

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



ALLIED GROUP LIMITED

(聯合集團有限公司)

(Incorporated in Hong Kong with limited liability)

(Stock Code: 373)

ANNOUNCEMENT OF AUDITED RESULTS FOR THE YEAR 2012

The board of directors (“Board”) of Allied Group Limited (“Company”) announces that the audited consolidated results of the Company and its subsidiaries (“Group”) for the year ended 31st December, 2012 are as follows:

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31ST DECEMBER, 2012

	Notes	2012 HK\$ Million	2011 HK\$ Million (Restated)
Continuing operations			
Revenue	(2)	4,316.2	4,111.9
Other income		178.6	94.4
Total income		4,494.8	4,206.3
Cost of sales and other direct costs		(209.3)	(228.2)
Brokerage and commission expenses		(188.0)	(214.4)
Selling and marketing expenses		(124.7)	(103.7)
Administrative expenses		(1,516.7)	(1,327.9)
Changes in values of properties	(4)	602.1	866.7
Net profit (loss) on financial instruments	(5)	397.4	(386.6)
Net exchange gain (loss)		4.8	(46.8)
Bad and doubtful debts	(6)	(506.2)	(169.3)
Other operating expenses		(112.8)	(113.1)
Finance costs	(7)	(112.5)	(53.8)
Share of results of associates		168.9	287.3
Share of results of jointly controlled entities		167.9	190.2
Profit before taxation	(8)	3,065.7	2,906.7
Taxation	(9)	(301.3)	(328.3)
Profit for the year from continuing operations		2,764.4	2,578.4
Discontinued operations			
Loss for the year from discontinued operations	(10)	–	(1.5)
Profit for the year		2,764.4	2,576.9

CONSOLIDATED INCOME STATEMENT (Cont'd)
FOR THE YEAR ENDED 31ST DECEMBER, 2012

	<i>Notes</i>	2012 <i>HK\$ Million</i>	2011 <i>HK\$ Million</i> (Restated)
Attributable to:			
Owners of the Company			
Profit for the year from continuing operations		1,394.9	1,258.2
Loss for the year from discontinued operations		—	(0.7)
		<u>1,394.9</u>	<u>1,257.5</u>
Non-controlling interests			
Profit for the year from continuing operations		1,369.5	1,320.2
Loss for the year from discontinued operations		—	(0.8)
		<u>1,369.5</u>	<u>1,319.4</u>
		<u>2,764.4</u>	<u>2,576.9</u>
Earnings per share	(11)		
<i>From continuing and discontinued operations</i>			
Basic		<u>HK\$7.16</u>	<u>HK\$5.86</u>
Diluted		<u>HK\$7.16</u>	<u>HK\$5.86</u>
<i>From continuing operations</i>			
Basic		<u>HK\$7.16</u>	<u>HK\$5.86</u>
Diluted		<u>HK\$7.16</u>	<u>HK\$5.86</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER, 2012

	2012 <i>HK\$ Million</i>	2011 <i>HK\$ Million</i> (Restated)
Profit for the year	<u>2,764.4</u>	<u>2,576.9</u>
Other comprehensive income:		
Available-for-sale financial assets		
– Net fair value changes during the year	48.1	(85.4)
– Reclassification adjustment to profit or loss on disposal	(43.4)	(32.7)
– Reclassification upon impairment	<u>0.7</u>	<u>–</u>
	5.4	(118.1)
Reclassification adjustment to profit or loss on liquidation of subsidiaries	(0.4)	–
Reclassification adjustment to profit or loss on liquidation of a jointly controlled entity	–	(0.3)
Revaluation gain on properties transferred from property, plant and equipment to investment properties	30.0	146.0
Exchange differences arising on translation of foreign operations	45.2	110.5
Share of other comprehensive (expenses) income of associates	(8.0)	236.9
Share of other comprehensive income of jointly controlled entities	<u>4.1</u>	<u>0.1</u>
Other comprehensive income for the year	<u>76.3</u>	<u>375.1</u>
Total comprehensive income for the year	<u>2,840.7</u>	<u>2,952.0</u>
Attributable to:		
Owners of the Company	1,449.7	1,435.5
Non-controlling interests	<u>1,391.0</u>	<u>1,516.5</u>
	<u>2,840.7</u>	<u>2,952.0</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31ST DECEMBER, 2012

	<i>Notes</i>	2012 <i>HK\$ Million</i>	2011 <i>HK\$ Million</i> (Restated)
Non-current assets			
Investment properties		6,465.5	5,752.2
Property, plant and equipment		656.1	635.2
Prepaid land lease payments		9.8	10.0
Goodwill		127.0	125.7
Intangible assets		116.4	122.5
Interests in associates		6,041.0	5,911.9
Interests in jointly controlled entities		1,694.4	1,509.8
Available-for-sale financial assets		499.1	632.5
Statutory deposits		26.5	26.9
Amounts due from associates		396.1	51.3
Loans and advances to consumer finance customers due after one year	(13)	3,057.6	2,972.6
Deposits for acquisition of property, plant and equipment		20.4	28.7
Deferred tax assets		106.0	92.7
Financial assets at fair value through profit or loss		912.6	642.1
Trade and other receivables	(14)	720.0	7.8
		20,848.5	18,521.9
Current assets			
Properties held for sale and other inventories		370.0	441.8
Financial assets at fair value through profit or loss		1,317.3	1,019.0
Prepaid land lease payments		0.3	0.4
Loans and advances to consumer finance customers due within one year	(13)	5,236.2	4,583.5
Trade and other receivables	(14)	5,694.5	6,424.2
Amounts due from associates		52.5	373.6
Amounts due from jointly controlled entities		55.1	8.6
Available-for-sale financial assets		–	262.1
Tax recoverable		17.8	18.6
Short-term pledged bank deposits and bank balances		83.5	115.6
Bank deposits		467.8	940.9
Cash and cash equivalents		6,451.6	3,394.2
		19,746.6	17,582.5
Current liabilities			
Trade and other payables	(15)	1,461.8	1,112.8
Financial liabilities at fair value through profit or loss		67.3	27.5
Amounts due to associates		5.6	32.7
Amounts due to jointly controlled entities		40.1	50.1
Tax payable		105.0	102.2
Bank and other borrowings due within one year		4,735.4	3,098.3
Provisions		35.2	48.4
		6,450.4	4,472.0
Net current assets		13,296.2	13,110.5
Total assets less current liabilities		34,144.7	31,632.4

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)
AT 31ST DECEMBER, 2012

	<i>Notes</i>	2012 <i>HK\$ Million</i>	2011 <i>HK\$ Million</i> (Restated)
Capital and reserves			
Share capital		382.4	408.7
Share premium and reserves	<i>(16)</i>	14,254.6	12,262.1
Equity attributable to owners of the Company		14,637.0	12,670.8
Equity elements of mandatory convertible notes and warrants			
		57.6	57.6
Shares held for employee ownership scheme		(25.2)	(19.6)
Employee share-based compensation reserve		8.9	9.4
Share of net assets of subsidiaries		14,690.2	14,732.8
Non-controlling interests		14,731.5	14,780.2
Total equity		29,368.5	27,451.0
Non-current liabilities			
Bank and other borrowings due after one year		1,526.9	3,405.4
Notes and bonds		2,997.8	555.8
Financial liabilities at fair value through profit or loss		8.0	–
Deferred tax liabilities		232.0	205.5
Provisions		11.5	14.7
		4,776.2	4,181.4
		34,144.7	31,632.4

Notes:

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

In the current year, the Group has adopted certain amendments to Standards issued by the Hong Kong Institute of Certified Public Accountants. Except as described below, the adoption of the amendments to Standards in current year has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

**Amendments to HKAS 1 Presentation of Financial Statements
(as part of the Annual Improvements to HKFRSs 2009-2011 Cycle issued in June 2012)**

Various amendments to HKFRSs were issued in June 2012, the title of which is Annual Improvements to HKFRSs 2009-2011 Cycle. The effective date of these amendments is annual period beginning on or after 1st January, 2013.

HKAS 1 requires an entity that changes accounting policies retrospectively, or makes a retrospective restatement or reclassification to present a statement of financial position as at the beginning of the preceding period (third statement of financial position). The amendments to HKAS 1 clarify that an entity is required to present a third statement of financial position only when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position and that related notes are not required to accompany the third statement of financial position.

In the current year, the Group has early applied for the first time the amendments to HKAS 1 in advance of the effective date.

HKAS 12 (Amendments) Deferred Tax: Recovery of Underlying Assets

Under the amendments to HKAS 12 “Deferred Tax: Recovery of Underlying Assets”, investment properties that are measured using the fair value model in accordance with HKAS 40 “Investment Property” are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The Group measures its investment properties using the fair value model. As a result of the application of the amendments to HKAS 12, the directors of the Company reviewed the Group’s investment property portfolios and concluded that the Group’s investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, and that the presumption set out in the amendments to HKAS 12 is not rebutted.

The Group has adopted this amendment retrospectively and the effects of adoption are disclosed as follows:

	2012 <i>HK\$ Million</i>	2011 <i>HK\$ Million</i>	
<i>Consolidated income statement</i>			
Decrease in share of results of associates	(77.9)	(48.8)	
Increase in share of results of jointly controlled entities	21.2	23.5	
Decrease in taxation	73.9	92.7	
Increase in profit for the year from continuing operations	17.2	67.4	
Increase in profit for the year from continuing operations attributable to owners of the Company	10.6	37.0	
Increase in profit for the year from continuing operations attributable to non-controlling interests	6.6	30.4	
<i>Consolidated statement of comprehensive income</i>			
Decrease in exchange differences arising on translation of foreign operations	(0.2)	(0.8)	
Decrease in deferred tax arising on revaluation gain on properties transferred from property, plant and equipment to investment properties	4.9	24.0	
Decrease in share of other comprehensive income of associates	–	(14.0)	
Net increase in other comprehensive income for the year	4.7	9.2	
Increase in total comprehensive income for the year	21.9	76.6	
Increase in total comprehensive income attributable to owners of the Company	14.2	35.8	
Increase in total comprehensive income attributable to non-controlling interests	7.7	40.8	
	As previously reported <i>HK\$ Million</i>	Adjustments <i>HK\$ Million</i>	As restated <i>HK\$ Million</i>
<i>Consolidated income statement for the year ended 31st December, 2011</i>			
Share of results of associates	336.1	(48.8)	287.3
Share of results of jointly controlled entities	166.7	23.5	190.2
Taxation	(421.0)	92.7	(328.3)
Profit for the year from continuing operations	2,511.0	67.4	2,578.4
Profit for the year from continuing operations attributable to owners of the Company	1,221.2	37.0	1,258.2
Profit for the year from continuing operations attributable to non-controlling interests	1,289.8	30.4	1,320.2
<i>Consolidated statement of comprehensive income for the year ended 31st December, 2011</i>			
Deferred tax arising on revaluation gain on properties transferred from property, plant and equipment to investment properties	(24.0)	24.0	–
Exchange differences arising on translation of foreign operations	111.3	(0.8)	110.5
Share of other comprehensive income of associates	250.9	(14.0)	236.9
Other comprehensive income for the year	365.9	9.2	375.1
Total comprehensive income for the year	2,875.4	76.6	2,952.0
Total comprehensive income attributable to owners of the Company	1,399.7	35.8	1,435.5
Total comprehensive income attributable to non-controlling interests	1,475.7	40.8	1,516.5

	As previously reported <i>HK\$ Million</i>	Adjustments <i>HK\$ Million</i>	As restated <i>HK\$ Million</i>
<i>Consolidated statement of financial position as at 1st January, 2011</i>			
Interests in associates	5,293.1	(260.1)	5,033.0
Interests in jointly controlled entities	1,221.6	98.3	1,319.9
Deferred tax liabilities	375.5	(196.3)	179.2
Property revaluation reserve	94.6	14.9	109.5
Translation reserve	286.6	(4.2)	282.4
Accumulated profits	9,010.0	11.6	9,021.6
Non-controlling interests – share of net assets of subsidiaries	<u>10,918.9</u>	<u>12.2</u>	<u>10,931.1</u>

*Consolidated statement of financial position
as at 31st December, 2011*

Interests in associates	6,234.9	(323.0)	5,911.9
Interests in jointly controlled entities	1,387.9	121.9	1,509.8
Deferred tax liabilities	517.7	(312.2)	205.5
Property revaluation reserve	152.7	23.6	176.3
Translation reserve	493.4	(14.1)	479.3
Accumulated profits	9,448.1	48.6	9,496.7
Non-controlling interests – share of net assets of subsidiaries	<u>14,679.8</u>	<u>53.0</u>	<u>14,732.8</u>

Impact on basic and diluted earnings per share

	2012 <i>HK\$</i>	2011 <i>HK\$</i>
Basic earnings per share from continuing operations before adjustments	7.11	5.68
Adjustments arising on the application of the amendments to HKAS 12	0.05	0.18
Reported basic earnings per share from continuing operations	<u>7.16</u>	<u>5.86</u>
Diluted earnings per share from continuing operations before adjustments	7.11	5.68
Adjustments arising on the application of the amendments to HKAS 12	0.05	0.18
Reported diluted earnings per share from continuing operations	<u>7.16</u>	<u>5.86</u>

New and revised HKFRSs in issue but not yet effective

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

Amendments to HKAS 1 HKAS 27 (2011) HKAS 28 (2011) Amendments to HKAS 32 Amendments to HKFRS 7	Presentation of Items of Other Comprehensive Income ¹ Separate Financial Statements ² Investments in Associates and Joint Ventures ² Offsetting Financial Assets and Financial Liabilities ³ Disclosures – Offsetting Financial Assets and Financial Liabilities ²
Amendments to HKFRS 7 and HKFRS 9 HKFRS 9 HKFRS 10 HKFRS 11 HKFRS 12	Mandatory Effective Date of HKFRS 9 and Transition Disclosures ⁴ Financial Instruments ⁴ Consolidated Financial Statements ² Joint Arrangements ² Disclosure of Interests in Other Entities ²
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) HKFRS 13	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interest in Other Entities: Transition Guidance ² Investment Entities ³ Fair Value Measurement ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2009–2011 Cycle, except for the amendments to HKAS 1 ²

¹ Effective for annual periods beginning on or after 1st July, 2012

² Effective for annual periods beginning on or after 1st January, 2013

³ Effective for annual periods beginning on or after 1st January, 2014

⁴ Effective for annual periods beginning on or after 1st January, 2015

Amendments to HKAS 1 – Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that will be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1st July, 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

Amendments to HKAS 32 and HKFRS 7 – Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offsetting requirements. Specifically, the amendments clarify the meaning of “currently has a legally enforceable right of set-off” and “simultaneous realisation and settlement”.

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments to HKFRS 7 are effective for annual periods beginning on or after 1st January, 2013 and interim periods within those annual periods. The disclosures should be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1st January, 2014, with retrospectively application required. The management anticipate that the application of the above amendments does not have material impact to the amounts reported in the consolidated financial statements but results in more extensive disclosures in the consolidated financial statements.

HKFRS 9 – Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 “Financial Instruments: Recognition and Measurement” are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, 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.

HKFRS 9 is effective for annual periods beginning on or after 1st January, 2015, with earlier application permitted. The application of HKFRS 9 might affect the measurement of the Group’s financial assets. The management is still in the process of assessing the impact of adoption of HKFRS 9.

New and revised standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five Standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (2011) and HKAS 28 (2011).

Key requirements of these five Standards are described below.

HKFRS 10 replaces the parts of HKAS 27 “Consolidated and Separate Financial Statements” that deal with consolidated financial statements. HK(SIC) – Int 12 “Consolidation – Special Purpose Entities” will be withdrawn upon the effective date of HKFRS 10. Under HKFRS 10, there is only one basis for consolidation, that is control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor’s returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 “Interests in Joint Ventures”. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. HK(SIC) – Int 13 “Jointly Controlled Entities – Non-monetary Contributions by Venturers” will be withdrawn upon the effective date of HKFRS 11. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities are currently under HKAS 31 accounted for using the equity method of accounting.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) issued in December 2012 define an investment entity and require a parent that is an investment entity to measure its investments in particular subsidiaries at fair value through profit or loss in accordance with HKFRS 9 instead of consolidating those subsidiaries in its consolidated and separate financial statements. In addition, the amendments introduce new disclosure requirements related to investment entities in HKFRS 12.

These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1st January, 2013. The amendments relating to investment entities are effective for annual period beginning on or after 1st January, 2014. Earlier application is permitted provided that all of these five standards are applied early at the same time. The Directors anticipate that the application of these five standards does not have material effect on the consolidated financial statements of the Group for the current and prior accounting periods.

HKFRS 13 – Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those required in the current standards.

HKFRS 13 is effective for annual periods beginning on or after 1st January, 2013, with earlier application permitted. The management anticipates that the application of the new Standard does not have material impact to the amounts reported in the consolidated financial statements but results in more extensive disclosures in the consolidated financial statements.

(2) REVENUE

	2012 <i>HK\$ Million</i>	2011 <i>HK\$ Million</i>
Revenue comprises:		
Continuing operations		
Interest income on loans and advances to consumer finance customers	2,568.5	2,057.1
Interest income received from banks, term loans, margin loans and others	641.0	757.7
Income from corporate finance and others	348.2	354.9
Securities broking	203.6	333.1
Property rental, hotel operations and management services	317.1	298.3
Net trading profit from forex, bullion, commodities and futures	117.6	174.0
Elderly care services	93.9	98.5
Dividend income	26.3	38.3
	<u>4,316.2</u>	<u>4,111.9</u>

(3) SEGMENTAL INFORMATION

The operating business organised and managed in each segment represents a strategic business unit that offers different products and services for the purpose of resource allocation and assessment of segment performance.

Analysis of the Group's revenue and results from continuing operations is as follows:

	2012					
	Investment, broking and finance <i>HK\$ Million</i>	Consumer finance <i>HK\$ Million</i>	Elderly care services <i>HK\$ Million</i>	Property development and investment <i>HK\$ Million</i>	Corporate and other operations <i>HK\$ Million</i>	Total <i>HK\$ Million</i>
Segment revenue	1,267.6	2,581.6	154.4	334.3	63.0	4,400.9
Less: inter-segment revenue	(7.4)	-	-	(34.7)	(42.6)	(84.7)
Segment revenue from external customers from continuing operations	<u>1,260.2</u>	<u>2,581.6</u>	<u>154.4</u>	<u>299.6</u>	<u>20.4</u>	<u>4,316.2</u>
Segment results	865.7	1,163.9	96.7	736.2	(21.1)	2,841.4
Finance costs						(112.5)
Share of results of associates						168.9
Share of results of jointly controlled entities	(30.8)	-	-	198.7	-	167.9
Profit before taxation						3,065.7
Taxation						(301.3)
Profit for the year from continuing operations						<u>2,764.4</u>

	2011					
	Investment, broking and finance <i>HK\$ Million</i>	Consumer finance <i>HK\$ Million</i>	Elderly care services <i>HK\$ Million</i>	Property development and investment <i>HK\$ Million</i> (Restated)	Corporate and other operations <i>HK\$ Million</i>	Total <i>HK\$ Million</i> (Restated)
Segment revenue	1,605.3	2,084.3	133.5	298.9	61.6	4,183.6
Less: inter-segment revenue	(10.1)	–	–	(16.7)	(44.9)	(71.7)
Segment revenue from external customers from continuing operations	<u>1,595.2</u>	<u>2,084.3</u>	<u>133.5</u>	<u>282.2</u>	<u>16.7</u>	<u>4,111.9</u>
Segment results	568.1	1,053.5	14.5	873.6	(26.7)	2,483.0
Finance costs						(53.8)
Share of results of associates						287.3
Share of results of jointly controlled entities	6.2	–	–	184.0	–	<u>190.2</u>
Profit before taxation						2,906.7
Taxation						<u>(328.3)</u>
Profit for the year from continuing operations						<u>2,578.4</u>

The geographical information of revenue is disclosed as follows:

	2012 <i>HK\$ Million</i>	2011 <i>HK\$ Million</i>
Revenue from external customers by location of operations		
Hong Kong	3,360.6	3,562.2
Mainland China	942.5	547.3
Others	13.1	2.4
	<u>4,316.2</u>	<u>4,111.9</u>

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

	2012	2011
	<i>HK\$ Million</i>	<i>HK\$ Million</i>
Continuing operations		
Changes in values of properties comprise:		
Net increase in fair value of investment properties	585.6	843.0
Impairment loss reversed for properties held for sale	3.9	27.7
Impairment loss reversed (recognised) for hotel property	12.6	(4.0)
	<u>602.1</u>	<u>866.7</u>

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 based on independent professional valuations at 31st December, 2012.

(5) **NET PROFIT (LOSS) ON FINANCIAL INSTRUMENTS**

The following is an analysis of the net profit (loss) on financial instruments at fair value through profit or loss:

	2012	2011
	<i>HK\$ Million</i>	<i>HK\$ Million</i>
Continuing operations		
Net realised and unrealised (loss) profit on derivatives	(16.6)	80.2
Net profit on other dealing activities	1.3	3.0
Net realised and unrealised profit (loss) on trading in equity securities	330.7	(382.6)
Net realised and unrealised profit (loss) on trading in bonds	5.3	(3.0)
Net realised and unrealised profit (loss) on financial assets designated as at fair value through profit or loss	76.7	(84.2)
	<u>397.4</u>	<u>(386.6)</u>

(6) **BAD AND DOUBTFUL DEBTS**

	2012 <i>HK\$ Million</i>	2011 <i>HK\$ Million</i>
Continuing operations		
Loans and advances to consumer finance customers		
Reversal of impairment loss	–	(54.2)
Impairment loss	<u>350.8</u>	<u>218.7</u>
	350.8	164.5
Trade and other receivables		
Reversal of impairment loss	(0.1)	(9.4)
Impairment loss	<u>155.5</u>	<u>21.4</u>
	155.4	12.0
Bad debts recovery after written off	–	(7.5)
Bad debts written off	<u>–</u>	<u>0.3</u>
	155.4	4.8
	506.2	169.3

The amounts written off in allowance of impairment against the loans and advances to consumer finance customers and trade and other receivables were HK\$366.7 million (2011: HK\$273.3 million) and HK\$0.3 million (2011: HK\$28.4 million) respectively. Recoveries of loans and advances to consumer finance customers credited to allowance of impairment were HK\$69.1 million (2011: HK\$54.4 million).

(7) **FINANCE COSTS**

	2012 <i>HK\$ Million</i>	2011 <i>HK\$ Million</i>
Continuing operations		
Total finance costs included in:		
Cost of sales and other direct costs	105.9	100.4
Finance costs	<u>112.5</u>	<u>53.8</u>
	218.4	154.2

(8) **PROFIT BEFORE TAXATION**

	2012 <i>HK\$ Million</i>	2011 <i>HK\$ Million</i>
Profit before taxation from continuing operations has been arrived at after charging:		
Depreciation	71.3	63.2
Amortisation of intangible assets	29.7	24.5
Amortisation of prepaid land lease payments	0.4	0.4
Net loss on disposal of/written off property, plant and equipment and intangible assets	0.5	4.2
and after crediting:		
Dividend income from listed equity securities	16.8	25.7
Dividend income from unlisted equity securities	9.5	12.6
Net realised profit on disposal of an associate (included in other income)	0.3	13.4
Net realised profit on disposal/redemption of available-for-sale financial assets (included in other income)	116.2	40.0
Net realised profit on liquidation of subsidiaries (included in other income)	3.8	–
Profit on disposal of investment properties (included in other income)	0.5	20.8

(9) **TAXATION**

	2012 <i>HK\$ Million</i>	2011 <i>HK\$ Million</i> (Restated)
The income tax charged (credited) from continuing operations comprises:		
Current tax		
Hong Kong	200.8	234.9
PRC and other jurisdictions	92.5	53.1
	293.3	288.0
(Over) under provision in prior years		
Hong Kong	(5.1)	13.3
PRC and other jurisdictions	–	(0.5)
	(5.1)	12.8
Deferred tax		
Current year	13.1	27.5
	301.3	328.3

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

PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% 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.

(10) DISCONTINUED OPERATIONS

In October 2010, Allied Overseas Limited (“AOL”), an indirect non wholly-owned subsidiary of the Company, and Cautious Base Limited (“Holdco”), a direct wholly-owned subsidiary of AOL, entered into a share sale agreement (“Share Sale Agreement”) with Altai Investments Limited and RHC Holding Private Limited (collectively “Purchaser”). According to the Share Sale Agreement, AOL and Holdco had agreed to dispose of the entire interest of five subsidiaries and their respective subsidiaries, namely Quality HealthCare Limited (“QHL”), Quality HealthCare Medical Holdings Limited (“QMH”), Quality HealthCare Medical Services Limited (“QMS”), Quality HealthCare Services Limited (“QSL”) and Portex Limited (“Portex”). They were principally engaged in provision of medical, nursing agency, physiotherapy, dental and other services (“Discontinued Medical Service Business”). QHL, QMH, QMS, QSL and Portex are together referred to as the “Disposal Group” hereafter. According to the Share Sale Agreement, the Disposal Group companies were sold to the Purchaser for the consideration of transaction, payable on the closing date for an amount in cash equal to aggregate sum of (i) HK\$1,521 million; (ii) the base working capital (i.e. HK\$20 million) and (iii) the estimated working capital adjustment (i.e. a deduction of HK\$559,000 from the base working capital), subject to the working capital adjustment. Details of the transaction were set out in the Company’s circular dated 8th November, 2010. On 25th November, 2010 a resolution from AOL’s shareholders was passed to dispose of the Discontinued Medical Service Business. The disposal was completed on 30th November, 2010 and the Group recognised a gain on disposal of approximately HK\$1,093.9 million for the year ended 31st December, 2010.

On 13th July, 2011, the closing statement in relation to Share Sale Agreement (“Closing Statement”) was issued and the working capital of the Disposal Group at closing date was agreed to be approximately HK\$35,832,000. Pursuant to the working capital confirmed in the Closing Statement, consideration receivable was adjusted to approximately HK\$16,391,000 and was received by the Group in 2011. The loss for the year ended 31st December, 2011 from discontinued operations of approximately HK\$1.5 million represented adjustments to the gain on disposal of the Disposal Group upon finalisation of the working capital adjustment.

(11) EARNINGS PER SHARE

From continuing and discontinued operations

The calculation of basic and diluted earnings per share from continuing and discontinued operations attributable to owners of the Company is based on the following data:

	2012 <i>HK\$ Million</i>	2011 <i>HK\$ Million</i> (Restated)
<u>Earnings</u>		
Profit attributable to owners of the Company	1,394.9	1,257.5
Adjustments to profit in respect of mandatory convertible notes of a subsidiary	—	(44.9)
	<u>1,394.9</u>	<u>1,212.6</u>
	<i>Million shares</i>	<i>Million shares</i>
<u>Number of shares</u>		
Weighted average number of shares in issue for the purpose of basic and diluted earnings per share	<u>194.7</u>	<u>207.0</u>

From continuing operations

The calculation of basic and diluted earnings per share from continuing operations attributable to owners of the Company is based on the following data:

	2012 <i>HK\$ Million</i>	2011 <i>HK\$ Million</i> (Restated)
<u>Earnings</u>		
Profit attributable to owners of the Company	1,394.9	1,258.2
Adjustments to profit in respect of mandatory convertible notes of a subsidiary	—	(44.9)
	<u>1,394.9</u>	<u>1,213.3</u>
	<i>Million shares</i>	<i>Million shares</i>
<u>Number of shares</u>		
Weighted average number of shares in issue for the purpose of basic and diluted earnings per share	<u>194.7</u>	<u>207.0</u>

From discontinued operations

No loss per share from discontinued operations is presented for the year as there is no discontinued operation during the year. Basic loss per share from discontinued operations of last year was HK\$0.00 which is calculated based on the loss attributable to owners of the Company from discontinued operations of HK\$0.7 million and the weighted average number of 207.0 million shares in issue during 2011. Diluted loss per share from discontinued operations for last year was the same as the basic loss per share as there were no dilutive potential ordinary shares outstanding.

(12) DIVIDEND

	2012 <i>HK\$ Million</i>	2011 <i>HK\$ Million</i>
Dividend paid and proposed		
Interim dividend paid of HK15 cents per share (2011: HK15 cents)	28.7	31.1
Proposed final dividend of HK\$1 per share (2011: HK40 cents)	191.1	81.1
Adjustment to 2011 final dividend	(4.5)	–
	215.3	112.2
Dividend recognised as distribution during the year		
2011 final dividend of HK40 cents per share (2011: 2010 final dividend of HK60 cents)	81.1	124.4
2012 interim dividend of HK15 cents per share (2011: 2011 interim dividend of HK15 cents)	28.7	31.1
Adjustment to 2011 final dividend	(4.5)	–
	105.3	155.5

A final dividend of HK\$1 (2011: HK40 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, 2012 has been calculated by reference to 191,132,118 shares in issue at 27th March, 2013.

(13) LOANS AND ADVANCES TO CONSUMER FINANCE CUSTOMERS

	2012 <i>HK\$ Million</i>	2011 <i>HK\$ Million</i>
Loans and advances to consumer finance customers	8,753.5	7,961.8
Less: Allowances for impairment	(459.7)	(405.7)
	8,293.8	7,556.1
Analysed for reporting purposes as:		
Non-current assets	3,057.6	2,972.6
Current assets	5,236.2	4,583.5
	8,293.8	7,556.1

(14) TRADE AND OTHER RECEIVABLES

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

	2012 <i>HK\$ Million</i>	2011 <i>HK\$ Million</i>
Less than 31 days	1,006.2	772.5
31 to 60 days	8.0	7.2
61 to 90 days	5.7	96.7
91 to 180 days	4.1	25.8
Over 180 days	58.3	23.4
	1,082.3	925.6
Term loans, margin loans and trade and other receivables without aging	5,620.1	5,631.9
Allowances for impairment	(302.1)	(147.0)
	6,400.3	6,410.5
Trade and other receivables, at amortised cost	6,400.3	6,410.5
Prepayments	14.2	21.5
	6,414.5	6,432.0
Analysed for reporting purposes as:		
Non-current assets	720.0	7.8
Current assets	5,694.5	6,424.2
	6,414.5	6,432.0

(15) TRADE AND OTHER PAYABLES

The following is an aged analysis of the trade and other payables based on the date of invoice/contract note at the reporting date:

	2012 <i>HK\$ Million</i>	2011 <i>HK\$ Million</i>
Less than 31 days	1,085.3	781.9
31 to 60 days	12.4	11.2
61 to 90 days	9.5	7.2
91 to 180 days	26.9	12.3
Over 180 days	19.8	46.0
	1,153.9	858.6
Accrued staff costs, other accrued expenses and other payables without aging	307.9	254.2
	1,461.8	1,112.8

(16) SHARE PREMIUM AND RESERVES

	2012 <i>HK\$ Million</i>	2011 <i>HK\$ Million</i> (Restated)
Share premium	1,519.5	1,519.5
Property revaluation reserve	198.8	176.3
Investment revaluation reserve	183.3	159.8
Capital redemption reserve	319.8	293.5
Translation reserve	493.7	479.3
Non-distributable reserve	55.2	55.2
Capital reserve	(4.8)	0.7
Accumulated profits	11,298.0	9,496.7
Dividend reserve	191.1	81.1
	<u>14,254.6</u>	<u>12,262.1</u>

DIVIDEND

The Board has recommended a final dividend of HK\$1 per share for the year ended 31st December, 2012 (2011: HK40 cents per share) payable to the shareholders of the Company (“Shareholders”) whose names appear on the register of members of the Company on Friday, 21st June, 2013, making a total dividend for the year 2012 of HK\$1.15 per share (2011: HK55 cents per share).

It should be noted that the Company undertook share repurchases for cancellation during the year at aggregate consideration of approximately HK\$232.3 million. Accordingly, both net asset value per share and earnings per share have been enhanced. The Board will give consideration to further repurchases of shares for cancellation when opportunities arise.

CLOSURE OF REGISTER OF MEMBERS

(1) For determining the entitlement to attend and vote at the forthcoming annual general meeting of the Company (“2013 AGM”)

The 2013 AGM is scheduled to be held on Friday, 7th June, 2013. For determining the entitlement to attend and vote at the 2013 AGM, the register of members of the Company will be closed from Wednesday, 5th June, 2013 to Friday, 7th June, 2013 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order for a Shareholder to be eligible to attend and vote at the 2013 AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company’s share registrar, Computershare Hong Kong Investor Services Limited of Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 4th June, 2013.

(2) For determining the entitlement to the proposed final dividend

The proposed final dividend is subject to the approval by the Shareholders at the 2013 AGM. For determining the entitlement to the proposed final dividend for the year ended 31st December, 2012, the register of members of the Company will be closed from Wednesday, 19th June, 2013 to Friday, 21st June, 2013 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order for a Shareholder to qualify for the proposed final dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited of Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 18th June, 2013. Subject to approval by the Shareholders at the 2013 AGM, dividend warrants are expected to be despatched to the Shareholders by post on or around Friday, 19th July, 2013.

FINANCIAL REVIEW

Financial Results

The revenue of the Group for 2012 was HK\$4,316.2 million, an increase of HK\$204.3 million when compared with the year 2011.

The profit attributable to the owners of the Company for the year was HK\$1,394.9 million (2011: 1,257.5 million as restated), an increase of HK\$137.4 million. Earnings per share amounted to HK\$7.16 (2011: HK\$5.86 as restated).

In interpreting this year's profit attributable to the owners of the Company, we should take note of several significant factors:

- an improved performance for SHK Hong Kong Industries Limited (“SHK HK IND”);
- a lower fair value gain on revaluation of investment properties of the Group;
- a decreased contribution from Tian An China Investments Company Limited (“Tian An”).

Material Acquisitions and Disposals

There were no material acquisitions or disposals of subsidiaries, associated companies or jointly controlled entities during the year.

Financial Resources, Liquidity and Capital Structure

During the year, the group of Sun Hung Kai & Co. Limited (“Sun Hung Kai”) issued US\$350 million 6.375% US dollar denominated guaranteed notes under a US\$2 billion guaranteed medium term note programme. The notes are listed on The Stock Exchange of Hong Kong Limited (“Stock Exchange”) and are permitted to deal by way of debts issued to professional investors. The notes will mature on 26th September, 2017 and are guaranteed by Sun Hung

Kai. A subsidiary of the Company has subscribed notes of nominal value of US\$25 million from the issuer. After deducting the discount on issue of 0.316%, transaction costs and the notes subscribed by the subsidiary, the net proceeds received by the Group was US\$320.6 million (equivalent to HK\$2,485.1 million). During the year, the Group purchased part of the notes with a total nominal value of US\$4 million from the market at a consideration of HK\$31.2 million.

At the end of the reporting period, the equity attributable to owners of the Company amounted to HK\$14,637.0 million, representing an increase of HK\$1,966.2 million or approximately 15.52% from 2011. The Group maintained a strong cash and bank balance position and had cash and bank balances of approximately HK\$7,002.9 million as at 31st December, 2012 (2011: HK\$4,450.7 million). The Group's bank and other borrowings and notes and bonds totalling HK\$9,260.1 million (2011: HK\$7,059.5 million) of which the portion due on demand or within one year was HK\$4,735.4 million (2011: HK\$3,098.3 million) and the remaining long-term portion was HK\$4,524.7 million (2011: HK\$3,961.2 million). The liquidity of the Group as evidenced by the current ratio (current assets/current liabilities) was 3.06 times (2011: 3.93 times). The Group's gearing ratio (net bank and other borrowings and notes and bonds/equity attributable to the owners of the Company) was 15.4% (2011: 20.6%).

	2012	2011
	<i>HK\$ Million</i>	<i>HK\$ Million</i>
Bank loans and overdrafts are repayable as follows:		
On demand or within one year	3,783.2	2,128.1
More than one year but not exceeding two years	1,248.4	2,474.9
More than two years but not exceeding five years	278.5	930.5
Bank loans with a repayment on demand clause are repayable as follows:		
Within one year	605.4	588.6
More than one year but not exceeding two years	188.5	35.2
More than two years but not exceeding five years	126.4	314.7
	6,230.4	6,472.0
Other borrowings repayable within one year	8.7	8.6
Other borrowings with a repayment on demand clause repayable within one year	23.2	23.1
US dollar denominated notes repayable within five years	2,496.9	–
Renminbi denominated bonds repayable within five years	500.9	555.8
	3,029.7	587.5
	9,260.1	7,059.5

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

During the year, the Company repurchased 13,157,942 own shares at an aggregate consideration of approximately HK\$232.3 million, details of which are outlined in the section “Purchase, Sale or Redemption of Shares” below.

Subsequent to the year end, the Company had repurchased 44,000 own shares at an aggregate consideration of approximately HK\$1.1 million and accordingly the total number of issued shares decreased to 191,132,118 shares.

Other than the US dollar denominated notes and Renminbi denominated bonds, most of the bank and other borrowings of the Group are charged at floating interest rates. There are no known seasonal factors in the Group’s borrowing profile.

Risk of Foreign Exchange Fluctuation

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

Contingent Liabilities

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

	2012	2011
	<i>HK\$ Million</i>	<i>HK\$ Million</i>
Guarantees for banking facilities granted to a jointly controlled entity	5.8	5.8
Indemnities on banking guarantees made available to a clearing house and regulatory body	4.5	4.5
Other guarantees	3.0	3.0
	13.3	13.3

(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 Financial Limited (formerly known as Sun Hung Kai Securities Limited) (“SHKF”), a wholly-owned subsidiary of Sun Hung Kai, was required to pay US\$3 million to Chang Zhou Power Development Company Limited (“JV”), a mainland PRC joint venture. SHKF had disposed of all of its beneficial interest in the JV to Sun Hung Kai’s then

listed associate, Tian An, in 1998 and disposed of any and all interest it might hold in the registered capital of the JV to Long Prosperity Industrial Limited (“LPI”) in October 2001. Subsequent to those disposals, SHKF’s registered interest in the JV in the amount of US\$3 million was frozen further to the 2001 Order. SHKF is party to the following litigation relating to the JV:

- (i) On 29th February, 2008, Global Bridge Assets Limited (“GBA”), LPI and Walton Enterprises Limited (“Walton”) commenced a legal action in the High Court of Hong Kong against SHKF (“HCA 317/2008”). The Court of Appeal struck out the claims of GBA and LPI in February 2010. Subsequently, GBA, LPI and Walton sought to amend their claims which was on 3rd August, 2012 rejected by the Court of Appeal which ordered that all of GBA’s, LPI’s and Walton’s claims against SHKF be dismissed. While a provision has been made for legal costs, Sun Hung Kai does not consider it presently appropriate to make any other provision with respect to HCA 317/2008.
- (ii) On 20th December, 2007, a writ was issued by Cheung Lai Na (張麗娜) (“Ms. Cheung”) against Tian An and SHKF and was accepted by the Intermediate People’s Court of Wuhan City, Hubei Province (“IPC”) (湖北省武漢市中級人民法院) [(2008) 武民商外初字第8號] (“Mainland Proceedings”), 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 IPC in favour of Tian An and SHKF on 16th July, 2009. Ms. Cheung appealed against the said judgment and on 24th November, 2010, the Higher People’s Court of Hubei Province (湖北省高級人民法院) ordered that the case be remitted back to the IPC for retrial. The IPC subsequently ordered upon Ms. Cheung’s unilateral application that the liquidator of Changjiang Power Development (H.K.) Co. Ltd. which acquired the interests in the JV from Tian An in 1998 be joined as a third party to the Mainland Proceedings. After the substantive retrial hearing took place on 29th March, 2012 and on 14th August, 2012, the IPC dismissed Ms. Cheung’s claim against Tian An and SHKF. Ms. Cheung is presently appealing the retrial decision of the IPC. While a provision has been made for legal costs, Sun Hung Kai does not consider it presently appropriate to make any other provision with respect to this writ.
- (c) Pursuant to a share sale agreement dated 8th October, 2010, Allied Overseas Limited (“AOL”, an indirect non wholly-owned subsidiary of the Company) and its direct wholly-owned subsidiary, Cautious Base Limited agreed to dispose of the entire interest of five subsidiaries and their respective subsidiaries (“Disposal Group”) engaging in provision of medical, nursing agency, physiotherapy, dental and other services. AOL has signed a tax deed to indemnify the purchaser for tax liabilities of the Disposal Group prior to the completion of the disposal which had not been provided for in the closing account of the Disposal Group as at 30th November, 2010. The period for claims under the tax deed is seven years from completion. AOL currently considers it is not likely that any liabilities will arise therefrom.

Material Litigation Update

Details regarding material litigation giving rise to contingent liabilities, namely proceedings relating to Chang Zhou Power Development Company Limited, a mainland China joint venture, are set out in paragraph (b) of the “Contingent Liabilities” section.

Pledge of Assets

At the end of the reporting period, certain of the Group’s investment properties, hotel property, land and buildings and properties held for sale with an aggregate carrying value of HK\$6,520.4 million (2011: HK\$6,144.0 million), bank deposits and bank balances of HK\$79.0 million (2011: HK\$111.1 million), listed investments belonging to the Group with fair values of HK\$49.9 million (2011: HK\$126.2 million), listed investments belonging to margin clients with fair values of HK\$927.6 million* (2011: HK\$1,554.2 million) and debt securities, including the related embedded option, with carrying value of HK\$nil (2011: HK\$53.0 million) together with certain securities in respect of a listed subsidiary with a carrying value of HK\$1,642.7 million (2011: HK\$1,524.0 million) were pledged to secure settlement for the equity forward contracts and loans and general banking facilities to the extent of HK\$4,148.0 million (2011: HK\$4,259.7 million) granted to the Group. Facilities amounting to HK\$2,032.2 million (2011: HK\$2,041.0 million) were utilised at the end of the reporting period.

At the end of the reporting period, bank deposits of HK\$4.5 million (2011: HK\$4.5 million) were pledged to secure a guarantee facility issued to third parties by a bank to the extent of HK\$2.0 million (2011: HK\$2.0 million) and a letter of credit to the extent of HK\$3.0 million (2011: HK\$3.0 million).

* *Based on the terms of its margin loan agreements, Sun Hung Kai Investment Services Limited (“SHKIS”), a subsidiary of the Group, is able to repledge clients’ securities for margin financing arrangements with other financial institutions as provided by the Securities and Futures Ordinance. Securities belonging to clients are assigned with specific margin ratios for calculating their margin values. Additional funds or collateral are required if the amount of accounts receivable outstanding exceeds the eligible margin value of securities deposited. The fair value of the listed securities at 31st December, 2012 was HK\$13,817.6 million (2011: HK\$12,622.5 million). The collateral held can be sold at SHKIS’s discretion to settle any outstanding amounts owed by the margin clients. Margin clients receivables are repayable on demand and bear interest at commercial rates.*

OPERATIONAL REVIEW

Financial Services

Broking and finance

- Sun Hung Kai recorded a profit attributable to its owners of HK\$1,036.4 million (2011: HK\$1,032.4 million).
- With the Hong Kong stock market trading and IPO fund raising volumes dropping by 23% and 65% respectively when compared to 2011, the revenue and operating income from loan business and commission fee based business under the Wealth Management and Brokerage operation and Capital Market operation decreased in 2012. However, the effect was offset by the gain from disposal of some available-for-sale investments and an increase in profit from financial instruments.
- The Capital Market operation took part in twelve IPO-related underwriting transactions, three secondary fund-raising exercises and four financial advisory-related transactions, all of which were successfully completed.
- Sun Hung Kai is more optimistic about the market in 2013 and is encouraged by its drive to tap into mid-to-small cap sectors, with increased resources devoted to underwriting and financial advisory-related transactions.
- Sun Hung Kai raised US\$350 million by issuing guaranteed notes due in 2017, thereby diversifying its funding sources.

Consumer Finance

- United Asia Finance Limited (“UAF”), a subsidiary of Sun Hung Kai, continued the strong growth of its business in mainland China while the local business remained relatively stable in the face of increased competition from the major banks.
- The gross loan balance of UAF’s China business increased by 69% in 2012, accounting for 30% (2011: 20%) of UAF’s total. Its loan balance in Hong Kong dropped slightly due to the competitive environment in personal loan markets and slower growth in mortgages as investors in the property market became more cautious. UAF’s total loans (after impairment allowances) reached HK\$8.3 billion, 10% higher than that at the end of 2011.
- During 2012, UAF added a further 25 new branches in mainland China and a new branch in Hong Kong. At 31st December, 2012, UAF had a total of 125 branches, with 79 branches in mainland China and 46 branches in Hong Kong.
- UAF will continue to innovate with its loan products to cater for market demand and will pursue further money lending licenses in cities in China that it believes may show growth potential.

Properties

Hong Kong

- Allied Properties (H.K.) Limited (“Allied Properties”) reported a profit attributable to its owners of HK\$1,710.4 million (2011: HK\$1,950.5 million as restated), a decrease of HK\$240.1 million.
- Allied Properties’ rental income from its Hong Kong property portfolio continued to record a steady increase.
- The net gain in value of Allied Properties’ property portfolio, including investment properties owned by Sun Hung Kai, was HK\$630.1 million during the year, lower than 2011 which was HK\$912.7 million.
- Allied Properties’ Ibis Hong Kong North Point, a 275-room budget hotel, recorded a healthy increase in revenue and profit, benefiting from higher average room rates resulting from a strong demand from visitors to Hong Kong.
- Allied Kajima Limited (“Allied Kajima”), 50% indirectly owned by Allied Properties and holding various properties including Allied Kajima Building, Novotel Century Hong Kong hotel (“Novotel Century”) and Sofitel Philippine Plaza Hotel (“SPPH”), recorded a profit increase of 18% compared to 2011.

While Allied Kajima had a slightly lower revaluation gain of its investment properties, Novotel Century achieved higher revenue and profit. SPPH is also now fully operational with the re-opening of its main food and beverage outlets which were closed following the 2011 typhoon.

Mainland China

- The profit attributable to the owners of Tian An was HK\$401.4 million (2011: HK\$747.0 million as restated), representing a decrease of 46.3%.
- Tian An continued to focus on the development of cyberparks. It now has a total of 14 cyberparks over 12 cities. These cyberparks are in various phases of construction but a majority are at a pre-sales and pre-letting stage for their respective phases.
- Tian An has commenced its first urban renewal project in Huawei New City Area in Longgang District of Shenzhen. Site clearance for phase 1 of the project with gross floor area of 550,000m² has been completed and Tian An has commenced foundation works.
- The separate listing of Tian An’s cement division, Allied Cement Holdings Limited, was accomplished in January 2012, raising gross proceeds of HK\$165 million.

Investments

AOL

- The profit for the year of AOL increased from HK\$13.2 million in 2011 to HK\$96.0 million in 2012. The increase in profit was principally due to the fair value gain on financial instruments at fair value through profit or loss of HK\$54.3 million compared with a fair value loss of HK\$9.9 million in 2011 and also due to increases in interest and investment income. Elderly care services remained modestly profitable.
- AOL will continue to maintain a liquid position to take advantage of investment opportunities, should they arise.

SHK HK IND

- SHK HK IND reported a net profit attributable to its owners of HK\$134.4 million (2011: loss of HK\$144.9 million), as a result of rising equity market. Equities contributed a net gain of HK\$117.4 million during the year (2011: loss of HK\$182.4 million). Profit contribution from bond investments decreased from HK\$61.4 million in 2011 to HK\$38.1 million.
- SHK HK IND will continue its approach to identify shares that are undervalued, and may show improvement within a short period of time. Its bond portfolio is designed to offer a buffer to counter the volatility of its equities investments.

Employees

The total number of headcount of the Group as at 31st December, 2012 was 6,267 (2011: 4,795) including investment consultants. Total staff costs, including Directors' emoluments, amounted to HK\$945.1 million (2011: HK\$818.3 million). The Group reviews remuneration packages from time to time. In addition to salary payments, other staff benefits include contributions to employee provident funds, medical subsidies and a discretionary bonus scheme.

LONG TERM CORPORATE STRATEGIES

The Group will continue its businesses of investment, broking and finance, consumer finance, property and related businesses, elderly care services and other investments. The Group has always adopted the following long term strategies:–

1. To maintain the organic growth of its core businesses;
2. To maintain balance between the demands of short term returns and long term capital appreciation; and
3. To seek investment opportunities that help to strengthen and broaden its earnings base.

BUSINESS OUTLOOK

Notwithstanding the lacklustre global economy in 2012, the Group is well positioned to face the challenges and opportunities available to Hong Kong pursuant to the continuous economic development in mainland China.

The Board will take a prudent approach in implementing the Group's stated strategies for the benefit of the Group and all its shareholders.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the year ended 31st December, 2012, the Company has applied the principles of, and complied with, the applicable code provisions of the Corporate Governance Code and Corporate Governance Report ("CG Code") (previously known as Code on Corporate Governance Practices ("Former CG Code")) as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange, except for certain deviations which are summarised below:

Code Provisions B.1.2 (then B.1.3 of the Former CG Code) and C.3.3

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

The terms of reference of the remuneration committee ("Remuneration Committee") adopted by the Company are in compliance with the code provision B.1.3 of the Former CG Code except that the Remuneration Committee shall review (as opposed to determine under the code provision) and make recommendations to the Board on the remuneration packages of the Executive Directors only and not senior management (as opposed to executive directors and senior management under the code provision). Certain amendments have been made to the Former CG Code with effect from 1st April, 2012 ("CG Amendments"), including code provision B.1.2 of the CG Code (B.1.3 of the Former CG Code), which now accommodates a model where the remuneration committee performs an advisory role as to the remuneration packages of the executive directors and senior management. Accordingly, the revised terms of reference of the Remuneration Committee adopted to align with the CG Code are in compliance with the code provision B.1.2 except that the Remuneration Committee shall make recommendations to the Board on the remuneration packages of the Executive Directors only and not senior management (as opposed to executive directors and senior management under the new code provision B.1.2).

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

whether the internal audit function is adequately resourced. Following the CG Amendments, code provision C.3.3 of the CG Code remains unchanged and the above-stated deviation in relation thereto applies.

The reasons for the above deviations are set out in the Corporate Governance Report to be contained in the Company's Annual Report for the financial year ended 31st December, 2012 ("2012 Annual Report"). The Board has reviewed the terms during the year under review and considers that the Remuneration Committee and the Audit Committee should continue to operate according to the relevant terms of reference as adopted and amended by the Company. The Board will review the terms at least annually and make appropriate changes if considered necessary.

Code Provision A.6.7

Following the CG Amendments, code provision A.6.7 of the CG Code came into force on 1st April, 2012, which stipulates that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders.

Due to other business engagements, some Non-Executive Directors (including Independent Non-Executive Directors) could not attend the annual general meeting of the Company held on 31st May, 2012 and the extraordinary general meeting of the Company held on 23rd July, 2012. However, at the respective general meetings of the Company, there were Executive Directors and a Non-Executive Director or an Independent Non-Executive Director present to enable the Board to develop a balanced understanding of the views of the Shareholders.

Further information on the Company's corporate governance practices during the year under review will be set out in the Corporate Governance Report to be contained in the Company's 2012 Annual Report which will be sent to the Shareholders by the end of April 2013.

AUDIT COMMITTEE REVIEW

The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and the financial statements for the year ended 31st December, 2012.

SCOPE OF WORK OF DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31st December, 2012 as set out in the preliminary announcement have been agreed by the Group's auditor, Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Deloitte Touche Tohmatsu on the preliminary announcement.

PURCHASE, SALE OR REDEMPTION OF SHARES

Save for the Company's purchases of its own shares on the Stock Exchange as disclosed below, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares during the year ended 31st December, 2012.

Month	Number of shares repurchased	Purchase consideration per share		Aggregate consideration paid
		Highest HK\$	Lowest HK\$	(before expenses) HK\$
January	1,500,000	18.50	18.50	27,750,000
April	11,219,942	17.50	17.50	196,348,985
May	48,000	17.50	17.50	840,000
June	118,000	17.50	17.00	2,032,000
September	194,000	19.10	18.26	3,552,560
November	50,000	23.20	21.00	1,089,800
December	28,000	24.50	24.00	675,000
	<u>13,157,942</u>			<u>232,288,345</u>

APPRECIATION

The Board would like to thank all the staff for their effort and contribution in 2012, and would like to express appreciation to the Shareholders for their continued support.

On behalf of the Board
Allied Group Limited
Arthur George Dew
Chairman

Hong Kong, 27th March, 2013

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