims of GBA and LPI, and awarded costs of the appeal and the strike out application as against GBA and LPI to SHKS. While a provision has been made for legal costs, SHK does not consider it presently appropriate to make any other provision with respect to HCA 317/2008.

(ii) On 20th December, 2007, a writ ("Mainland Writ") was issued by Cheung Lai Na (張麗娜) ("Ms. Cheung") against TACI 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 TACI's and SHKS' favour on 27th July, 2009 which judgment is currently being appealed against by Ms. Cheung. While a provision has been made for legal costs, SHK does not consider it presently appropriate to make any other provision with respect to this writ.

(iii) On 4th June, 2008, a writ of summons was issued by TACI 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 TACI 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 TACI 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 TACI and SHKS in the High Court of Hong Kong against Ms. Cheung on 4th June, 2009 seeking the same relief as the HK Writ. SHK does not consider it presently appropriate to make any provision with respect to this action.

50. CAPITAL COMMITMENTS

	The Group	
	2009	**2008**
	HK$ Million	*HK$ Million*
Capital expenditure contracted but not provided for in the consolidated financial statements	7.5	113.4
Capital expenditure authorised but not contracted for	—	—

The Company did not have any significant capital commitments at 31st December, 2009 and 2008.

51. OPERATING LEASE ARRANGEMENTS

	The Group		**The Company**	
	2009	**2008**	**2009**	**2008**
	HK$ Million	*HK$ Million*	*HK$ Million*	*HK$ Million*
As lessee				
Minimum lease payments under operating leases recognised for the year				
Land and buildings	205.2	179.8	4.6	5.8
Others	7.2	9.9	—	—
	212.4	189.7	4.6	5.8

At the end of the reporting period, the Group and the Company had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	The Group				The Company	
	2009		2008		2009	2008
	Land and buildings	Others	Land and buildings	Others	Land and buildings	
	HK$ Million	*HK$ Million*	*HK$ Million*	*HK$ Million*	*HK$ Million*	*HK$ Million*
Within one year	181.2	3.8	170.5	5.4	6.6	5.8
In the second to fifth years inclusive	150.4	1.3	110.1	1.3	1.7	—
Over five years	9.0	—	—	—	—	—
	340.6	5.1	280.6	6.7	8.3	5.8

Operating lease payments represent rental payable by the Group for its office premises, medical centres, elderly care homes and office equipment. Leases are generally negotiated for terms ranging from one to six years.

As lessor

Property rental income earned during the year was HK$145.4 million (2008: HK$141.1 million). The property held has committed tenants whose tenancy agreements expire or are terminable over the next three years.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	The Group	
	2009	2008
	HK$ Million	*HK$ Million*
Within one year	122.0	96.4
In the second to fifth years inclusive	67.5	69.6
	189.5	166.0

The Company did not have any significant lease commitments as lessor under non-cancellable operating leases at the end of the reporting period.

52. RETIREMENT BENEFIT SCHEMES

The Group operates defined contribution retirement benefit schemes for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group under provident funds managed by independent trustees.

The retirement benefits cost charged to the consolidated income statement represents contributions paid and payable to the fund by the Group at rates specified in the rules of the schemes. Where there are employees who leave the schemes prior to vesting fully in the contributions, in accordance with the terms of the schemes, the contributions payable by the Group are reduced by the amount of forfeited employer's contributions.

At 31st December, 2009 and 2008, there were no material forfeited contributions which arose when employees left the retirement benefit schemes before they were fully vested in the contributions and which were available to reduce the contributions payable by the Group in the future years.

The scheme has been closed in December 2000 to new employees as a consequence of the Mandatory Provident Fund Schemes Ordinance introduced by the Hong Kong Government.

From 1st December, 2000 onwards, the new staff in Hong Kong joining the Group are required to join the Mandatory Provident Fund Scheme ("MPF Scheme"). The Group is required to contribute 5% of the employees' salaries, while the employees are required to contribute 5% of their salaries to the MPF Scheme.

The employee ownership scheme of SHK ("EOS"), was formally adopted on 18th December, 2007 and was established to help attract, recognise and retain talent. Under the EOS, selected employees or directors of the SHK group ("Selected Grantees") are to be awarded shares of SHK which have been purchased by the appointed scheme trustee. Upon the management's recommendation, the number of shares awarded to the Selected Grantees (other than a director of SHK) shall be determined, with the vesting dates for various tranches, by a committee (comprising four members of SHK's senior management) delegated with the necessary authority by the board of SHK. Any EOS award to a Selected Grantee who is a director of SHK shall be subject to the approval by the board of SHK following a recommendation from the remuneration committee of the board of SHK.

During the year, 0.9 million shares (2008: 4 million shares) of SHK were awarded to Selected Grantees under the EOS. The fair value of the services rendered as consideration of the shares awarded during the year was measured by reference to the fair value of the awarded shares at the award dates in a sum of HK$3.8 million during the year (2008: HK$22.2 million). The fair value of the awarded shares after deducting the present value of expected dividends to be received during the vesting period would be recognised to the consolidated income statement over the vesting period. The amount expensed during the year was HK$7.1 million (2008: HK$9.7 million).

53. 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 HK$2,980.5 million* (2008: HK$ 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$3,927.3 million (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.*

54. RELATED PARTY TRANSACTIONS AND BALANCES

During the year, the Group entered into following significant transactions with related parties.

(a) Summary of transactions

	(Income)/Expense	
	2009	**2008**
	HK$ Million	*HK$ Million*
Associates		
Management services fee	(12.9)	(11.7)
Interest income	(6.1)	(1.8)
Management fee, performance fee and other fees	(3.2)	(12.5)
Loan arrangement fee, placement fee and underwriting fee	(2.5)	(8.5)
Rent, property management and air-conditioning fees and other related services fee	(0.4)	(0.4)
Insurance premium	—	(0.8)
Rent paid	1.2	1.4
Interest expenses	—	0.5
Jointly controlled entities		
Property management and air-conditioning fees and other property related service fees	(13.4)	(13.8)
Administration, management and consultancy fees	(6.7)	(6.3)
Rental expenses	18.2	17.7

(b) Key management personnel compensation

	2009	**2008**
	HK$ Million	*HK$ Million*
Short-term benefits	34.2	51.3
Post-employment benefits	0.6	0.6
	34.8	51.9

(c) At the end of the reporting period, the Group and the Company had the following material balances with related parties:

	The Group		The Company	
	2009	**2008**	**2009**	**2008**
	HK$ Million	*HK$ Million*	*HK$ Million*	*HK$ Million*
Associates	113.2	94.4	3.5	3.4
Jointly controlled entities	3.6	(10.7)	—	—
	116.8	83.7	3.5	3.4

The above amounts are included in the statement of financial position of the Group and the Company in the following ways:

		The Group		The Company	
		2009	**2008**	**2009**	**2008**
	Notes	*HK$ Million*	*HK$ Million*	*HK$ Million*	*HK$ Million*
Trade and other receivables		3.5	3.4	3.5	3.4
Amounts due from associates	*(i)*	123.4	104.8	—	—
Amount due from a jointly controlled entity	*(ii)*	3.9	3.4	—	—
Amounts due to associates	*(i)*	(13.7)	(13.8)	—	—
Amounts due to jointly controlled entities	*(ii)*	(0.3)	(14.1)	—	—
		116.8	83.7	3.5	3.4

Notes:

(i) These amounts due from (to) associates are unsecured, non-interest bearing and repayable on demand, except for an unsecured short-term loan to an associate of HK$62.6 million which bears interest at 12% per annum and is due for repayment on 31st December, 2010.

(ii) These amounts due from (to) jointly controlled entities are unsecured, non-interest bearing and repayable on demand.

(d) During the year, both the Group and a joint venture partner, each having a 50% interests in a jointly controlled entity, received and repaid various non-interest bearing loans from such jointly controlled entity. At 31st December, 2008, the Group had an outstanding balance of HK14.0 million with the jointly controlled entity, which was unsecured, non-interest bearing and repayable on demand. At 31st December, 2009, the Group had no outstanding balance with the jointly controlled entity.

(e) During the year, a short-term loan of HK$38.5 million was repaid by an associate and a short-term loan of HK$62.6 million was advanced to an associate. The loan advanced was unsecured, carry interest at 12% per annum repayable on 31st December, 2010.

55. MATURITY PROFILE OF TERM ASSETS AND LIABILITIES

	At 31st December, 2009					
	On demand	Within 3 months	3 months to 1 year	1 year to 5 years	After 5 years	Total
	HK$ Million	*HK$ Million*	*HK$ Million*	*HK$ Million*	*HK$ Million*	*HK$ Million*
Assets						
Fixed deposits with banks	—	760.0	—	—	—	760.0
Held-to-maturity investments	—	—	—	37.2	14.3	51.5
Loans and advances to consumer finance customers	536.7	678.2	1,546.9	1,923.4	199.4	4,884.6
Term loans	260.7	146.6	210.6	—	—	617.9
Treasury bills	—	7.8	—	—	—	7.8
Liabilities						
Bank and other borrowings	11.0	1,040.0	2,074.5	1,141.5	—	4,267.0

	At 31st December, 2008					
	On demand	Within 3 months	3 months to 1 year	1 year to 5 years	After 5 years	Total
	HK$ Million	*HK$ Million*	*HK$ Million*	*HK$ Million*	*HK$ Million*	*HK$ Million*
Assets						
Fixed deposits with banks	—	1,259.9	—	—	—	1,259.9
Loans and advances to consumer finance customers	462.0	670.2	1,687.7	1,726.7	185.7	4,732.3
Loans and receivables	—	—	117.5	189.7	—	307.2
Term loans	222.3	113.9	505.0	—	—	841.2
Treasury bills	—	7.7	—	—	—	7.7
Liabilities						
Bank and other borrowings	98.5	790.7	514.6	2,440.0	39.3	3,883.1

The above tables list out assets and liabilities based on the contractual maturity. Overdue assets are reported as on demand.

56. SUBSEQUENT EVENTS

Pursuant to the announcement of 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.

57. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31st December, 2009 which have their principal place of operations in Hong Kong are set out below:

Subsidiaries	Paid up issued ordinary share capital	Proportion of nominal value of issued capital held by the Company/ subsidiaries		attributable to the Group		Principal activity
		2009	2008	2009	2008	
	HK$	%	%	%	%	
AG Capital Limited	2	100	100	100	100	Securities trading, money lending and business of consultancy
Alaston Development Limited	US$1	100	100	74	74	Property trading
Allied Aquatic Produce Development Limited	50,000,000	100*	100*	100	100	Investment holding
Allied Capital Management Limited	2	100	100	100	100	Securities trading
Allied Medical Practices Guild Limited	2	100	100	48	46	Provision of contract healthcare services
Allied Properties (H.K.) Limited**	1,217,766,486	16* 58	16* 58	74	74	Investment holding
Allied Real Estate Agency Limited	2	100	100	74	74	Real estate agency
AP Administration Limited	2	100	100	74	74	Provision of management and consultancy services
AP Corporate Services Limited	2	100	100	74	74	Provision of corporate services
AP Development Limited	2	100	100	74	74	Investment holding
AP Diamond Limited	US$1	100	100	74	74	Property trading and holding
AP Emerald Limited	US$1	100	100	74	74	Investment holding
AP Finance Limited	2	100	100	74	74	Money lending
AP Property Management Limited	2	100	100	74	74	Building management
Asia Vision Holdings Limited	0.02	100	—	58	—	Investment holding

Subsidiaries	Paid up issued ordinary share capital	Proportion of nominal value of issued capital held by the Company/ subsidiaries		attributable to the Group		Principal activity
		2009	2008	2009	2008	
	HK$	*%*	*%*	*%*	*%*	
Berkshire Group Limited	US$1	100	100	48	46	Provision of healthcare services
Best Melody Development Limited	5,000	100	100	74	74	Property holding
Capital Sharp Investment Limited	2	100	—	58	—	Investment holding
Capscore Limited	2	100*	100*	100	100	Investment holding
CASE Specialist Limited	10,000	100	100	48	46	Provision of aesthetic services
Charm Force Investment Limited	1	100	—	58	—	Investment holding
Citiwealth Investment Limited	2	100*	100*	100	100	Investment holding
CMS Investments Limited	0.01	100	—	58	—	Investment holding
Conrad Services Limited	1	100	—	74	—	Environment and E & M services
Contana Investment Limited	2	100	—	58	—	Investment holding
Dynamic People Group Limited	US$1	100	100	48	46	Provision of LASIK and optical surgical services
First Asian Holdings Limited	2	58	58	27	27	Asset holding
Florich Development Limited	10,000	100	100	74	74	Investment holding
Front Sail Limited	5,000	100	100	74	74	Property holding
GHC Holdings Limited	10,000	100	100	48	46	Investment holding
Gilmore Limited	2	100	100	74	74	Property holding
Gloxin Limited	2	100	100	46	47	Investment holding
Hillcrest Development Limited	20	100	100	74	74	Property holding
Hi-Link Limited	200	100	100	74	74	Investment holding
Integrated Custodian Limited	2	100	100	74	74	Property holding
Itso Limited	2	100	100	46	47	Securities trading

Subsidiaries	Paid up issued ordinary share capital	Proportion of nominal value of issued capital held by the Company/ subsidiaries 2009	2008	attributable to the Group 2009	2008	Principal activity
	HK$	%	%	%	%	
Jaffe Development Limited	US$1	100	100	74	74	Property holding
Kalix Investment Limited	2	100	100	74	74	Property holding
King Policy Development Limited	2	100	100	74	74	Property holding
Lexshan Nominees Limited	2	100	100	46	47	Nominee service
Long Portfolio Limited	1	100	—	58	—	Investment holding
Long Rainbow Limited	2	100	—	58	—	Investment holding
Long Resources Limited	2	100	—	58	—	Investment holding
Long Scene Limited	2	100	—	58	—	Investment holding
Long Set Investments Limited	2	100	—	58	—	Investment holding
Longson Limited	2	100	—	58	—	Investment holding
Macdonnell (Nominees) Limited	10,000	100	100	46	47	Investment holding
Mainford Investment Limited	1	100	100	74	74	Property holding
Marvellous Way Limited	10	100	100	48	46	Operation of Chinese medicine centres
Maxplan Investment Limited	2	100	100	74	74	Securities trading
Mix Limited	1,400,000	100	—	58	—	Investment holding
Mightyton Limited	10,000	100	100	74	74	Property holding
Oakfame Investment Limited	2	100	100	46	47	Investment holding
Odelon Limited	2	100	—	58	—	Investment holding
Ontone Limited	2	100	100	74	74	Hotel operations and property holding
Pioneer Alliance Limited	10,000	100*	100*	100	100	Investment holding
Plentiwind Limited	2	100	100	46	47	Futures trading
Polyking Services Limited	2	100	100	48	48	Building maintenance and cleaning services
Protech Property Management Limited	5,000	100	100	48	48	Building management

Subsidiaries	Paid up issued ordinary share capital	Proportion of nominal value of issued capital held by the Company/ subsidiaries		Proportion of nominal value of issued capital attributable to the Group		Principal activity
		2009	2008	2009	2008	
	HK$	*%*	*%*	*%*	*%*	
QHES Limited	US$1	100	100	48	46	Provision of elderly care services
Quality HealthCare Asia Limited**	22,503,941	64	63	48	46	Investment holding
Quality HealthCare Dental Services Limited	1,000	100	100	48	46	Provision of dental services
Quality HealthCare Man Kee Elderly Limited	1,000	100	100	48	46	Provision of elderly care services
Quality HealthCare Medical Centre Limited	1,300	100	100	48	46	Provision of medical facilities and services
Quality HealthCare Medical Services Limited	2	100	100	48	46	Provision of contract healthcare services
Quality HealthCare Nursing Agency Limited	10,000	100	100	48	46	Provision of nursing agency services
Quality HealthCare Nursing Home Limited	1,000	100	100	48	46	Provision of elderly care services
Quality HealthCare Physiotherapy Services Limited	1,000	100	100	48	47	Provision of physiotherapy services
Quality HealthCare Psychological Services Limited	1	100	100	48	46	Provision of psychological services
Quality HealthCare Professional Services Limited	2	100	100	48	46	Provision of professional services
Quick Art Limited	3,540,000	100	100	46	47	Share trading
Rank Crown Investment Limited	2	100*	100*	100	100	Investment holding
San Pack Properties Limited	10	100	100	74	74	Property holding
Scienter Investments Limited	20	100	100	46	47	Share trading
SHK Finance Limited	150,000,000	100	100	27	27	Money lending
SHK Financial Data Limited	100	51	51	24	24	Financial information services

Subsidiaries	Paid up issued ordinary share capital	Proportion of nominal value of issued capital held by the Company/ subsidiaries		attributable to the Group		Principal activity
		2009	2008	2009	2008	
	HK$	%	%	%	%	
SHK Fund Management Limited	62,000,000	100	100	46	47	Funds marketing and investment advising
SHK Hong Kong Industries Limited**	373,878,981	58	—	58	—	Investment holding
SHK Investment Services Limited	1,000,000	100	100	46	47	Asset holding and leasing
SHK Online (Securities) Limited	40,000,000	100	100	46	47	Online securities broking and margin financing
SHK Online Limited	20,000,000	100	100	46	47	Investment holding
SHK Pearl River Delta Investment Company Limited	75,000,000	100	100	46	47	Investment holding
Shun Loong Forex Company Limited	32,000,000	100	100	46	47	Leveraged foreign exchange dealing and broking
Shun Loong Futures Limited	15,000,000	100	100	46	47	Futures and options dealing
Shun Loong Holdings Limited	200,000,000	100	100	46	47	Investment holding
Shun Loong Securities Company Limited	50,000,000	100	100	46	47	Securities broking and share margin financing
Sierra Joy Limited	2	100	100	74	74	Property holding
Sino Success (HK) Limited	2	100	100	48	46	Provision of corporate services
Splendid Gain Limited	2	100	100	46	47	Investment holding
Sun Hing Bullion Company Limited	5,000,000	100	100	46	47	Bullion trading
Sun Hung Kai & Co. Limited**	350,429,615	62	63	46	47	Investment holding
Sun Hung Kai (Nominees) Limited	200	100	100	46	47	Nominee services
Sun Hung Kai Bullion Company Limited	30,000,000	100	100	46	47	Bullion trading and investment holding
Sun Hung Kai Commodities Limited	80,000,600	100	100	46	47	Commodities broking

Subsidiaries	Paid up issued ordinary share capital	Proportion of nominal value of issued capital held by the Company/ subsidiaries		attributable to the Group		Principal activity
		2009	2008	2009	2008	
	HK$	%	%	%	%	
Sun Hung Kai Forex Limited	150,000,000	100	100	46	47	Foreign exchange dealing
Sun Hung Kai Insurance Consultants Limited	1,000,000	100	100	46	47	Insurance broking and consultancy services
Sun Hung Kai International Limited	10,000,000	100	100	46	47	Corporate finance service
Sun Hung Kai International Commodities Limited	25,000,000	100	100	46	47	Securities, futures and options trading
Sun Hung Kai Investment Services Limited	450,000,000	100	100	46	47	Investment holding, share broking and margin financing
Sun Hung Kai Securities (Overseas) Limited	60,000	100	100	46	47	Investment holding
Sun Hung Kai Securities (Trustees) Limited	3,000,000	100	100	46	47	Provision of trustee services
Sun Hung Kai Securities Capital Markets Limited	1,000	100	100	46	47	Investment holding
Sun Hung Kai Securities Limited	124,898,589	100	100	46	47	Investment holding
Sun Hung Kai Strategic Capital Limited	2	100	100	46	47	Investment holding and securities trading
Sun Hung Kai Structured Finance Limited	137,500,000	100	100	46	47	Provision of loan finance
Sun Hung Kai Venture Capital Limited	2	100	100	46	47	Investment holding
Sun Hung Kai Wealth Management Limited	5,000,000	100	100	46	47	Financial planning and wealth management
Sun Tai Cheung Credits Limited	150,000,000	100	100	46	47	Money lending
Sun Tai Cheung Finance Company Limited	25,000,000	100	100	46	47	Financial services
Sunhill Investments Limited	2	100*	100*	100	100	Investment holding
Sun Yi Company Limited	15,000,000	100	100	46	47	Futures trading
Texgulf Limited	20	100	100	46	47	Property holding

Subsidiaries	Paid up issued ordinary share capital	Proportion of nominal value of issued capital held by the Company/ subsidiaries		attributable to the Group		Principal activity
		2009	2008	2009	2008	
	HK$	%	%	%	%	
To Wan Development Company Limited	10,000	100	100	46	47	Investment holding
The Hong Kong Equity Guarantee Corporation Limited	2	100	—	58	—	Investment holding
Tung Wo Investment Company, Limited	10,000	100	100	46	47	Investment holding
United Asia Finance Limited	137,500,000	58	58	27	27	Consumer financing
Wah Cheong Development Company, Limited	25,100,000	100	100	46	47	Investment holding
Wineur Secretaries Limited	2	100	100	46	47	Secretarial services
Yee Li Ko Investment Limited	58,330,000	100	100	46	47	Property holding
Yu Ming Investment Management Limited	10,000,000	100	100	100	100	Management and investment advisory services

With the exception of Alaston Development Limited, AP Diamond Limited, AP Emerald Limited, Berkshire Group Limited, Dynamic People Group Limited, Jaffe Development Limited and QHES Limited, which were incorporated in the British Virgin Islands and Quality HealthCare Asia Limited which was incorporated in Bermuda, all the above subsidiaries were incorporated in Hong Kong.

Particulars of the Company's principal subsidiaries at 31st December, 2009 which were incorporated and have their principal place of operations outside Hong Kong are set out below:

Subsidiaries	Place of incorporation/ operation	Paid up issued ordinary share capital	Proportion of nominal value of issued capital held by the Company/ subsidiaries		attributable to the Group		Principal activity
			2009	2008	2009	2008	
			%	%	%	%	
Allied Properties China Limited	Cayman Islands	US$1,000	100	100	74	74	Investment holding
Best Decision Investments Limited	British Virgin Islands	US$50,000	65	65	30	30	Investment holding
Boneast Assets Limited	British Virgin Islands	US$1	100	100	46	47	Investment holding

Subsidiaries	Place of incorporation/ operation	Paid up issued ordinary share capital	Proportion of nominal value of issued capital held by the Company/ subsidiaries 2009 %	2008 %	attributable to the Group 2009 %	2008 %	Principal activity
Bright Clear Limited	British Virgin Islands	US$1	100	100	100	100	Investment holding
Constable Development S.A.	Panama	US$5	100	100	46	47	Investment holding
Dynamic Force Investments Limited	British Virgin Islands	US$1	100	100	46	47	Investment holding
Fine Era Limited	British Virgin Islands	US$1	100	100	100	100	Investment holding
Hing Yip Holdings Limited	British Virgin Islands	US$1	100	100	46	47	Property holding
I-Market Limited	British Virgin Islands	US$1	100	100	46	47	Investment holding
Kenworld Corporation	Republic of Liberia	US$1	100	100	74	74	Investment holding
Lakewood Development Corporation	United States of America	US$1,000	100	100	74	74	Property held for sale
Onspeed Investments Limited	British Virgin Islands	US$1	100	100	27	27	Investment holding
Shipshape Investments Limited	British Virgin Islands	US$1	100	100	46	47	Investment holding
SHK Alternative Managers Limited	Cayman Islands	US$1	100	100	46	47	Funds management
SHK Absolute Return Managers Limited	Cayman Islands	US$10	100	100	46	47	Investment holding
SHK Dynamic Managers Limited	Cayman Islands	US$10	100	100	46	47	Funds management
SHK Global Managers Limited	British Virgin Islands	US$5,000	100	100	46	47	Funds management
SHK Private Equity Managers Limited	Cayman Islands	US$10	100	100	46	47	Funds management
SHK Quant Managers Limited	Cayman Islands	US$10	100	100	46	47	Funds management

Subsidiaries	Place of incorporation/ operation	Paid up issued ordinary share capital	Proportion of nominal value of issued capital held by the Company/ subsidiaries		attributable to the Group		Principal activity
			2009	2008	2009	2008	
			%	%	%	%	
Sing Hing Investment Limited	British Virgin Islands	US$1	100	100	46	47	Property holding
Sun Hung Kai (China) Investment Management Company Limited	People's Republic of China	RMB50,000,000	100	100	46	47	Corporate marketing and investment consultancy
Sun Hung Kai GAPS Limited	Brunei Darussalam	US$1	100	100	46	47	Management services
Sun Hung Kai Global Managers Limited	Brunei Darussalam	US$1	100	100	46	47	Management services
Sun Hung Kai International Bank [Brunei] Limited	Brunei Darussalam	SGD10,000,000	100	100	46	47	International banking business
Sun Hung Kai International Investment Management Limited	British Virgin Islands	US$50,000	100	100	46	47	Investment holding
Sun Hung Kai Investment Services (Macau) Limited	Macau	MOP48,900,000	100	100	46	47	Property holding
Sun Hung Kai Securities (Bermuda) Limited	Bermuda	US$12,000	100	100	46	47	Investment holding and management services
Swan Islands Limited	British Virgin Islands	US$1	100	100	46	47	Investment holding
UAF Holdings Limited	British Virgin Islands	US$1	100	100	46	47	Investment holding
Upper Selection Investments Limited	British Virgin Islands	US$1	100	100	46	47	Investment holding
Wah Cheong Development (B.V.I.) Limited	British Virgin Islands	US$2,675,400	100	100	74	74	Investment holding
Zeal Goal International Limited	British Virgin Islands	US$1	100	100	46	47	Investment holding

Subsidiaries	Place of incorporation/ operation	Paid up issued ordinary share capital	Proportion of nominal value of issued capital held by the Company/ subsidiaries		attributable to the Group		Principal activity
			2009	2008	2009	2008	
			%	%	%	%	
亞聯財信息諮詢（深圳）有限公司	People's Republic of China	RMB25,000,000	100	100	27	27	Financial consultancy
深圳市亞聯財小額信貸有限公司	People's Republic of China	RMB30,000,000	100	100	27	27	Money lending
深圳亞聯財行銷顧問有限公司	People's Republic of China	RMB10,000,000	100	100	27	27	Money lending
新鴻基（天津）投資管理有限公司	People's Republic of China	RMB50,000,000	100	100	46	47	Asset management
廣州市新鴻基投資顧問有限公司	People's Republic of China	HK$6,000,000	100	100	46	47	Corporate marketing and investment consultancy
瀋陽金融商貿開發區亞聯財小額貸款有限公司	People's Republic of China	RMB$50,000,000	100	—	27	—	Money lending
重慶市渝中區亞聯財小額貸款有限責任公司	People's Republic of China	US$20,000,000	100	—	27	—	Money lending

* *These shareholdings represent the proportion of nominal value of issued share capital held by the Company.*

** *These subsidiaries are listed in Hong Kong and further details about them are available in their published accounts.*

The above tables list the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

58. PARTICULARS OF PRINCIPAL ASSOCIATES

Particulars of the Group's principal associates at 31st December, 2009 are set out below.

Associates	Place of incorporation operation	Proportion of nominal value of issued capital held by subsidiaries 2009 %	held by subsidiaries 2008 %	attributable to the Group 2009 %	attributable to the Group 2008 %	Principal activity
China Xin Yongan Futures Company Limited	Hong Kong	25	25	12	12	Futures dealing
Chronicle Gain Limited	Hong Kong	45	45	21	21	Property holding
Drinkwater Investment Limited	Hong Kong	22	22	10	10	Property holding
Eurogold Limited*	Australia	49	49	36	36	Investment holding
Learning Ark Holdings Limited	British Virgin Islands	26	—	15	—	Provision of online education services
Omicron International Limited	British Virgin Islands	44	44	21	21	Investment holding
Real Estate Investments (N.T.) Limited	Hong Kong	40	40	19	19	Property development
Silver York Development Limited	Hong Kong	42	42	19	20	Investment holding
Start Hold Limited	Hong Kong	33	33	16	15	Investment holding
Tanami Gold NL*	Australia	21	21	16	16	Gold mining operations and mineral exploration
Tian An China Investments Company Limited**	Hong Kong	38	37	18	17	Investment holding

* *These associates are listed in Australia and further details about them are available in their published accounts.*

** *This associate is listed in Hong Kong and further details are available in its published accounts.*

The above table lists the associates of the Group which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the Directors, result in particulars of excessive length.

59. PARTICULARS OF JOINTLY CONTROLLED ENTITIES

Particulars of the Group's jointly controlled entities at 31st December, 2009 are set out below.

Jointly controlled entities	Form of business structure	Place of incorporation/ operation	Proportion of nominal value of issued capital and voting rights held by subsidiaries 2009 %	held by subsidiaries 2008 %	attributable to the Group 2009 %	attributable to the Group 2008 %	Principal activity
Allied Kajima Limited	Incorporated	Hong Kong	50	50	37	37	Property and investment holding
Fast Track Holding Limited	Incorporated	Hong Kong	49	—	23	—	Investment holding
Poltallock Limited	Incorporated	Hong Kong	50	50	24	23	Inactive
SHK Corporate Finance (Shanghai) Limited	Incorporated	People's Republic of China	33	33	15	15	Corporate finance advisory
Shenzhen Oriental Venture Capital Management Co., Ltd	Incorporated	People's Republic of China	49	49	23	23	Venture Capital investment management
中山市中基投資咨詢有限公司	Incorporated	People's Republic of China	34	34	16	16	Corporate investment, providing management and product marketing consultancy services

3. INDEBTEDNESS STATEMENT

At the close of business on 31st March, 2010, being the latest practical date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had outstanding borrowings of approximately HK$5,359.0 million, comprising secured bank loans of approximately HK$2,935.1 million, unsecured bank loans of approximately HK$2,205.3 million, unsecured borrowings of approximately HK$13.5 million from associates, unsecured borrowing of approximately HK$6.4 million from an investee company, unsecured borrowing of approximately HK$0.4 million from a minority shareholder and unsecured other borrowings of approximately HK$198.3 million. The Group's banking facilities were secured by charges over respective assets, including investment properties, hotel property, land and buildings, prepaid land lease payments and properties held for sale with an aggregate carrying value of HK$4,513.0 million, bank deposits and bank balances of HK$157.2 million, listed investments belong to the Group with fair values of HK$2,658.6 million, listed investments belong to margin clients with fair values of HK$2,185.4 million and debt securities, including the related embedded option, with carrying value of HK$140.3 million together with certain shares in respect of a listed subsidiary with a carrying value of HK$1,448.3 million.

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

Foreign currency amounts have been translated into Hong Kong dollars at the rates of exchange prevailing at the close of business on 31st March, 2010.

Save as aforesaid and apart from intra-group liabilities, the Group did not have any outstanding mortgages, charges, debenture or other loan capital or bank overdrafts, loans or other similar indebtedness or hire purchase commitments, liabilities under acceptances or acceptances credits or any guarantees or other material contingent liabilities at the close of business on 31st March, 2010.

4. WORKING CAPITAL

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

5. FINANCIAL AND TRADING PROSPECTS

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 and will continue to prudently implement its stated strategies for the benefit of the Group and all its shareholders.

Deloitte.
德勤

ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF ALLIED GROUP LIMITED

We report on the unaudited pro forma financial information of Allied Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors of the Company for illustrative purposes only to provide information about how the (i) major transaction and deemed disposal in Allied Properties (H.K.) Limited ("APL") relating to proposed acquisition by APL of interest in Tian An China Investments Company Limited from Sun Hung Kai & Co. Limited ("SHK"); and (ii) major transaction and deemed disposal in SHK relating to the proposed issue by SHK of HK$1,708,000,000 in aggregate principal amount of 2% mandatory convertible notes due 2013 mandatorily convertible into ordinary shares of SHK; and HK$427,000,000 in face value of warrants exercisable to subscribe for ordinary shares of SHK might have affected the financial information presented, for inclusion in Appendix II to the circular under the heading of "Unaudited Pro Forma Information of the Group" (the "Unaudited Pro Forma Financial Information") dated 24th May, 2010 (the "Circular"). The basis of preparation of the Unaudited Pro Forma Financial Information is set out on pages 149 to 152 in Appendix II to the Circular.

Respective responsibilities of Directors of the Company and reporting accountants

It is the responsibility solely of the Directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants.

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the Directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the Directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgments and assumptions of the Directors of the Company and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in future and may not be indicative of the financial position of the Group as at 31 December 2009 or any future date.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group to the extent that the accounting policies are applicable to transactions that take place on or after 1st January, 2010; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
24th May, 2010

INTRODUCTION

On 19th April, 2010, the Purchaser (as purchaser), an indirect wholly-owned subsidiary of APL, and APL (as guarantor to the Purchaser) entered into the Acquisition Agreement with SHK (as vendor) for the acquisition of the Tian An Interest (representing approximately 38.06% of the total issued share capital of Tian An) which represents the entire interest of SHK in Tian An. Upon Completion, the SHK Independent Shareholders will receive APL Shares pursuant to the Proposed Distribution and APL will hold approximately 38.06% equity interest in Tian An directly instead of holding through SHK, its 62.31% owned subsidiary. In addition, on 22nd April, 2010, SHK entered into a Subscription Agreement with the Investor pursuant to which SHK conditionally agreed to issue and the Investor conditionally agreed to subscribe for the HK$1,708,000,000 in aggregate principal amount of 2% Mandatory Convertible Notes and HK$427,000,000 in face value of Warrants, subject to the fulfilment of the conditions precedent in the Subscription Agreement. For the purposes of this unaudited pro forma statement of assets and liabilities, the transactions contemplated under the Acquisition Agreement and the Subscription Agreement are collectively defined as "Proposed Transactions".

The following is the unaudited pro forma statement of assets and liabilities of the Group prepared by the Directors in accordance with paragraph 4.29 of the Listing Rules for the purposes of illustrating the effect of the Proposed Transactions which may have on the assets and liabilities of the Group as at 31st December, 2009.

The preparation of the unaudited pro forma statement of assets and liabilities is based on the audited consolidated statement of financial position of the Group as at 31st December, 2009 which has been extracted from the published annual report of the Group for the year ended 31st December, 2009 as set out in Appendix I in this circular and adjusted only to reflect the pro forma adjustments described in the notes thereto.

The unaudited pro forma statement of assets and liabilities is based on a number of assumptions, estimates and uncertainties and is provided for illustrative purpose only. Because of its hypothetical nature, the unaudited pro forma statement of assets and liabilities may not purport to describe the actual financial position of the Group that would have been attained had the Proposed Transactions been completed on 31st December, 2009. The unaudited pro forma statement of assets and liabilities may not be indicative of the financial position of the Group had the Proposed Transactions been completed as at the date of which they are made up to or at any future date.

UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE GROUP

		Acquisition of the Tian An Interest from SHK and distribution of the SEN									Issue and subscription of the Mandatory Convertible Notes and Warrants		
	The Group at 31st December, 2009 HK$ million	Pro forma adjustment relating to disposal of the Tian An Interest by SHK HK$ million	Notes	Pro forma adjustment relating to acquisition of the Tian An Interest from SHK HK$ million	Note	Pro forma adjustment relating to acquisition of the Tian An Interest from SHK HK$ million	Note	Pro forma adjustment relating to the distribution of the SEN by SHK HK$ million	Note	Pro forma Group HK$ million	Pro forma adjustment relating to the issue of the Mandatory Convertible Notes and Warrants HK$ million	Note	Pro forma Group HK$ million
Non-current assets													
Investment properties	3,868.7									3,868.7			3,868.7
Property, plant and equipment	339.3									339.3			339.3
Prepaid land lease payments	343.0									343.0			343.0
Goodwill	278.0									278.0			278.0
Intangible assets	405.2									405.2			405.2
Interests in associates	4,345.1	(4,128.0)	(b)	3,807.3	(d)	320.7	(e)			4,345.1			4,345.1
Interests in jointly controlled entities	1,043.2									1,043.2			1,043.2
Available-for-sale financial assets	749.5									749.5			749.5
Held-to-maturity investments	51.5									51.5			51.5
Statutory deposits	36.0									36.0			36.0
Amounts due from associates	56.1									56.1			56.1
Loans and advances to consumer finance customers due after one year	1,870.2									1,870.2			1,870.2
Deferred tax assets	100.5									100.5			100.5
	13,486.3	(4,128.0)		3,807.3		320.7		—		13,486.3	—		13,486.3
Current assets													
Properties held for sale and other inventories	374.5									374.5			374.5
Financial assets at fair value through profit or loss	1,443.6	3,807.3	(c)					(3,807.3)	(f)	1,443.6			1,443.6
Prepaid land lease payments	6.1									6.1			6.1
Loans and advances to consumer finance customers due within one year	2,456.2									2,456.2			2,456.2
Trade and other receivables	5,922.4									5,922.4			5,922.4
Amounts due from associates	67.3									67.3			67.3
Amount due from a jointly controlled entity	3.9									3.9			3.9
Tax recoverable	5.9									5.9			5.9
Short-term pledged bank deposits	141.6									141.6			141.6
Cash and cash equivalents	2,278.4									2,278.4	1,708.0	(g)	3,986.4
	12,699.9	3,807.3		—		—		(3,807.3)		12,699.9	1,708.0		14,407.9

		Acquisition of the Tian An Interest from SHK and distribution of the SEN					Issue and subscription of the Mandatory Convertible Notes and Warrants		
	The Group at 31st December, 2009	**Pro forma adjustment relating to disposal of the Tian An Interest by SHK**	**Pro forma adjustment relating to acquisition of the Tian An Interest from SHK**	**Pro forma adjustment relating to acquisition of the Tian An Interest from SHK**	**Pro forma adjustment relating to the distribution of the SEN by SHK**	**Pro forma Group**	**Pro forma adjustment relating to the issue of the Mandatory Convertible Notes and Warrants**	*Note*	**Pro forma Group**
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*		*HK$ million*
Current liabilities									
Trade and other payables	1,831.7					1,831.7			1,831.7
Financial liabilities at fair value through profit or loss	96.5					96.5			96.5
Amounts due to associates	13.7					13.7			13.7
Amounts due to jointly controlled entities	0.3					0.3			0.3
Tax payable	82.7					82.7			82.7
Bank and other borrowings due within one year	3,126.0					3,126.0			3,126.0
Provisions	26.3					26.3			26.3
	5,177.2	—	—	—	—	5,177.2	—		5,177.2
Net current assets	7,522.7	3,807.3	—	—	(3,807.3)	7,522.7	1,708.0		9,230.7
	21,009.0	(320.7)	3,807.3	320.7	(3,807.3)	21,009.0	1,708.0		22,717.0
Non-current liabilities									
Bank and other borrowings due after one year	1,141.6					1,141.6			1,141.6
Financial liability portion of the Mandatory Convertible Notes	—					—	91.9	(h)	91.9
Deferred tax liabilities	335.6					335.6			335.6
Provisions	12.3					12.3			12.3
	1,489.5	—	—	—	—	1,489.5	91.9		1,581.4
Net assets	19,519.5	(320.7)	3,807.3	320.7	(3,807.3)	19,519.5	1,616.1		21,135.6

NOTES TO THE UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES

(a) The following assumptions have been made:

  (i) The acquisition of the Tian An Interest from SHK by the APL Group is completed on 31st December, 2009.

  (ii) SEN received by SHK will be recognised as a financial asset at fair value through profit or loss and will be distributed as dividend in specie to SHK Shareholders immediately.

  (iii) APL will immediately issue APL Shares to holders of the SEN other than those held by the APL Group.

(b) The amount represents the carrying amount of the Tian An Interest in the accounts of the SHK Group and the Group which will be derecognised by the SHK Group upon its disposal of the Tian An Interest.

(c) The adjustment represents recognition of SEN as a financial asset at fair value through profit or loss by SHK Group. It is measured on initial recognition at the fair value of the SEN received by SHK as consideration, which for the purpose of this pro forma statement is assumed to be equal to the 2,293,561,833 APL Shares under the SEN at HK$1.66 per APL Share at 16th April, 2010, being the last trading day before trading in the APL Shares was suspended pending the release of the Joint Announcement.

(d) The adjustment represents the consideration paid by APL to SHK for acquiring the Tian An Interest representing the fair value of the SEN. It is measured on initial recognition at the fair value of the SEN received by SHK as consideration, which for the purpose of this pro forma statement is assumed to be equal to the 2,293,561,833 APL Shares under the SEN at HK$1.66 per APL Share at 16th April, 2010, being the last trading day before trading in the APL Shares was suspended pending the release of the Joint Announcement.

(e) The adjustment is to eliminate the effects of the inter-company/intra-group transactions, with the result that the carrying amount of the Tian An Interest in the accounts of the Group is reinstated to its original carrying amount.

(f) The adjustment reflects the distribution of the SEN as dividend in specie to SHK Shareholders.

(g) The adjustment represents the cash received from issue of the Mandatory Convertible Notes to Investor and the Warrants which are issued at nil consideration as part of the Subscription.

(h) The adjustment represents the recognition of the liability component of the Mandatory Convertible Notes. An amount of HK$1,616.1 million is recognised in equity which is calculated based on the excess of the consideration of HK$1,708.0 million for the issue and subscription of the Mandatory Convertible Notes over the liability component of HK$91.9 million of the Mandatory Convertible Notes. The liability component of the Mandatory Convertible Notes is determined with reference to a valuation prepared by an independent qualified professional valuer for the purpose of showing the effect in the circular of the Company for illustration purpose. The amount of liability component is calculated based on the net present value of the future interest payments on the Mandatory Convertible Notes.

(i) No adjustments have been made to reflect any trading results, discloseable transactions or other transactions of the Group subsequent to 31st December, 2009.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE TIAN AN GROUP

1. For the year ended 31st December, 2009

The following is the management discussion and analysis principally extracted from the annual report of the Tian An Group for the year ended 31st December, 2009. Terms and definitions used below shall bear the same meanings as defined in such annual report.

Financial Results

The revenue of the Group for the year ended 31st December, 2009 was HK$1,083,528,000 (2008: HK$473,329,000), an increase of 129% compared to the year before. The profit attributable to owners of the Company was HK$1,067,379,000 (2008: HK$711,087,000), representing a 50% increase over 2008.

The increase in profit was the result of:

(1) timing of profit recognition and increase in sales of our cyberpark projects, which is reflected in a marked increase in contribution from jointly controlled entities;

(2) an increase in the value of sales of completed properties on hand of 180%;

(3) an increase in rental income of 27%; and

(4) revaluation gains in respect of the Group's investment property portfolio. Earnings per share amounted to HK70.84 cents (2008: HK46.98 cents), while book net asset value per share was HK$7.56 at the end of 2009 (2008: HK$6.73).

Business Review

The Group is engaged principally in the development of high-end apartments, villas, office buildings and commercial properties, property investment, property management and hotel operation, as well as the manufacture and sale of construction materials in China.

An outline of our achievements in 2009 is described below:

(1) We took advantage of the recovery of the PRC property market and acquired two completed property projects in Shanghai, including Shanghai Racquet Club & Apartments and Shanghai Forest Villas. We also purchased the operations of Shanghai Allied Cement Holdings Limited, which holds three cement factories in the mainland.

(2) We have continued to dispose of non-core assets, namely our interests in Nanhai Tian An Hung Kai Garden, Zhaoqing Resort & Golf Club and Shanghai Elegant Garden. We have completed the disposal of the interest in Nanhai project, with all remaining proceeds received during 2009. We are in active negotiations with the buyer of the Zhaoqing project as to how best to complete the sale. With rising property values and restricted land supply, there is an increased likelihood of completion of the disposal of our interest in Zhaoqing project this current year on terms satisfactory to Tian An. We also expect the disposal of Shanghai Elegant Garden to be completed before the end of 2010.

(3) Total sales of the Group amounted to 91,700 m^2 in 2009, compared to 93,400 m^2 in 2008. A total GFA of approximately 34,700 m^2 (2008: 180,700 m^2) of residential/commercial properties was completed during the year under review, representing a decrease of 81%. By the end of 2009, a total GFA of approximately 550,400 m^2 (2008: 403,800 m^2) was under construction, representing a 36% increase over 2008, including Shanghai Tian An Villa (Phase 2 part 1), Shanghai Tian An Place (Phase 1 parts 1 & 2), Wuxi Manhattan (Phase 1), Nantong Tian An Garden (Phases 4 and 5), Changzhou Tian An Cyber Park (Phase 1), Changzhou Tian An Villas (Phase 2 part 1), Jiangmen Tian An Garden, Shenzhen Tian An Longgang Cyber Park (Phase 2), Shenzhen Buji Residential Building, Foshan Tian An Nanhai Cyber Park (Phase 2) and Guangzhou Tian An Panyu Hi-Tech Ecological Park (Phase 5).

(4) Rental income increased by 27% as compared with 2008. Following the end of the fixed rent period for the shopping arcades of Nanjing Tian An International Building at the end of 2008, this property is contributing significantly to Group cashflow and profit. The acquisition of Shanghai Racquet Club & Apartments will further improve rental income of the Group.

(5) We have been in ongoing negotiation with the relevant district government as to how best to relocate the remaining squatters from Shanghai Tian An Place, and are pleased to report that significant progress has been made in 2009 in finalising the terms for squatter relocation. We are also in an advanced stage of relocating the last squatters from the Shanghai Sunshine Peninsula project also known as the "Flour Mill" development.

(6) We will continue to devote a significant amount of our efforts to our cyberpark investments. Our southern cyberparks have been progressing well. The projects in Shenzhen, Panyu, Longgang and Foshan all performed in line with our expectations. As far as our eastern cyberparks are concerned, construction of Changzhou Cyberpark Phase 1 will be completed in mid-2010 and we have begun construction works for our Nanjing Cyberpark project Phase 1. We are also continuing to negotiate with local authorities to increase our landbank in Dongguan (1,450 mu), Beijing (500 mu), Tianjin (1,960 mu), Chongqing (380 mu), Wuxi (375 mu) and Nantong (280 mu), where we intend to build integrated business parks.

(7) The Group currently has a landbank of total GFA of approximately 7,142,500 m^2 (total GFA attributable to the Group is approximately 5,763,100 m^2, consisting of 366,800 m^2 of completed investment properties and 5,396,300 m^2 of properties for development).

(8) The Group is in a strong financial position with total bank balances and cash or cash equivalents as at 31st December, 2009 of over HK$3.0 billion.

(9) As stated in the last annual report, our share price had been trading at a substantial discount to our book net asset value. However, since stating our intention to repurchase shares, our share price has increased by approximately 170%. We have been monitoring the discount between our share price and our book net asset value closely and should the discount widen, we will give further consideration to buying back shares for cancellation.

Plans for 2010

Objectives for 2010 are as follows:

(1) We will continue to adjust through acquisitions and disposals the quality of our landbank and sale of our end products to balance the demands of short term returns and long term capital appreciation.

(2) We will accelerate new construction works for these respective projects:

Shanghai Tian An Villas (Phase 2), Changzhou Tian An Villas (Phase 2), Changchun Tian An City One (Phase 4), Dalian Tian An Seaview Garden (Phase 3), Dalian Tian An Jinma Centre, Wuxi Cyberpark, Nanjing Cyberpark and Fuzhou Dengyun Resort.

(3) We will concentrate our efforts on developing our cyberpark projects where we believe our products are competitive and resilient in the present environment. We will only increase our cyberpark landbank where the initial capital outlay is low.

(4) We will work closely with onshore mainland banks which are interested in extending credit to customers such as ourselves. We hope to gear up our projects rather than over-utilising equity in order to increase our return on equity.

(5) We will review our management and cost structure so as to improve efficiency and lower expenses where possible.

Financial Review

Liquidity and Financing

As at 31st December, 2009, the Group maintained its liquidity at a healthy level with a balanced portfolio of financial resources. The total bank balances and cash reserves of the Group were approximately HK$3,051 million, providing sufficient working capital for the daily operations of the Group.

As at 31st December, 2009, the total borrowings of the Group amounted to approximately HK$3,355 million (2008: HK$1,911 million), including current liabilities of HK$1,206 million (2008: HK$465 million) and non-current liabilities of HK$2,149 million (2008: HK$1,446 million). The gearing ratio (net debt over total equity) of the Group was 3% (2008: negative of 6%). The borrowings were mainly used to finance the investment properties and properties under construction. Decrease in finance costs is mainly due to a relatively low borrowing rate.

Approximately 66% of the Group's outstanding borrowings will mature within 2 years. Since the investments and operation of the Group are carried out in the PRC, most of the bank borrowings are denominated in Renminbi which will be repaid in the same currency. Around 66% of the Group's borrowings bear interest at fixed rates while the remainder is at floating rates.

Pledge on Assets

As at 31st December, 2009, bank deposits of HK$543,518,000, aggregate carrying values of property, plant and equipment, development properties and investment properties of approximately HK$141,939,000, HK$1,837,528,000 and HK$4,435,357,000 respectively, were pledged for banking facilities and other loans granted to the Group and mortgage loans granted to property purchasers.

Contingent Liabilities

A further development of a property for development with carrying value of HK$187,499,000 (included in assets classified as held for sale) has been overdue. The Group is currently working diligently to prevent the possible classification as idle land, including negotiating the feasibility of development plans with local authorities. Based on legal advice, the Group has assessed the issue and considers that the idle land confiscation may not materialise.

As at 31st December, 2009, guarantees given to banks in respect of mortgage loans granted to property purchasers amounted to approximately HK$153,863,000. All the guarantees provided by the Group were requested by banks and under normal commercial terms. Legal actions were taken against the Group resulting in possible contingent liabilities of approximately HK$253,358,000. The Group has assessed the claims and obtained legal advice, and considers that either it is too early to assess the range of possible liability at this stage or no additional provision is required to be made.

Foreign currency risk management

Foreign currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's operations are mainly in the PRC other than Hong Kong and certain bank loans of the Group are denominated in foreign currencies. The Group currently does not have a foreign currency hedging policy. However, the management monitors the related foreign exchange exposure closely and will consider hedging significant foreign currency exposure should the need arise.

The carrying amount of monetary assets and monetary liabilities that are denominated in a currency other than Renminbi ("RMB") at the end of the respective reporting periods are as follow:

	THE GROUP		THE COMPANY	
	2009	**2008**	**2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Assets				
United States Dollars	322,508	672,939	350,754	314,278
Hong Kong Dollars	1,054,164	1,752,707	9,540,217	10,763,965
Liabilities				
United States Dollars	3,420	1,202	317,576	228,150
Hong Kong Dollars	1,123,981	362,666	5,477,092	4,379,617

Employees

As at 31st December, 2009, the Group, including its subsidiaries but excluding associates and jointly controlled entities, employed 2,476 (2008: 1,863) persons. The increase is mainly due to the acquisition of Shanghai Allied Cement Holdings Limited. The Group maintains a policy of paying competitive remuneration packages and employees are also rewarded on performance related basis including salary and bonus.

Business Outlook

In 2009, the mainland government had significantly relaxed its monetary policy in order to encourage growth. Major banks were asked to increase lending to all sectors of the economy. However, with the growth of GDP and money supply, the government has started to tighten monetary policy to rein in inflation. We have taken advantage of this buoyant period in 2009 to dispose of our existing inventories and non-core projects. We remain confident of the longer term prospects of the property market in China and will continue to position our Group to take advantage of any opportunities should they arise.

2. For the year ended 31st December, 2008

The following is the management discussion and analysis principally extracted from the annual report of the Tian An Group for the year ended 31st December, 2008. Terms and definitions used below shall bear the same meanings as defined in such annual report.

Financial Results

The revenue of the Group for the year ended 31st December, 2008 was HK$473,329,000 (2007: HK$670,706,000 for continuing operations and HK$192,482,000 for discontinued operations), a decrease of 29% compared to the continuing operations of 2007. The profit attributable to equity holders of the Company was HK$711,087,000 (2007: HK$702,976,000), representing a 1% increase over the year before.

The increase in profit included the following significant non-cash items:

(a) A gain of HK$794,420,000 representing the change in fair value of a derivative financial instrument liability in respect of warrants issued by the Company. Pursuant to an Open Offer of shares and warrants towards the end of 2007, 251,853,983 new warrants to subscribe for 251,853,983 new shares at a subscription price of HK$10.00 per share were issued. The warrants are convertible into shares at any time in the period commencing from 2nd January, 2008 and ending on 2nd January, 2010. However, because the functional currency of the Company is Renminbi, the subscription price of HK$10.00 is not a fixed amount of cash in Renminbi. Accordingly, under Hong Kong Accounting Standards 32 and 39, the warrants are classified as derivative financial instrument liabilities which must initially be recognised at fair value at the date at which such derivative contract is entered into and are subsequently revalued to their fair value at each balance sheet date. The resulting gain or loss must be recognised in the income statement at each balance sheet date. Because of a rise in the market value of the underlying shares at the end of 2007, a loss of HK$101,665,000 was therefore booked in the second half of 2007. However, with a fall in the market price of the underlying shares during 2008, a gain of HK$794,420,000 as mentioned above was recognised during the year.

(b) An exchange loss of HK$109,596,000 mainly on the Group's Hong Kong Dollar and United States Dollar bank deposits during 2008, also because our functional currency is Renminbi.

(c) A decrease in fair value of the investment properties of HK$187,283,000, compared to a gain of HK$171,533,000 for 2007.

If these non-cash items are excluded, as well as the profit of HK$137,842,000 from the discontinued cement operation in 2007, the resultant profit attributable to the equity holders of the Company for 2008 ("underlying profit performance") would have decreased by 57%.

The lower underlying profit performance was the result of:

(1) the delay in the completion of Shenzhen Tian An Golf Garden Phase 3, which we currently expect to deliver to purchasers in 2009; and

(2) the delay in the completion of sales of non-core assets in Zhaoqing and Nanhai, which was originally expected in December 2008. The purchasers have requested for an extension of time for completion and this is currently being negotiated.

Subject to the above comments, earnings per share amounted to HK46.98 cents (2007: HK54.55 cents).

Business Review

The Group is engaged principally in the development of high-end apartments, villas, office buildings and commercial properties, property investment, property management and hotel operation in China.

An outline of our achievements during the year is set out below:

(1) We have continued to dispose of non-core assets, namely our interests in Zhaoqing Resort & Golf Club and Nanhai Tian An Hung Kai Garden project. However, with the poor economic sentiment, the purchasers have requested for the completion dates of the sales to be extended.

(2) Total sales of the Group amounted to 93,400 m^2 in 2008, compared to 102,400 m^2 in 2007. A total GFA of approximately 180,700 m^2 (2007: 87,900 m^2) of residential/commercial properties was completed during the year under review, representing an increase of 105% (mainly from jointly controlled entities) over last year. By the end of 2008, a total GFA of approximately 403,800 m^2 (2007: 363,000 m^2) was under construction, representing a 11% increase over last year, including Shanghai Tian An Villa (Phase 2), Shanghai Tian An Place (Phase 1), Wuxi Manhattan (Phase 1), Nantong Tian An Garden (Phase 4), Changzhou Tian

An Cyber Park (Phase 1), Shenzhen Tian An Longgang Cyber Park (Phase 2), Foshan Tian An Nanhai Cyber Park (Phase 2) and Guangzhou Tian An Panyu Hi-Tech Ecological Park (Phase 4).

(3) Rental income increased by 40% as compared with last year. Following the end of the fixed rent period for the shopping arcades in Nanjing Tian An International Building at the end of 2008, this property is expected to contribute significantly to Group cashflow and profit.

(4) We have found re-settlement demands to be more reasonable in a falling market. In this regard, we have been able to secure the removal of all squatters from the Shanghai Tian An Villa project and we are in an advanced stage of clearing in the Shanghai Tian An Place project and the Shanghai Sunshine Peninsula project also known as the "Flour Mill" development.

(5) We will continue to devote a significant amount of our efforts to our cyberpark investments. Our southern cyberparks have been progressing well. The projects in Shenzhen, Panyu, Longgang and Foshan all performed in line with our expectations. As far as our eastern cyberparks are concerned, work has started in Changzhou and we are in the process of submitting the master plan for our Nanjing project. We are also continuing to negotiate with local authorities to increase our landbank in Dongguan (1,450 mu), Taicang (1,000 mu), Beijing (500 mu), Chongqing (350 mu), Wuxi (600 mu) and Changshu (935 mu), where we intend to build integrated business parks.

(6) The Group currently has a landbank of total GFA of approximately 7,253,700 m^2 (total GFA attributable to the Group is approximately 6,157,100 m^2, consisting of 290,100 m^2 of completed investment properties and 5,867,000 m^2 of properties for development).

(7) The Group is in a strong financial position with total bank balances and cash as at 31st December, 2008 over HK$2.4 billion. The Group has often been described as being overly conservative. This characterisation is now an advantage as the Group's strong cash position has put it on a strong footing to take advantage of any opportunities during this uncertain operating period.

Plans for 2009

Objectives for 2009 are as follows:

(1) We shall concentrate our efforts on developing our cyberpark projects where we believe our products are competitive and resilient in the present environment. We will only increase our cyberpark landbank where the initial capital outlay is low and there is no immediate requirement for us to commence development.

(2) We note our share price has been trading at a substantial discount to our book net asset value. We believe we should utilise our resources to embark on a significant share buyback programme rather than allocating our resources to buying new projects. We will raise the cash for buyback from existing resources, sales of non-core assets and disposals of our inventories even at the expense of margins.

(3) Significant management and monetary resources will be allocated to the resettlement of squatters in our Shanghai projects. In particular, Shanghai Tian An Place is scheduled to complete its resettlement in the latter part of this year and is expected to contribute substantially to our profit from 2011 onwards.

(4) We will work closely with onshore mainland banks which are eager to extend credit to customers such as ourselves. We hope to gear up our projects rather than over-utilising equity in order to increase our return on equity.

(5) We will review our management and cost structure so as to improve efficiency and lower expenses.

Financial Review

Liquidity and Financing

As at 31st December, 2008, the Group maintained its liquidity at a healthy level with a balanced portfolio of financial resources. The total bank balances and cash reserves of the Group were approximately HK$2,493 million, providing sufficient working capital for the daily operations of the Group.

As at 31st December, 2008, the total borrowings of the Group amounted to approximately HK$1,911million (2007: HK$1,904 million), including current liabilities of HK$465 million (2007: HK$774 million) and non-current liabilities of HK$1,446 million (2007: HK$1,130 million). The Group has enough cash to settle total borrowings as at 31st December, 2008. The gearing ratio (net debt over total equity) of the Group was a negative of 6% (2007: negative of 14%). The borrowings were mainly used to finance the investment properties and properties under construction. Decrease in finance costs is mainly due to a relatively large amount of costs were capitalised.

Approximately 65% of the Group's outstanding borrowings will mature within 2 years. Since the investments and operation of the Group are carried out in the PRC, most of the bank borrowings are denominated in Renminbi ("RMB") which will be repaid in the same currency. Around 77% of the Group's borrowings bear interest at fixed rates while the remainder is at floating rates.

Pledge on Assets

Bank deposits of HK$600,672,000, aggregate carrying values of property, plant and equipment, development properties and investment properties of approximately HK$53,627,000, HK$1,190,027,000 and HK$2,540,275,000 respectively, were pledged for banking and other loan facilities granted to the Group, mortgage loans granted to property purchasers and banking facilities granted to a jointly controlled entity.

Contingent Liabilities

During the year ended 31st December, 2006, the PRC government reinforced the compliance of regulations on idle land confiscation which had been issued by the Ministry of Land Resources of the PRC on 26th April, 1999. As at 31st December, 2008, a property for development with carrying value of HK$123,901,000 had been identified as idle land, which delayed development was due to the legal action taken by a previous minority shareholder against the subsidiary. This legal case was settled and the Group intends to continue the development of this property. Another property for development with carrying value of HK$179,134,000 (included in assets classified as held for sale) may be potentially classified as idle land. The Group is currently working diligently to prevent the possible classification, including negotiating the feasibility of development plans with local authorities. Based on legal advice, the Directors have assessed the issue and consider that the idle land confiscation may not materialise.

As at 31st December, 2008, guarantees given to banks by the Group in respect of banking facilities granted to related companies was approximately HK$83,500,000. Guarantees given to banks in respect of mortgage loans granted to property purchasers amounted to approximately HK$155,144,000. All the guarantees provided by the Group were requested by banks and under normal commercial terms. Legal actions were taken against the Group resulting in possible contingent liabilities of approximately HK$257,104,000. The Group has assessed the claims and obtained legal advices, and considers that either it is too early to assess the range of possible liability at this stage or no additional provision is required to be made.

Foreign currency risk management

Foreign currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's operations are mainly in the PRC other than Hong Kong and certain bank loans of the Group are denominated in foreign currencies. The Group currently does not have a foreign currency hedging policy. However, the management monitors the related foreign exchange exposure closely and will consider hedging significant foreign currency exposure should the need arise.

The carrying amount of monetary assets and monetary liabilities that are denominated in a currency other than Renminbi ("RMB") at the respective balance sheet dates are as follow:

	2008	**2007**
	HK$'000	*HK$'000*
Assets		
United States Dollars	672,939	495,483
Hong Kong Dollars	1,752,707	2,324,716
Liabilities		
United States Dollars	1,202	20,816
Hong Kong Dollars	362,666	593,042

Employees

As at 31st December, 2008, the Group, including its subsidiaries but excluding associates and jointly controlled entities, employed 1,863 (2007: 1,870) persons. The Group maintains a policy of paying competitive remuneration packages and employees are also rewarded on performance related basis including salary and bonus.

Business Outlook

We believe the economic environment for 2009 will remain stagnant and gloomy with occasional bright spots. The governments of developed countries are attempting to resolve their financial sector problems and if these initiatives are successful, it should bode well for the latter part of 2009 and beyond. We remain confident of the longer term prospects of the property market in China and will continue to position our Group to take advantage of the recovery of the PRC property market. The Group is in a strong position and expects to be able to carry out its stated strategies and objectives for the benefit of all Shareholders.

3. For the year ended 31st December, 2007

The following is the management discussion and analysis principally extracted from the annual report of the Tian An Group for the year ended 31st December, 2007. Terms and definitions used below shall bear the same meanings as defined in such annual report.

Results

For the year ended 31st December, 2007, the revenue of the Group from continuing operations was HK$670,706,000, an increase of 33% compared to the previous year of HK$503,740,000. The increase mainly came from property development. The discontinuance of the cement operations which were disposed of during the year also accounted for revenue of HK$192,482,000 and HK$385,562,000 in 2007 and 2006 respectively. The profit attributable to equity holders of the Company (including continuing and discontinued operations) was HK$702,976,000 (2006: HK$51,496,000), representing a 12.7 times increase over the previous year. Had we excluded the provision for additional PRC Land Appreciation Tax ("LAT") made in 2006 of HK$297,409,000 before minority interests, the profit attributable to the equity holders would have increased by 110%. The profit is in line with our expectation.

The increase in profit attributable to equity holders of the Company for the year was the result of:

(1) gain on disposal of non-core assets,

(2) increase in rental income of 23%, and

(3) lack of provision for additional LAT this year as compared to the previous year.

Earnings per share amounted to HK54.55 cents (2006: HK4.39 cents), representing an increase of 11.4 times over the preceding year. Had we excluded the additional provision for LAT in 2006, earnings per share would have increased by 91%.

Business Review

The Group is engaged principally in the development of high-end apartments, villas, office buildings and commercial properties, property investment, property management and hotel operation in China.

The 2007 results are in line with the Group's stated objectives of:

(1) continuing to dispose of non-core assets,

(2) increasing recurrent income,

(3) maximising development profit,

(4) increasing landbank in major cities,

(5) streamlining operating processes, and

(6) continuing to strengthen the professional management team.

Pursuant to these stated objectives and utilising them as a framework for discussion, an analysis of the Group's achievements in 2007 is outlined below:

(1) *Continuing to dispose of non-core assets*

As mentioned in the 2006 Annual Report, in order to maximise our investment return on Shanghai Allied Cement Limited ("SAC"), we took advantage of the buoyant Hong Kong share market to place out our entire interest in SAC. The disposal generated a profit of approximately HK$137,738,000 and net proceeds of approximately HK$277,538,000.

We also took advantage of the strong demand for PRC properties to dispose of two subsidiaries holding non-core development properties, namely our Xinhui and Nanjing Moling town projects, generating a profit of approximately HK$197,099,000 and net proceeds of approximately HK$419,256,000.

We also entered into an agreement on 3rd December, 2007 to dispose in stages our Zhaoqing golf course property development, on which the profit should be recognised in 2008. We will continue to dispose of certain non-core assets so as to free up working capital for investment in properties or landbank which we consider to have greater potential.

(2) *Increasing recurrent income*

In regard to increasing recurrent income, the Group has retained more development properties for investment where we believe these properties will provide increasing rental streams and corresponding increases in capital value. The rationale behind this initiative includes a tough PRC tax regime which adversely impacts the high profit margins on property sales, the difficulty in acquiring quality land in major cities, and ultimately, with the continuing growth in Mainland China, we believe that it is commercially sound policy to retain a substantial portion of our properties for their capital growth rather than dispose of them and incur the costs and difficulties of replacing the land.

At the time when we transfer these properties into our investment portfolio, we record a significant gain because all properties for development are stated at cost under the accounting standards and as such are not revalued until transferred to our investment portfolio.

For our main investment properties such as Shanghai Tian An Centre, Dalian Tian An International Tower, Nanjing Tian An International Building and Beijing Park Apartments, leasing has been pleasing with rental income increasing by 23% as compared with last year. We expect rental income to increase in the foreseeable future as and when leases are renewed. Pursuant to our stated objective of increasing our rental income, we bought back two floors of Shanghai Tian An Centre. The Group has also acquired 50% of Novel Plaza with total GFA of 25,306 m^2 and located in close proximity with Tian An Centre in Nanjing Road West, Shanghai. The occupancy rate is approximately 90%.

The Shanghai Sunshine Peninsula project, or the "Flour Mill" development, is progressing satisfactorily. We are in the final stages of negotiation for the removal of the last remaining homes and factories from the site. Construction of Phase 1 of the development is expected to commence by the 4th quarter of this year. This project on completion will be a significant landmark in Shanghai and we currently intend to retain it as an investment property after completion of the development.

(3) *Maximising development profit*

We do not utilise a stated GFA sale target as some other companies may do. Our focus is on profit and profit margins, not on GFA sold. With the strong PRC property market in 2007, the Group sold approximately 102,400 m^2, compared to approximately 79,100 m^2 in 2006, and if the demand for PRC property remains strong, the Group will continue to sell more, with profit margins always firmly an overriding consideration.

A total GFA of approximately 87,900 m^2 (2006: 83,800 m^2) of residential/commercial properties was completed during the year, representing an increase of 5% over last year. By the end of 2007, a total GFA of approximately 363,000 m^2 (2006: 282,300 m^2) was under construction, representing a 29% increase from the preceding year, including Shanghai Tian An Villa (Phase 2), Wuxi Manhattan (Phase 1), Shanghai Tian An Place (Phase 1), Shenzhen Tian An Golf Garden (Phase 3), Shenzhen Longgang Cyber Park (Phase 1), Changchun Tian An City One (Phase 3), Nantong Tian An Garden (Phase 4), Foshan Tian An Cyber Park (Phase 1) and Panyu Hi-Tech Ecological Park (Phase 4).

Sometimes, in order to take advantage of the buoyant property market, it may not be necessary to completely develop a property. In order to maximise development profit, it may be better to dispose of a project in its entirety. In this regard, as mentioned previously in section (1) above, we disposed of Xinhui and Nanjing Moling town projects at a profit of approximately HK$197,099,000.

(4) *Increasing landbank in major cities*

The Group currently has a landbank of total GFA of approximately 7,154,000 m^2 (total GFA attributable to the Group is approximately 5,167,000 m^2, consisting of 276,000 m^2 of completed investment properties and 4,891,000 m^2 of properties for development).

We have continued to increase our landbank where we perceive good capital growth prospects. In this regard, we have acquired a 1,000 mu piece of land in Nanjing and are in the process to acquire a 32,000 m^2 office building in Dalian previously used by the local government as offices. For the project in Nanjing, we intend to build an integrated business park, which will include industrial, commercial, office and residential components. For the project in Dalian, we intend to develop the project into a residential property for sale with a potential GFA of 110,000 m^2. We are also in the process of negotiating with local authorities to increase our landbank in Wuxi (600 mu) and Changshu (1,000 mu), where we intend to build integrated business parks.

Our joint venture company, Shenzhen Tian An Cyberpark Co., Ltd. ("Tian An Cybepark") has also been actively increasing its landbank in 2007. The acquisition of Taicang (500 mu with option to increase by also 500 mu), Changzhou (434 mu) and Wuhan (530 mu) together will add approximately 2,110,000 m^2 GFA to its landbank. Tian An Cyberpark has also been negotiating with local authorities to increase the plot ratios applicable to certain projects. If successful, this should increase profit margins as and when the properties are developed.

(5) *Streamlining operating processes*

We have continued to streamline our operating processes both at an operational and at a business level.

At the operational level, we have continued to centralise financial controls, tender processes, and administrative functions. We have taken advantage of our strong financial position to negotiate better terms with bankers where possible. Plans are being made to close relevant dormant companies so as to lower operating costs. In order to improve the effectiveness and efficiency of the operation, the internal audit department has reviewed certain areas of the daily operations and has made suitable recommendations for modifications and improvements.

On the business level, we have been taking advantage of the market uncertainties created by the revival of the LAT to negotiate with our minority joint venture partners to acquire their stakes. This is intended to enable us to exercise better management and cost control. In this regard, the Group acquired an additional 8% of an associated company, Jack Rock Development Limited ("Jack Rock"), which holds a sizeable landbank in Fuzhou. Jack Rock has become a subsidiary after the acquisition.

(6) *Continuing to strengthen the professional management team*

We have based additional key management personnel in Shanghai to reduce response time. We have recruited professionals including engineers and interior designers so as to enable us to deliver better quality products to our customers. We are also strengthening our back-office with new recruitments in contracts, legal and accounts departments to be based in the respective areas of operation.

We have strengthened our sourcing division with the view to improving the pricing, consistency and quality of our building materials.

Orix Corporation ("Orix"), a substantial shareholder of the Company, has seconded several senior staff to help strengthen our financial planning. They have been exploring new projects with us with a view to co-investing with us should appropriate opportunities arise. The introduction of Orix and several other institutional investors such as Penta Investment Advisers Limited, The Goldman Sachs Group, Inc. and York Capital Management have strengthened our shareholder profile.

Financial Review

Liquidity and Financing

During the year, the Company raised approximately HK$1,148 million of net proceeds through the subscription of 130 million new shares, and obtained HK$1,497 million of net proceeds in the open offer of 252 million new shares. These funds have been used to finance certain property development projects, to reduce borrowings and for general working capital.

As at 31st December, 2007, the Group maintained its liquidity at a healthy level with a balanced portfolio of financial resources. The total bank balances and cash reserves of the Group were approximately HK$3,163 million, providing sufficient working capital for the daily operations of the Group.

As at 31st December, 2007, the total borrowings of the Group amounted to approximately HK$1,904 million (2006: HK$2,195 million), including current liabilities of HK$774 million (2006: HK$870 million) and non-current liabilities of HK$1,130 million (2006: HK$1,325 million). The Group has enough cash to settle total borrowings as at the end of 2007. The gearing ratio (net debt over total equity) of the Group as at 31st December, 2007 was a negative of 14% (2006: positive of 24%). The borrowings were mainly used to finance the landbank and properties under construction. Increase in finance costs is mainly due to the increase in market interest rates and a relatively small amount of costs were capitalised.

Approximately 51% of the Group's outstanding debts will expire within 2 years. Since the investments and operation of the Group are carried out in the PRC, most of the bank borrowings are denominated in Renminbi ("RMB") which will be repaid in the same currency. Around 80% of the Group's borrowings bear interest at fixed rates while the remaining is at floating rates.

Pledge on Assets

As at 31st December, 2007, the Group's interest in a subsidiary with carrying value of HK$402,236,000 was pledged against another loan facility granted to the Group and inventories of completed properties and investment properties indirectly held by that subsidiary with carrying values of HK$16,780,000 and HK$631,494,000 respectively were pledged against a banking facility granted to the Group. Additionally, bank deposits of HK$89,912,000, aggregate carrying values of property, plant and equipment, development properties and investment properties of approximately HK$47,893,000, HK$1,197,396,000 and HK$1,461,163,000 respectively, were pledged for other loans and banking facilities granted to the Group, mortgage loans granted to property purchasers and against a trade creditor.

Contingent Liabilities

During the year ended 31st December, 2006, the PRC government has reinforced the compliance of regulations on idle land confiscation which was issued by the Ministry of Land Resources of the PRC on 26th April, 1999. As at 31st December, 2007, a property for development with carrying value of HK$115,055,000 was identified as idle land, which delayed development was due to the legal action taken by a minority shareholder against the subsidiary. This legal case has been settled and the Group intends to continue the development of this property. Another property for development with carrying value of HK$179,161,000 may be potentially classified as idle land. The Group is currently working diligently to prevent the possible classification, including negotiating the feasibility of development plans with local authorities. Based on legal advice, the Directors have assessed the issue and consider that the idle land confiscation may not materialise.

As at 31st December, 2007, guarantees given to banks by the Group in respect of banking facilities granted to a jointly controlled entity and related companies were approximately HK$139,133,000 and HK$98,500,000 respectively. Guarantees given to banks in respect of mortgage loans granted to property purchasers amounted to approximately HK$225,324,000. All the guarantees provided by the Group were requested by banks and under normal commercial terms. Legal actions were taken against the Group resulting in possible contingent liabilities of approximately HK$205,372,000. The Group has assessed the claims and obtained legal advice, and considers that either it is too early to assess the range of possible liability at this stage or no additional provision is required to be made.

Foreign currency risk management

Foreign currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's operations are mainly in the PRC other than Hong Kong and certain bank loans of the Group are denominated in foreign currencies. The Group currently does not have a foreign currency hedging policy. However, the management monitors the related foreign exchange exposure closely and will consider hedging significant foreign currency exposure should the need arise.

The carrying amount of the Group's currency other than Renminbi ("RMB") denominated monetary assets and monetary liabilities at the respective balance sheet dates are as follow:

	2007	**2006**
	HK$'000	*HK$'000*
Assets		
United States Dollars	495,483	288,679
Hong Kong Dollars	2,324,716	142,577
Liabilities		
United States Dollars	20,816	26,789
Hong Kong Dollars	593,042	633,026

Employees

As at 31st December, 2007, the Group, including its subsidiaries but excluding associates and jointly controlled entities, employed 1,870 (2006: 2,560) persons. The decrease is mainly due to the disposal of SAC. The Group maintains a policy of paying competitive remuneration packages and employees are also rewarded on performance related basis including salary and bonus.

Outlook

We have enjoyed a successful year in 2007. However, we are concerned with the deteriorating operating environment in 2008. The government's move to tighten credit intended to rein in inflation and to restrict investment in property by controlling fund inflows is having a negative effect on the sentiment of both local and overseas investors. This together with a weaker IPO market, a US recession and sub-prime worries suggest tough times may be ahead. However, we are confident of the longer term prospects of the property market in China. The management is cognizant of the impact of such adverse short term fluctuations and has prepared the Group for such challenges. The Group is in a strong position and expects to be able to carry out its stated strategies and objectives for the benefit of all Shareholders.

The following is the text of a letter and summary of values as extracted from the valuation report received from Norton Appraisals Limited, an independent property valuer, in connection with their valuation as at 31st March, 2010 of the property interests of the SHK Group in the PRC for the purpose of inclusion in this circular.

Norton Appraisals
Registered Professional Surveyors, Valuers & Property Advisers

Unit 01, 21/F, Emperor Group Center
288 Hennessy Road
Wanchai, Hong Kong
Tel: (852) 2810 7337 Fax: (852) 2810 6337

24 May, 2010

The Directors
Allied Group Limited
22/F., Allied Kajima Building,
138 Gloucester Road,
Wanchai,
Hong Kong

Dear Sirs,

In accordance with the instructions for us to value property interests held by Sun Hung Kai & Co. Limited and its subsidiaries (hereinafter together referred to as the "SHK Group") in the properties held by Tian An China Investments Company Limited and its subsidiaries (hereinafter referred to as the "Tian An Group") in the People's Republic of China (hereinafter referred to as the "PRC") (as more particularly described in the attached summary of values), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for providing you with our opinion of values of such property interests as at 31 March 2010 (hereinafter referred to as the "date of valuation") for public documentation purpose.

Our valuations are our opinion of value of the property on the basis of "**Market Value**" which we would define as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

In valuing the property interests, we have assumed that the Tian An Group has valid and enforceable title to the property interests which are freely transferable, and has free and uninterrupted right to use the same, for the whole of the land use terms granted subject to payment of annual land use fees and all requisite premium payable have been fully paid.

Our valuations have been made on the assumption that the Tian An Group sells the property interests on the open market without the benefit of a deferred terms contract, leaseback, management agreement or any similar arrangement which could serve to affect the value of such property interests.

In the course of our valuation of the property interests, we have assumed that transferable land use rights in respect of the properties for respective specific terms at nominal annual land use fees have been granted and that any premium payable has already been fully paid. We have relied on the advice given by the Tian An Group and its legal adviser on PRC law (the "PRC Legal Adviser"), 福建天衡聯合律師

事務所上海分所 (Tenet & Partners Law Firm (Shanghai branch)), regarding the title to each of the property interests. For the purpose of our valuation, we have assumed that the Tian An Group has legal and enforceable title to the property interests in Groups I, II, III, and IV.

In valuing the property interests in Group I which are held under development by the Tian An Group in the PRC, we have valued each of these property interests on the basis that these properties will be developed and completed in accordance with the Tian An Group's latest development proposals provided to us. We have assumed that all the relevant approvals for the development have been obtained. In arriving at our opinion of values, we have valued them by Direct Comparison Approach by making reference to comparable transactions in the locality and have also taken into account the construction costs that will be expended to complete the developments to reflect the development potential of the properties and the quality of the completed developments. The "capital value when completed" represents our opinion of the aggregate selling prices of the development assuming that it would have been completed at the date of valuation.

In valuing the property interests in Group II which are held for future development by the Tian An Group in the PRC, we have also valued each of these property interests by Direct Comparison Approach assuming sale of each of these property interests in their existing states with the benefit of vacant possession and by making reference to comparable sale evidence as available in the relevant markets.

In valuing the property interests in Group III (except property No. 71) which are held for investment by the Tian An Group in the PRC, we have adopted Investment Approach by taking into account the current rents passing and the reversionary income potential of the tenancies or, wherever appropriate, the Direct Comparison Approach by making reference to comparable sale evidence as available in the relevant market.

In valuing Property No. 71 which is currently operated as a cement-manufacturing plant in Zaozhuang City, Shandong Province, the PRC, we have valued the property interest on the basis of its continued existing use. Due to the nature of buildings and structures constructed, there is no readily identifiable market sales comparable, and the buildings and structures cannot be valued by comparison with cost. The depreciated replacement cost method sums our opinion of the land value of the property in its existing use and the cost to reproduce or replace in new condition the buildings and structures of the property valued in accordance with current construction costs for similar buildings and structures in the locality, with allowance for accrued depreciation as evidenced by observed condition or obsolescence present, whether arising from physical, functional or economic causes.

In valuing the property interests in Group IV which are held for sale by the Tian An Group in the PRC, we have valued each of these property interests by Direct Comparison Approach assuming such property interests are capable of being sold in their existing states and on a strata-titled basis with the benefit of vacant possession and by making reference to comparable sales evidence as available in the relevant markets.

We have inspected the exterior and, where possible, the interior of the properties. During the course of our inspections, we did not note any serious defects. However, no structural survey has been made and we are therefore unable to report as to whether the properties are free from rot, infestation or other defects.

Furthermore, we did not carry out any site investigations to determine or otherwise the suitability of the ground conditions, the presence or otherwise of contamination and the provision of/or suitability for services, etc. for future development. Our valuations are prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period.

We have not carried out site measurements to verify the correctness of the site and floor areas in respect of the relevant properties but have assumed that the areas shown on the documents and official site plans handed to use are correct. All dimensions, measurements and areas included in the valuation certificates are based on information contained in the documents provided to us by the Tian An Group and therefore only approximations.

We have relied to a considerable extent on the information provided by the Tian An Group and have accepted advice on such matters as planning approvals, statutory notices, easements, tenures, completion dates of buildings, particulars of occupancy, tenancy summaries, development proposals, construction costs already expended, estimated outstanding construction costs, site and floor areas and all other relevant matter in the identification of the properties.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Tian An Group. We were also advised by the Tian An Group that no material facts have been omitted from the information provided. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the property interests nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

In our valuations, we have complied with all the requirements contained in the Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and The HKIS Valuation Standards on Properties (1st Edition) published by The Hong Kong Institute of Surveyors ("HKIS").

Unless otherwise stated, all sums stated in our valuations are in Hong Kong dollars. The exchange rate adopted in our valuations are approximately HK$1=RMB0.88 which was approximately the prevailing exchange rate as at the date of valuation.

Our summary of values is enclosed herewith.

Yours faithfully,
For and on behalf of
Norton Appraisals Limited

Paul M. K. Wong *MRICS, MHKIS, RPS (G.P.)*
Director

Note: Mr. Paul M. K. Wong is a Registered Professional Surveyor who has more than 18 years' experience in valuation of properties in Hong Kong and in the PRC.

SUMMARY OF VALUES

No.	Property	Capital value as at 31st March, 2010 *HK$*	Attributable interest to the SHK Group	Capital value attributable to the SHK Group as at 31st March, 2010 *HK$*
Group I — Property interests held under development in the PRC				
1.	天安東湖花園 (Tian An Donghu Garden), Pengjiang District, Jiangmen City, Guangdong Province, the PRC	$326,000,000	38.06%	$124,075,600
2.	Part 1 in Phase II of Shanghai Tian An Villa, Dongjing Town, Songjiang District, Shanghai, the PRC	$371,000,000	38.06%	$141,202,600
3.	Phase I of the Manhattan, the junction of Taihu Main Road and Hubin Road, Binhu District, Wuxi City, Jiangsu Province, the PRC	$467,000,000	38.06%	$177,740,200
4.	Sale Office of Shanghai Tian An Place located at Caobao Road, Qibao Town, Minhang District, Shanghai, the PRC	$53,000,000	38.06%	$20,171,800
5.	Phase I Parts 1 and 2 of Shanghai Tian An Place located at Caobao Road, Qibao Town, Minhang District, Shanghai, the PRC	$623,000,000	38.06%	$237,113,800

No.	Property	Capital value as at 31st March, 2010 *HK$*	Attributable interest to the SHK Group	Capital value attributable to the SHK Group as at 31st March, 2010 *HK$*
6.	Phase IV Part 2 of Nantong Tian An Garden, Gongnong Road, Nantong City, Jiangsu Province, the PRC	$152,000,000	38.06%	$57,851,200
7.	Phase V Part 1 of Nantong Tian An Garden, Gongnong Road, Nantong City, Jiangsu Province, the PRC	$138,000,000	38.06%	$52,522,800
8.	Phase II Part 1 of Tian An Villa, Wujin District, Changzhou City, Jiangsu Province, the PRC	$217,000,000	38.06%	$82,590,200
9.	Phase I of Changzhou Tian An Cyber Park, Wujin District, Changzhou City, Jiangsu Province, the PRC	$232,000,000	19.03%	$44,149,600
10.	Phase II of Tian An Longgang Cyber Park at Zhong Xin Cheng, Longgang District, Shenzhen, the PRC	$423,000,000	19.03%	$80,496,900
11.	Phase V of Guangzhou Tian An Panyu Hi-Tech Ecological Park, Longmei Village, Shiqiao Town, Panyu District, Guangzhou City, Guangdong Province, the PRC	$206,000,000	19.03%	$39,201,800

No.	Property	Capital value as at 31st March, 2010 *HK$*	Attributable interest to the SHK Group	Capital value attributable to the SHK Group as at 31st March, 2010 *HK$*
12.	Phase III Part 2 of Shanghai Elegant Garden, Longxi Road, Changning District, Shanghai, the PRC	$790,000,000	22.84%	$180,436,000
13.	Phase III of Foshan Tian An Nanhai Cyber Park, Jianping Road, Nanhai District, Foshan City, Guangdong Province, the PRC	$101,000,000	17.13%	$17,301,300
	Sub-total:	$4,099,000,000		$1,254,853,800

Group II — Property interests held for future development in the PRC

14.	Shanghai Tian An Sunshine Peninsula, Moganshan Road, Putuo District, Shanghai, the PRC	$1,852,000,000	38.06%	$704,871,200
15.	Remaining Site of Shanghai Tian An Place located at Caobao Road, Qibao Town, Minhang District, Shanghai, the PRC	$1,497,000,000	38.06%	$569,758,200
16.	Remaining site in Phase II of Shanghai Tian An Villa, Dongjing Town, Songjiang District, Shanghai, the PRC	$1,471,000,000	38.06%	$559,862,600

No.	Property	Capital value as at 31st March, 2010 *HK$*	Attributable interest to the SHK Group	Capital value attributable to the SHK Group as at 31st March, 2010 *HK$*
17.	Remaining site of Changchun Tian An City One, High-Tech Industrial Development Zone, Changchun City, Jilin Province, the PRC	$212,000,000	38.06%	$80,687,200
18.	Phase IV of Dalian Tian An Seaview Garden, Liaohe West Road, Economic and Technical Development Zone, Dalian City, Liaoning Province, the PRC	$161,000,000	22.84%	$36,772,400
19.	Phase II of the Manhattan, the junction of Taihu Main Road and Hubin Road, Binhu District, Wuxi City, Jiangsu Province, the PRC	$287,000,000	38.06%	$109,232,200
20.	Remaining site of Changzhou Tian An Villa, Wujin District, Changzhou City, Jiangsu Province, the PRC	$323,000,000	38.06%	$122,933,800
21.	Remaining site of Tian An Longgang Cyber Park at Zhong Xin Cheng, Longgang District, Shenzhen, the PRC	$281,000,000	19.03%	$53,474,300

No.	Property	Capital value as at 31st March, 2010 *HK$*	Attributable interest to the SHK Group	Capital value attributable to the SHK Group as at 31st March, 2010 *HK$*
22.	Remaining site of Guangzhou Tian An Panyu Hi-Tech Ecological Park, Longmei Village, Shiqiao Town, Panyu District, Guangzhou City, Guangdong Province, the PRC	$374,000,000	19.03%	$71,172,200
23.	Remaining site of Nantong Tian An Garden, Gongnong Road, Nantong City, Jiangsu Province, the PRC	$68,000,000	38.06%	$25,880,800
24.	Remaining site of Foshan Tian An Nanhai Cyber Park, Jianping Road, Nanhai District, Foshan City, Guangdong Province, the PRC	$90,000,000	17.13%	$15,417,000
25.	A development site of Nanjing Baixia Hi-technology Industrial Development Area located at Guanghua Road, Shishan Village, Baixia District, Nanjing City, Jiangsu Province, the PRC	$838,000,000	38.06%	$318,942,800
26.	Remaining Site of Changzhou Tian An Cyber Park, Wujin District, Changzhou City, Jiangsu Province, the PRC	$324,000,000	19.03%	$61,657,200

No.	Property	Capital value as at 31st March, 2010 *HK$*	Attributable interest to the SHK Group	Capital value attributable to the SHK Group as at 31st March, 2010 *HK$*
27.	A development site located at Economic and Technical Development Zone, Dalian City, Liaoning Province, the PRC	$501,000,000	38.06%	$190,680,600
28.	A development site of 無錫(太湖)國際科技園 (Wuxi (Taihu) International Science and Technology Park) at south of Kelang Road and north of Guanshan Road, Xin District, Wuxi City, Jiangsu Province, the PRC	$63,000,000	38.06%	$23,977,800
	Sub-total:	$8,342,000,000		$2,945,320,300

Group III — Property interests held for investment in the PRC

No.	Property	Capital value as at 31st March, 2010 *HK$*	Attributable interest to the SHK Group	Capital value attributable to the SHK Group as at 31st March, 2010 *HK$*
29.	Three parcels of land located in Danshui Town, Huiyang District, Huizhou City, Guangdong Province, the PRC	$642,000,000	38.06%	$244,345,200
30.	81 Car Parking Spaces in Shanghai Central Garden, Nos. 2–12, Lane 800, Jinxiu Road, Pudong District, Shanghai, the PRC	$18,000,000	30.45%	$5,481,000

No.	Property	Capital value as at 31st March, 2010 *HK$*	Attributable interest to the SHK Group	Capital value attributable to the SHK Group as at 31st March, 2010 *HK$*
31.	Unsold portions of Shanghai Tian An Centre, No. 338 Nanjing Road West, Huangpu District, Shanghai, the PRC	$1,308,000,000	37.30%	$487,884,000
32.	7 residential units of Beijing Lakeside Garden, No. 5 Chaoyang Park West Road, Chaoyang District, Beijing, the PRC	$18,000,000	38.06%	$6,850,800
33.	Basement B2 to Level 12, Nanjing Tian An International Building, No. 122 Zhongshan South Road and Shigu Road, Jianye District, Nanjing City, Jiangsu Province, the PRC	$782,000,000	38.06%	$297,629,200
34.	Various portions of Dalian Tian An International Tower, Zhongshan Road/Jiefang Road/ Wuzhou Road/Kunming Road, Zhongshan District, Dalian City, Liaoning Province, the PRC	$725,000,000	38.06%	$275,935,000
35.	Tianjin International Building, No. 75 Nanjing Road, Heping District, Tianjin, the PRC	$898,000,000	9.25%	$83,065,000

No.	Property	Capital value as at 31st March, 2010 *HK$*	Attributable interest to the SHK Group	Capital value attributable to the SHK Group as at 31st March, 2010 *HK$*
36.	Various portions in Futian Tian An Hi-Tech Venture Park, Shenzhen Tian An Cyber Park Futian District, Shenzhen, the PRC	$240,000,000	19.03%	$45,672,000
37.	Unsold portions on Levels 8 to 23 of Wuxi Tian An Building, No. 270 Zhongshan Road, Chongan District, Wuxi City, Jiangsu Province, the PRC	$12,100,000	36.16%	$4,375,360
38.	80 Car Parking Spaces of Wuxi Tian An Building, No. 270 Zhongshan Road, Chongan District, Wuxi City, Jiangsu Province, the PRC	$10,000,000	36.16%	$3,616,000
39.	Levels 1 to 8, Changzhou Tian An City Plaza, junction of Heping North Road and Xinmin Lane, Changzhou City, Jiangsu Province, the PRC	$122,000,000	38.06%	$46,433,200
40.	Commercial portions of Phase V of Changzhou New City Garden, Changjiang Road/Zhujiang Road, Xinbei District, Changzhou City, Jiangsu Province, the PRC	$52,000,000	38.06%	$19,791,200

No.	Property	Capital value as at 31st March, 2010 *HK$*	Attributable interest to the SHK Group	Capital value attributable to the SHK Group as at 31st March, 2010 *HK$*
41.	The whole of Levels 1 and 2 of Blocks A and B, Phase I of Innovation Science and Technology Plaza, Shenzhen Tian An Cyber Park, Futian District, Shenzhen, the PRC	$208,000,000	19.03%	$39,582,400
42.	Various portions of Cyber Times Building, Shenzhen Tian An Cyber Park, Futian District, Shenzhen, the PRC	$399,000,000	19.03%	$75,929,700
43.	Various portions of Shenzhen Tian An International Building, Renmin South Road, Luohu District, Shenzhen, the PRC	$391,000,000	19.03%	$74,407,300
44.	20/F, Block A of Shenzhen Tian An International Building, Renmin South Road, Luohu District, Shenzhen, the PRC	$10,170,000	38.06%	$3,870,702
45.	8 shop units located at Tianbeiyi Road, Luwu District, Shenzhen, the PRC	$13,200,000	38.06%	$5,023,920

No.	Property	Capital value as at 31st March, 2010 *HK$*	Attributable interest to the SHK Group	Capital value attributable to the SHK Group as at 31st March, 2010 *HK$*
46.	The whole of 26th Floor, Main Block of Cyber Times Building, Shenzhen Tian An Cyber Park, Futian District, Shenzhen, the PRC	$57,500,000	38.06%	$21,884,500
47.	Various portions of Sun Hai Tung Building, No. 15 Qingnian West Road, Chongchuan District, Nantong City, Jiangsu Province, the PRC	$4,050,000	38.06%	$1,541,430
48.	Various portions in Phase I of Changchun Tian An City One, High-Tech Industrial Development Zone, Changchun City, Jilin Province, the PRC	$20,000,000	38.06%	$7,612,000
49.	Various units of Eastern and Western Blocks, Phase II of Shenzhen Tian An Innovation Science and Technology Plaza, Shenzhen Tian An Cyber Park, Futian District, Shenzhen, the PRC	$83,000,000	19.03%	$15,794,900
50.	Summit Golf Country Club and Dengyun Resort, No. 388 Dengyun Road, Jinan District, Fuzhou City, Fujian Province, the PRC	$1,757,000,000	25.90%	$455,063,000

No.	Property	Capital value as at 31st March, 2010 *HK$*	Attributable interest to the SHK Group	Capital value attributable to the SHK Group as at 31st March, 2010 *HK$*
51.	Zhaoqing Resort and Golf Club, Huilong Town, Gaoyao City, Zhaoqing, Guangdong Province, the PRC	$701,900,000	33.48%	$234,996,120
52.	Various portion in phases I, II and III of Guangzhou Tian An Panyu Hi-Tech Ecological Park, Longmei Village, Shiqiao Town, Panyu District, Guangzhou City, Guangdong Province, the PRC	$82,000,000	19.03%	$15,604,600
53.	76 residential units in Beijing Park Apartments, Nanhu Road, Chaoyang District, Beijing, the PRC	$555,000,000	38.06%	$211,233,000
54.	Part of Ground Floor, Shanghai The Riverside, No. 668 North Suzhou Road, Zhabei District, Shanghai, the PRC	$18,400,000	37.68%	$6,933,120
55.	Various portions of Wuxi Redhill Peninsula, south of Liangxi River, Binhu District, Wuxi City, Jiangsu Province, the PRC	$17,100,000	36.16%	$6,183,360

No.	Property	Capital value as at 31st March, 2010 *HK$*	Attributable interest to the SHK Group	Capital value attributable to the SHK Group as at 31st March, 2010 *HK$*
56.	The whole of 5th Floor and Car Parking Space Nos. 41 to 43 on Basement B2, Shanghai Tian An Centre, No. 338 Nanjing Road West, Huangpu District, Shanghai, the PRC	$85,000,000	38.06%	$32,351,000
57.	The whole of 8th Floor, Shanghai Tian An Centre, No. 338 Nanjing Road West, Huangpu District, Shanghai, the PRC	$67,000,000	38.06%	$25,500,200
58.	The whole of 16th Floor and Car Parking Space Nos. 13 to 15 on Basement B2, Shanghai Tian An Centre, No. 338 Nanjing Road West, Huangpu District, Shanghai, the PRC	$94,700,000	38.06%	$36,042,820
59.	Villa No. 28 of Shanghai Mandarin Palace, No. 599 Fangdian Road, Pudong New District, Shanghai, the PRC	$65,700,000	38.06%	$25,005,420
60.	Villa No. 57 of Shanghai Mandarin Palace, No. 599 Fangdian Road, Pudong New District, Shanghai, the PRC	$75,700,000	38.06%	$28,811,420

No.	Property	Capital value as at 31st March, 2010 *HK$*	Attributable interest to the SHK Group	Capital value attributable to the SHK Group as at 31st March, 2010 *HK$*
61.	12 residential units in Phase III of Dalian Tian An Seaview Garden, Liaohe West Road, Economic and Technical Development Zone, Dalian City, Liaoning Province, the PRC	$25,700,000	22.84%	$5,869,880
62.	Various portions of Phase IVa of Guangzhou Tian An Panyu Hi-Tech Ecological Park, Longmei Village, Shiqiao Town, Panyu District, Guangzhou City, Guangdong Province, the PRC	$36,000,000	19.03%	$6,850,800
63.	Various portions of Phase I of Tian An Longgang Cyber Park at Zhong Xin Cheng, Longgang District, Shenzhen, the PRC	$107,000,000	19.03%	$20,362,100
64.	Various portions of Phase I of Foshan Tian An Nanhai Cyber Park, Jianping Road, Nanhai District, Foshan City, Guangdong Province, the PRC	$31,300,000	17.13%	$5,361,690

No.	Property	Capital value as at 31st March, 2010 *HK$*	Attributable interest to the SHK Group	Capital value attributable to the SHK Group as at 31st March, 2010 *HK$*
65.	Units 2002 and 2004 Residential Block of Everbright Convention and Exhibition Centre, 86 Caobao Road, Xuhui District, Shanghai, the PRC	$5,640,000	19.02%	$1,072,728
66.	Unit 1603 of Jin Xuan Buildings, No. 3, Lane 228, East Nandan Road, Xuhui District, Shanghai, the PRC	$2,630,000	19.02%	$500,226
67.	Units 201 and 202, Jin Cheng Lu Garden No. 69, Lane 398, Shenbei Road, Minhang District, Shanghai, the PRC	$3,740,000	19.02%	$711,348
68.	Unit 1501, Block 2, House No. 3 of Jin Quan Jia Garden, Datun Road, Chaoyang District, Beijing, the PRC	$3,530,000	19.02%	$671,406
69.	Shanghai Racquet Club & Apartments located at 555 Jinfeng Road, Minhang District, Shanghai, the PRC	$1,627,000,000	38.06%	$619,236,200

No.	Property	Capital value as at 31st March, 2010 *HK$*	Attributable interest to the SHK Group	Capital value attributable to the SHK Group as at 31st March, 2010 *HK$*
70.	Level 2 in Building No. 4 of Jin Xiu Court, Hao Nan Road, Chongchuan District, Nantong City, Jiangsu Province, the PRC	$12,700,000	38.06%	$4,833,620
71.	Land, buildings and structures in the factory complex of 山東聯合王晁水泥有限公司 (Shandong Allied Wangchao Cement Limited) located at Dundong village, Jiantouji town, Taierzhuang District, Zaozhuang City, Shandong Province, the PRC	$110,000,000	38.06%	$41,866,000
	Sub-total:	$11,497,760,000		$3,551,784,870

Group IV — Property interest held for sale in the PRC

No.	Property	Capital value as at 31st March, 2010 *HK$*	Attributable interest to the SHK Group	Capital value attributable to the SHK Group as at 31st March, 2010 *HK$*
72.	Various portions of Phases I and II of Foshan Tian An Nanhai Cyber Park, Jianping Road, Nanhai District, Foshan City, Guangdong Province, the PRC	$168,000,000	17.13%	$28,778,400
73.	143 Car Parking Spaces of Shanghai The Riverside, No. 668 North Suzhou Road, Zhabei District, Shanghai, the PRC	$27,000,000	37.68%	$10,173,600

No.	Property	Capital value as at 31st March, 2010 *HK$*	Attributable interest to the SHK Group	Capital value attributable to the SHK Group as at 31st March, 2010 *HK$*
74.	Various units of Jun An Garden, Nong Ke Centre, Longxuan Road, Futian District, Shenzhen, the PRC	$220,000,000	24.74%	$54,428,000
75.	Unsold portions in Phases I to III of Dalian Tian An Seaview Garden, Liaohe West Road, Economic and Technical Development Zone, Dalian City, Liaoning Province, the PRC	$54,200,000	22.84%	$12,379,280
76.	Unsold units in Phase I of Shanghai Tian An Villa, Dongjiang Town, Songjiang District, Shanghai, the PRC	$26,000,000	38.06%	$9,895,600
77.	Various portions in CRED Forest Villas, No. 3388 Kunyang Road, Minhang District, Shanghai, the PRC	$654,000,000	38.06%	$248,912,400
78.	Various portions in Phases I to IV of Guangzhou Tian An Panyu Hi-Tech Ecological Park, Longmei Village, Shiqiao Town, Panyu District, Guangzhou City, Guangdong Province, the PRC	$492,000,000	19.03%	$93,627,600

No.	Property	Capital value as at 31st March, 2010 *HK$*	Attributable interest to the SHK Group	Capital value attributable to the SHK Group as at 31st March, 2010 *HK$*
79.	Club House of California Court, No. 9–11, Lane 369, Huanghua Road, Minhing District, Shanghai, the PRC	$5,900,000	38.06%	$2,245,540
80.	Unsold units in Nanjing Tian An International Building, No. 122 Zhongshan South Road and Shigu Road, Jianye District, Nanjing City, Jiangsu Province, the PRC	$11,600,000	38.06%	$4,414,960
81.	Unsold portions of Wuxi Redhill Peninsula, south of Liangxi River, Binhu District, Wuxi City, Jiangsu Province, the PRC	$37,000,000	36.16%	$13,379,200
82.	Unsold portions of Changzhou New City Garden, Changjiang Road/Zhujiang Road, Xinbei District, Changzhou City, Jiangsu Province, the PRC	$24,000,000	38.06%	$9,134,400
83.	Unsold portions of Changzhou Tian An City Plaza, junction of Heping North Road and Xinmin Lane, Changzhou City, Jiangsu Province, the PRC	$5,117,000	38.06%	$1,947,530

No.	Property	Capital value as at 31st March, 2010 *HK$*	Attributable interest to the SHK Group	Capital value attributable to the SHK Group as at 31st March, 2010 *HK$*
84.	Unsold units in Phase I of Changzhou Tian An Villa, Wujin District, Changzhou City, Jiangsu Province, the PRC	$9,700,000	38.06%	$3,691,820
85.	Unsold portions of Nantong Tian An Garden, Gongnong Road, Nantong City, Jiangsu Province, the PRC	$28,600,000	38.06%	$10,885,160
86.	Unsold portions in Phases I to III of Changchun Tian An City One, High-Tech Industrial Development Zone, Changchun City, Jilin Province, the PRC	$77,800,000	38.06%	$29,610,680
87.	Unsold units in Beijing Park Apartments, Nanhu Road, Chaoyang District, Beijing, the PRC	$35,000,000	38.06%	$13,321,000
88.	Unsold units in Phase III Part 1 of Shanghai Elegant Garden, Longxi Road, Changning District, Shanghai, the PRC	$609,000,000	22.84%	$139,095,600

No.	Property	Capital value as at 31st March, 2010 *HK$*	Attributable interest to the SHK Group	Capital value attributable to the SHK Group as at 31st March, 2010 *HK$*
89.	Various portions of Shenzhen Tian An Cyber Park, Futian District, Shenzhen, the PRC	$2,900,000,000	19.03%	$551,870,000
	Sub-total:	$5,384,917,000		$1,237,790,770
	GRAND TOTAL:	$29,323,677,000		$8,989,749,740

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular as far as the Company is concerned and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts the omission of which would make any statement in this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' interests and short positions in the shares and the underlying shares of the Company and its associated companies

Save as disclosed below, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions, if any, which were taken or deemed to have under such provisions of the SFO); (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to in such provisions of the SFO; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules to be notified to the Company and the Stock Exchange:

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

Name of Directors	Number of Shares held	Approximate % of the issued share capital	Nature of interests
Lee Seng Hui	108,649,413	52.40%	Personal interests (held as beneficial owner) in 22,921 Shares and other interests in 108,626,492 Shares *(Note 1)*
Lee Su Hwei	108,626,492	52.39%	Other interests *(Note 1)*

Notes:

1. Mr. Lee Seng Hui and Ms. Lee Su Hwei are the trustees of Lee and Lee Trust, being a discretionary trust which indirectly held 108,626,492 Shares.

2. All interests stated above represent long positions.

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

Name of Directors	Name of companies	Number of shares and underlying shares held	Approximate % of the relevant issued share capital	Nature of interests
Lee Seng Hui	APL *(Note 2)*	4,528,120,310	74.36%	Other interests *(Note 1)*
Lee Su Hwei	APL *(Note 2)*	4,528,120,310	74.36%	Other interests *(Note 1)*
Lee Seng Hui	SHK Hong Kong Industries Limited ("SHK HK IND") *(Note 3)*	2,632,535,606	70.40%	Other interests *(Note 1)*
Lee Su Hwei	SHK HK IND *(Note 3)*	2,632,535,606	70.40%	Other interests *(Note 1)*
Lee Seng Hui	SHK *(Note 4)*	1,091,885,163	62.31%	Other interests *(Note 1)*
Lee Su Hwei	SHK *(Note 4)*	1,091,885,163	62.31%	Other interests *(Note 1)*
Lee Seng Hui	Quality HealthCare Asia Limited ("QHA") *(Note 5)*	144,385,776	64.16%	Other interests *(Note 1)*
Lee Su Hwei	QHA *(Note 5)*	144,385,776	64.16%	Other interests *(Note 1)*
Lee Seng Hui	Tian An *(Note 6)*	573,589,096	38.06%	Other interests *(Note 1)*
Lee Su Hwei	Tian An *(Note 6)*	573,589,096	38.06%	Other interests *(Note 1)*
Mak Pak Hung	SHK *(Note 4)*	5,000	0.00%	Personal interest (held as beneficiary of trust) *(Note 7)*

Notes:

1. Mr. Lee Seng Hui and Ms. Lee Su Hwei are the trustees of Lee and Lee Trust, being a discretionary trust which indirectly held 4,528,120,310 shares of APL, 2,324,288,032 shares and 308,247,574 units of warrants of SHK HK IND, 1,091,885,163 shares of SHK, 144,385,776 shares of QHA and 573,589,096 shares of Tian An.

2. APL is a non wholly-owned subsidiary of the Company. Therefore, APL is an associated corporation of the Company within the meaning of Part XV of the SFO.

3. SHK HK IND is an indirect non wholly-owned subsidiary of the Company. Therefore, SHK HK IND is an associated corporation of the Company within the meaning of Part XV of the SFO.

4. SHK is an indirect non wholly-owned subsidiary of APL which in turn is a non wholly-owned subsidiary of the Company. Therefore, SHK is an associated corporation of the Company within the meaning of Part XV of the SFO.

5. QHA is an indirect non wholly-owned subsidiary of APL which in turn is a non wholly-owned subsidiary of the Company. Therefore, QHA is an associated corporation of the Company within the meaning of Part XV of the SFO.

6. The Company, through its non wholly-owned subsidiaries, is indirectly interested in 38.06% in the issued shares capital of Tian An. Therefore, Tian An is an associated corporation of the Company within the meaning of Part XV of the SFO.

7. This represents the remaining one-third of the deemed interest in 15,000 SHK Shares duly granted to Mr. Mak Pak Hung on 28th April, 2008 under the SHK Employee Ownership Scheme and this shall be vested and become unrestricted from 15th April, 2011.

8. All interests stated above represent long positions.

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

Save as disclosed below and in paragraph (a) above, the Directors and the chief executive of the Company were not aware that there was any person (including any proposed directors of the Group) who, as at the Latest Practicable Date, had an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who, as at the Latest Practicable Date, was directly and indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of other member of the Group:

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

Name of Shareholders	Number of Shares held	Approximate % of the relevant issued share capital of the Company	Notes
Cashplus Management Limited ("Cashplus")	32,781,800	15.81%	—
Zealous Developments Limited ("Zealous")	32,781,800	15.81%	*1, 2*
Minty Hongkong Limited ("Minty")	75,844,692	36.58%	—
Lee and Lee Trust	108,626,492	52.39%	*3, 4*
Penta Investment Advisers Limited ("Penta")	17,311,942	8.35%	*5*

Notes:

1. This represents the same interest of Cashplus in 32,781,800 Shares.

2. Cashplus is a wholly-owned subsidiary of Zealous. Zealous was therefore deemed to have an interest in the Shares in which Cashplus was interested.

3. Minty and Zealous are wholly-owned by the trustees of Lee and Lee Trust, being a discretionary trust.

4. Mr. Lee Seng Hui and Ms. Lee Su Hwei, both Directors, together with Mr. Lee Seng Huang are the trustees of Lee and Lee Trust, being a discretionary trust, and were therefore deemed to have an interest in the Shares in which Minty and Zealous were interested.

5. The interest includes 14,067,000 shares of unlisted cash settled derivatives.

6. Mr. Lee Seng Hui, an Executive Director, and Ms. Lee Su Hwei, a Non-Executive Director, are both directors of Cashplus and Zealous.

7. All interests stated above represent long positions. As at the Latest Practicable Date, no short positions were recorded in the register required to be kept under Section 336 of the SFO.

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

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

3. DIRECTORS' SERVICE CONTRACTS

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

4. DIRECTORS' INTERESTS IN COMPETING BUSINESSES

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

(a) Mr. Arthur George Dew is a director of APL which, through a subsidiary, is partly engaged in the business of money lending;

(b) Mr. Lee Seng Hui and Ms. Lee Su Hwei are two of the trustees of Lee and Lee Trust which is a deemed substantial shareholder of each of APL, SHK, and Tian An which, through their subsidiaries, are partly engaged in the businesses as follows:

— APL, through a subsidiary, is partly engaged in the business of money lending;

— APL, through certain of its subsidiaries and associates, is partly involved in the investment and trading in listed securities in the resources and related industries;

— SHK, through certain of its subsidiaries, is partly engaged in the businesses of money lending and property investment; and

— Tian An, through certain of its subsidiaries, is partly engaged in the businesses of money lending, property development and investment;

(c) Mr. Lee Seng Hui is a director of Allied Kajima Limited which, through certain of its subsidiaries, is partly engaged in the businesses of property rental and hospitality related activities;

(d) Messrs. Lee Seng Hui and Edwin Lo King Yau are directors of Tian An which, through certain of its subsidiaries, is partly engaged in the businesses of money lending, property development and investment; and

(e) Mr. Lee Seng Hui is a director of each of APAC Resources Limited, Mount Gibson Iron Limited and Tanami Gold NL which, through certain of its subsidiaries, are partly involved in the investment and trading in listed securities in the resources and related industries.

Although the above-mentioned Directors have competing interest in other companies by virtue of their respective common directorship, they will fulfill their fiduciary duties in order to ensure that they will act in the best interest of the Shareholders and the Company as a whole at all times. In approving any transaction contemplated between the Company and the above-mentioned companies or any other companies in which a Director has a common directorship and/or personal interest (as the case may be), the Director will declare, at a Board meeting or on Board resolutions, the nature and extent of his/her interest, including but not limited to his/her common directorship and/or personal interest (as the case may be) in respect of the transaction contemplated therein or related thereto; where such interest is personal and/or material in nature, the relevant Director will abstain from voting at the Board meeting or on the Board resolutions while signing the same for its validity in accordance with the relevant provisions of articles of association of the Company. Hence, the Group is capable of carrying on its businesses independently of, and at arm's length from, the businesses of such companies.

5. LITIGATION

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

(a) In 2001, an order was made by the Hubei Province Higher People's Court in China ("2001 Order") enforcing a CIETAC award of 19th July, 2000 ("Award") by which SHKS was required to pay US$3 million to Chang Zhou Power Development Company Limited ("JV"), a mainland PRC joint venture. SHKS had disposed of all of its beneficial interest in the JV to SHK's listed associate, Tian An, in 1998 and disposed of any and all interest it might hold in the registered capital of the JV ("Interest") to Long Prosperity Industrial Limited ("LPI") in October 2001. Subsequent to those disposals, SHKS' registered interest in the JV in the amount of US$3 million was frozen further to the 2001 Order. SHKS is party to the following litigation relating to the JV:

(i) On 29th February, 2008, a writ of summons with general indorsement of claim was issued by Global Bridge Assets Limited ("GBA"), LPI and Walton Enterprises Limited ("Walton") ("2008 Writ") in the High Court of Hong Kong against SHKS ("HCA 317/2008"). In the 2008 Writ, (a) GBA claims against SHKS for damages for alleged breaches of a guarantee, alleged breaches of a collateral contract, for an alleged collateral warranty, and for alleged negligent and/or reckless and/or fraudulent misrepresentation; (b) LPI claims against SHKS damages for alleged breaches of a contract dated 12th October, 2001; and (c) Walton claims against SHKS for the sum of US$3 million under a shareholders agreement and/or pursuant to the Award and damages for alleged wrongful breach of a shareholders agreement. GBA, LPI and Walton also claim against SHKS interest on any sums or damages payable, costs, and such other relief as the Court may think fit. The 2008 Writ was served on SHKS on 29th May, 2008. It is being vigorously defended. Among other things, pursuant to a 2001 deed of waiver and indemnification, LPI (being the nominee of GBA) waived and released SHKS from any claims including any claims relating to or arising from the Interest, the JV or any transaction related thereto, covenanted not to sue, and assumed liability for and agreed to indemnify SHKS from any and all damages, losses and expenses arising from any claims by any entity or party arising in connection with the Interest, the JV or any transaction related thereto. On 24th February, 2010 the Court of Appeal struck out the claims of GBA and LPI, and awarded costs of the appeal and the strike out application as against GBA and LPI to SHKS. While a provision has been made for legal costs, SHK does not consider it presently appropriate to make any other provision with respect to HCA 317/2008.

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

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

(b) On 14th October, 2008, a writ of summons was issued by Sun Hung Kai Investment Services Limited ("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. SHKIS' appeal of that judgment to the Court of Appeal was heard 6th May, 2010, and was dismissed. The trial will be heard on a date to be fixed.

6. QUALIFICATIONS AND CONSENTS OF EXPERTS

The following are the qualifications of the experts who have been named in this circular or who have given reports or advice which are contained or referred to in this circular.

Name	Qualification
Deloitte Touche Tohmatsu	Certified Public Accountants, Hong Kong
Norton Appraisals Limited	Registered Professional Surveyors, Valuers and Property Advisers

Deloitte Touche Tohmatsu and Norton Appraisals Limited have given and have not withdrawn their respective written consents to the issue of this circular with the inclusion of their respective reports and references to their respective names in the form and context in which they respectively appear.

As at the Latest Practicable Date, Deloitte Touche Tohmatsu and Norton Appraisals Limited did not have any direct or indirect shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any Shares or shares of any member of the Group.

As at the Latest Practicable Date, Deloitte Touche Tohmatsu and Norton Appraisals Limited did not have any direct or indirect interest in any assets which have been since 31st December, 2009, the date to which the latest published audited consolidated accounts of the Group were made up, acquired or disposed of by, or leased to any member of the Group, or are proposed to be acquired or disposed of by, or leased to any member of the Group.

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31st December, 2009 (the date to which the latest published audited consolidated accounts of the Group were made up).

8. MATERIAL CONTRACTS

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

(a) on 22nd April, 2010, SHK, as the issuer and Asia Financial Services Company Limited ("Investor") entered into the Subscription Agreement pursuant to which SHK conditionally agreed to issue and the Investor conditionally agreed to subscribe for (i) the Mandatory Convertible Notes and (ii) the Warrants, on the Closing Date being the date which is 21 days after and excluding the date upon which the last of the conditions precedent (as set out in the Subscription Agreement) has been or remains satisfied or waived (as applicable) and if such day is not a Business Day on the next Business Day thereafter, provided that it shall be a date no later than 31st October, 2010, or such other time and/or date as SHK and the Investor may agree in writing. Further details were disclosed in the announcement jointly issued by the Company, APL and SHK relating to the Subscription Agreement dated 26th April, 2010 and this circular.

(b) on 19th April, 2010, SHK as the vendor, China Elite Holdings Limited ("China Elite") as the purchaser and APL as the purchaser's guarantor (all being non wholly-owned subsidiaries of the Company) entered into a conditional Acquisition Agreement, pursuant to which, *inter alia*, SHK has conditionally agreed to sell and China Elite has conditionally agreed to acquire 573,589,096 Tian An Shares held by SHK in Tian An, representing approximately 38.06% of the existing total issued share capital of Tian An. APL has agreed to guarantee the performance of the obligations of China Elite under the Acquisition Agreement. The consideration for the sale and purchase of the Tian An Shares is to be satisfied by the issuance of a share entitlement note to SHK which shall confer on the holder the right to call for the issue by APL of 2,293,561,833 APL Shares credited as fully-paid. Further details were disclosed in the Joint Announcement and this circular.

(c) On 23rd April, 2009, a warrant instrument by way of deed poll was executed by SHK Hong Kong Industries Limited ("SHK HK IND", SHK HK IND was formerly known as Yu Ming Investments Limited prior to 2nd July, 2009 and became an indirect non wholly-owned subsidiary of the Company following completion of the rights issue of SHK HK IND ("Rights Issue") on 17th April, 2009). Accordingly, relevant shareholders who had subscribed for rights shares ("Rights Shares") of SHK HK IND received bonus warrants (i.e. 2011 Warrants) on the basis of one bonus warrant for every five Rights Shares subscribed. On the basis of 1,869,172,517 Rights Shares in issue, 373,834,503 2011 Warrants were issued to the relevant shareholders of SHK HK IND on 23rd April, 2009. Further details were disclosed in the announcements of SHK HK IND dated 20th April, 2009 and 22nd April, 2009 respectively.

(d) On 13th February, 2009, the Company and Bright Clear Limited ("Bright Clear"), an indirect wholly-owned subsidiary of the Company, had executed a subscription undertaking ("Subscription Undertaking") to undertake the subscription of such amount of Rights Shares of SHK HK IND under the Rights Issue. On 15th April, 2009, Bright Clear was provisionally allotted 504,371,800 Rights Shares pursuant to the Subscription Undertaking and submitted excess Right Shares application to SHK HK IND. Bright Clear was allotted 1,036,766,074 excess Rights Shares pursuant to the excess Rights Shares application. All Rights Shares were allotted to Bright Clear at the subscription price of HK$0.10 per Rights Share. Further details were disclosed in the announcement of the Company dated 20th April, 2009.

(e) On 13th February, 2009, an underwriting agreement was entered into between SHK HK IND and Get Nice Securities Limited (being the underwriter) in relation to the Rights Issue of SHK HK IND. The commission paid to Get Nice Securities Limited was approximately HK$3.4 million, on the basis of 2.5% of an aggregate amount underwritten. The underwriting agreement became unconditional on 17th April, 2009. Further details were disclosed in the announcement of SHK HK IND dated 14th February, 2009 and the prospectus of SHK HK IND dated 26th March, 2009.

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

(g) On 8th October, 2008, TCM Products Limited as purchaser and Quality HealthCare Medical Holdings Limited as purchaser's guarantor, both being indirect non wholly-owned subsidiaries of the Company, entered into a sale and purchase agreement with Dr. Kong Ching Boon, Mr. Lau Ling Tak and Mr. Cheung Chor Hung, collectively as the vendors, pursuant to which the purchaser had agreed to acquire from the vendors 10,000 shares of GHC Holdings Limited ("GHC"), representing the entire issued share capital of GHC for the consideration of HK$29,600,000. Pursuant to the sale and purchase agreement, the purchaser's guarantor had agreed to provide the guarantee for the payment obligation of the purchaser. Further details were disclosed in the announcement of Quality HealthCare Asia Limited ("QHA") dated 9th October, 2008 and the circular of QHA dated 30th October, 2008.

(h) On 23rd May, 2008, a warrant instrument by way of deed poll was executed by SHK HK IND. Accordingly, relevant shareholders whose names appear on the register of members of SHK HK IND on 23rd May, 2008 received bonus warrants ("2009 Warrants") on the basis of one 2009 Warrant for every five existing SHK HK IND shares held. On the basis of 1,869,171,989 SHK HK IND shares, 373,834,397 2009 Warrants were issued to the relevant shareholders on 29th May, 2008. Further details were disclosed in the letter to shareholders of SHK HK IND dated 29th May, 2008.

(i) On 7th May, 2008, SHK as the vendor, Famestep Investments Limited ("Famestep") as the purchaser, and APL as the purchaser's guarantor (all being non wholly-owned subsidiaries of the Company) entered into a sale and purchase agreement, pursuant to which (i) SHK had conditionally agreed to sell 2,675,400 shares of Wah Cheong Development (B.V.I.) Limited ("Wah Cheong") representing the entire issued share capital of Wah Cheong, which held approximately 51.15% of the issued share capital of QHA and assign the shareholder's loan in the amount of HK$271,391,445 due by Wah Cheong to Famestep; and (ii) Famestep had conditionally agreed to purchase the Wah Cheong shares and accept the assignment of the shareholder's loan at an aggregate consideration of HK$470,690,000. Further details were disclosed in the joint announcement of the Company, APL and SHK dated 14th May, 2008 and the circular of each of the Company, APL and SHK dated 4th June, 2008.

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

9. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, Mr. Lee Seng Hui and Ms. Lee Su Hwei, being Directors and trustees of Lee and Lee Trust, a discretionary trust which together with the personal interest of Mr. Lee Seng Hui were interested in approximately 52.40% in the Company, which was in turn interested in approximately 74.36% in APL. APL was interested in approximately 62.31% in SHK, which in turn holding the Tian An Interest. Besides, Mr. Mak Pak Hung, an Executive Director, held 5,000 SHK Shares as beneficiary of trust under the SHK Employee Ownership Scheme of SHK as at the Latest Practicable Date. As disclosed in this circular, APL and SHK are both parties to the Acquisition Agreement in relation to the sale and purchase of the Tian An Interest.

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

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

10. GENERAL

(a) The registered office of the Company is 22nd Floor, Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong.

(b) The company secretary of the Company is Ms. Winnie Lui Mei Yan. She is an associate member of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators and holds a Master's Degree in Business Administration.

(c) The share registrar of the Company is Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(d) This circular is prepared in both English and Chinese. In the event of inconsistency, the English text shall prevail.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the head office and principal place of business of the Company in Hong Kong at 22nd Floor, Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong during normal office hours on any weekday, except Saturdays, Sundays and public holidays, from the date of this circular up to and including 18th June, 2010:

(a) the memorandum and articles of association of the Company;

(b) the annual reports of the Company for the two years ended 31st December, 2009;

(c) the material contracts referred to in the paragraph headed "Material Contracts" in this appendix;

(d) the report and letter from Deloitte Touche Tohmatsu on the unaudited pro forma financial information of the Group, the text of which is set out in Appendix II to this circular;

(e) the Summary Report from Norton Appraisals Limited, the text of which is set out in Appendix IV to this circular;

(f) the Full Report issued by Norton Appraisals Limited. Please also refer to the section headed "Property Valuation Report" on pages 37 to 38 of this circular;

(g) the respective written consents given by Deloitte Touche Tohmatsu and Norton Appraisals Limited and referred to in the paragraph headed "Qualifications and Consents of Experts" in this appendix;

(h) the Acquisition Agreement;

(i) the Subscription Agreement;

(j) the Issue Documents; and

(k) this circular.