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新鴻基有限公司

SUN HUNG KAI & CO. LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 86)

ANNOUNCEMENT OF 2009 FINAL RESULTS

The Board of Directors (the “Board” or the “Directors”) of Sun Hung Kai & Co. Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2009 as set out below:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2009

	Notes	2009 HK\$ Million	2008 HK\$ Million
Revenue *		3,097.6	2,785.4
Other income		158.2	586.4
Total income		3,255.8	3,371.8
Cost of sales		–	(26.7)
Brokerage and commission expenses		(224.4)	(211.6)
Direct cost and operating expenses		(336.0)	(609.2)
Administrative expenses		(888.1)	(1,061.8)
Other expenses		(535.1)	(654.6)
Finance costs		(101.7)	(210.5)
Impairment loss on available-for-sale investments		1,170.5	597.4
Loss on warrants of a listed associate	3	–	(82.4)
Share of results of associates		(1.2)	(284.1)
Share of results of jointly controlled entities		440.0	302.1
		1.3	–
Profit before taxation	4	1,610.6	533.0
Taxation	5	(205.3)	(45.2)
Profit for the year		1,405.3	487.8
Profit attributable to:			
– Owners of the Company		1,258.4	346.5
– Minority interests		146.9	141.3
		1,405.3	487.8
Earnings per share	7		
– Basic (HK cents)		72.5	20.4
– Diluted (HK cents)		72.5	20.4

* Revenue is also the Group's turnover.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	2009 <i>HK\$ Million</i>	2008 <i>HK\$ Million</i>
Profit for the year	1,405.3	487.8
Other comprehensive income		
Available-for-sale investments		
– Net fair value changes during the year	50.5	(98.7)
– Reclassification adjustment to profit or loss on impairment	–	82.4
– Reclassification adjustment to profit or loss on disposal	(8.0)	(904.0)
– Deferred tax	0.2	0.7
	42.7	(919.6)
Exchange differences arising on translating foreign operations	0.8	9.4
Reclassification adjustment for reserve arising from step acquisitions of subsidiaries reclassified to profit or loss on disposal	–	(97.4)
Share of other comprehensive income of associates	5.4	137.6
Other comprehensive income (expenses) for the year, net of tax	48.9	(870.0)
Total comprehensive income (expenses) for the year	1,454.2	(382.2)
Total comprehensive income (expenses) attributable to:		
– Owners of the Company	1,307.0	(527.9)
– Minority interests	147.2	145.7
	1,454.2	(382.2)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2009

	Notes	2009 HK\$ Million	2008 HK\$ Million
Non-current Assets			
Investment properties		130.1	129.7
Leasehold interests in land		131.4	134.6
Property and equipment		127.5	122.7
Intangible assets		1,354.3	1,508.0
Goodwill		2,384.0	2,384.0
Interest in associates		4,185.2	3,713.7
Interest in jointly controlled entities		72.0	16.8
Available-for-sale investments		286.2	247.7
Statutory deposits		36.0	18.4
Deferred tax assets		100.5	122.3
Amounts due from associates		56.1	—
Loans and advances to consumer finance customers		1,870.2	1,743.5
Loans and receivables		—	164.2
		<u>10,733.5</u>	<u>10,305.6</u>
Current Assets			
Trade and other receivables	8	5,658.0	4,417.2
Loans and advances to consumer finance customers		2,456.2	2,588.4
Financial assets at fair value through profit or loss		677.6	295.8
Amounts due from associates		3.0	62.9
Amounts due from a fellow subsidiary		0.7	0.3
Taxation recoverable		2.3	29.1
Cash and cash equivalents		1,346.0	1,738.9
		<u>10,143.8</u>	<u>9,132.6</u>
Current Liabilities			
Bank and other borrowings due within one year		(2,093.0)	(184.7)
Trade and other payables	9	(1,557.9)	(1,439.6)
Financial liabilities at fair value through profit or loss		(36.1)	(37.3)
Amounts due to fellow subsidiaries and ultimate holding company		(1,568.9)	(1,590.5)
Amounts due to associates		(8.1)	(8.1)
Provisions		(12.4)	(52.8)
Taxation payable		(74.2)	(63.7)
		<u>(5,350.6)</u>	<u>(3,376.7)</u>
Net Current Assets		<u>4,793.2</u>	<u>5,755.9</u>
Total Assets less Current Liabilities		<u><u>15,526.7</u></u>	<u><u>16,061.5</u></u>

	2009	2008
<i>Notes</i>	<i>HK\$ Million</i>	<i>HK\$ Million</i>
Capital and Reserves		
Share capital	350.4	343.2
Reserves	<u>12,333.0</u>	<u>11,002.3</u>
Equity attributable to owners of the Company	12,683.4	11,345.5
Minority interests	<u>1,744.7</u>	<u>1,681.8</u>
Total Equity	<u>14,428.1</u>	<u>13,027.3</u>
Non-current Liabilities		
Bonds	500.0	900.0
Bank and other borrowings due after one year	355.6	1,859.4
Provisions	6.0	14.7
Deferred tax liabilities	<u>237.0</u>	<u>260.1</u>
	<u>1,098.6</u>	<u>3,034.2</u>
	<u>15,526.7</u>	<u>16,061.5</u>

Notes:

1. APPLICATION OF NEW OR REVISED HONG KONG FINANCIAL REPORTING STANDARDS

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. Except as described below, the adoption of the new and revised HKFRSs has had no material effect on the 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 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.

The Group has not early applied the following new or 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 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 1 July 2009

² Effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate

³ Effective for annual periods beginning on or after 1 January 2010

⁴ Effective for annual periods beginning on or after 1 February 2010

⁵ Effective for annual periods beginning on or after 1 February 2011

⁶ Effective for annual periods beginning on or after 1 January 2013

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

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

2. SEGMENT INFORMATION

The Group has adopted HKFRS 8 Operating Segments with effect from 1 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.

The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Inter-segment sales are charged at prevailing market rates.

The main business segments presented in these financial statements are as follows:

- (a) Wealth management, brokerage and margin finance:
 - provision of financial planning and wealth management services;
 - provision of broking services and insurance broking;
 - provision of online financial services and online financial information;
 - provision of securities margin financing; and
 - dealing in securities, funds, leveraged forex, bullion, commodities, futures and options.
- (b) Corporate finance: provision of corporate finance services and structured finance.
- (c) Asset management: provision of asset management including funds marketing and management.
- (d) Consumer finance: provision of consumer financing.
- (e) Principal investments – Healthcare: provision of healthcare services.
- (f) Principal investments – Others: strategic investments and properties holding and rental.

	Wealth management, brokerage and margin finance <i>HK\$ Million</i>	Corporate finance <i>HK\$ Million</i>	Asset management <i>HK\$ Million</i>	Consumer finance <i>HK\$ Million</i>	Principal investments – Healthcare <i>HK\$ Million</i>	Principal investments – Others <i>HK\$ Million</i>	Total <i>HK\$ Million</i>
Revenue	1,087.5	189.0	105.1	1,511.7	–	638.9	3,532.2
Net profit from financial assets and liabilities	195.1	12.6	–	–	–	0.6	208.3
Less: inter-segment revenue	(13.6)	(16.2)	(0.6)	–	–	(612.5)	(642.9)
Segment revenue	<u>1,269.0</u>	<u>185.4</u>	<u>104.5</u>	<u>1,511.7</u>	<u>–</u>	<u>27.0</u>	<u>3,097.6</u>
Segment results	497.2	137.1	36.3	375.0	–	124.9	1,170.5
Loss on warrants of a listed associate	–	–	–	–	–	(1.2)	(1.2)
	<u>497.2</u>	<u>137.1</u>	<u>36.3</u>	<u>375.0</u>	<u>–</u>	<u>123.7</u>	<u>1,169.3</u>
Share of results of associates							440.0
Share of results of jointly controlled entities							<u>1.3</u>
Profit before taxation							<u>1,610.6</u>
Segment assets	<u>6,084.0</u>	<u>677.3</u>	<u>93.1</u>	<u>8,808.0</u>	<u>–</u>	<u>795.8</u>	16,458.2
Interest in associates							4,185.2
Amounts due from associates							59.1
Interest in jointly controlled entities							72.0
Deferred tax assets							100.5
Taxation recoverable							<u>2.3</u>
Total assets							<u>20,877.3</u>
Included in segment results:							
Reversal of impairment loss							
– Loans and advances to consumer finance customers	–	–	–	0.3	–	–	0.3
– Trade and other receivables	38.3	–	–	–	–	–	38.3
Amortisation and depreciation	(0.3)	–	–	(190.7)	–	(38.6)	(229.6)
Impairment loss							
– Interest in associates	–	–	–	–	–	(2.6)	(2.6)
– Loans and advances to consumer finance customers	–	–	–	(493.6)	–	–	(493.6)
– Trade and other receivables	(2.8)	–	–	(2.9)	–	–	(5.7)
– Intangible assets	–	–	–	(24.0)	–	–	(24.0)
Trade and other receivables written off	–	–	–	(9.0)	–	–	(9.0)
Loss on disposal of property and equipment	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(1.9)</u>	<u>(1.9)</u>

	Wealth management, brokerage and margin finance HK\$ Million	Corporate finance HK\$ Million	Asset management HK\$ Million	Consumer finance HK\$ Million	Principal investments – Healthcare HK\$ Million	Principal investments – Others HK\$ Million	Total HK\$ Million
Revenue	995.8	153.9	183.6	1,353.3	521.3	626.6	3,834.5
Net profit (loss) from financial assets and liabilities	(437.1)	15.3	–	–	–	–	(421.8)
Less: inter-segment revenue	(30.5)	(16.1)	(0.8)	–	–	(579.9)	(627.3)
Segment revenue	<u>528.2</u>	<u>153.1</u>	<u>182.8</u>	<u>1,353.3</u>	<u>521.3</u>	<u>46.7</u>	<u>2,785.4</u>
Segment results	(388.2)	42.3	91.2	245.1	189.4*	417.6	597.4
Impairment loss on available-for-sale investments	–	–	–	–	–	(82.4)	(82.4)
Loss on warrants of a listed associate	–	–	–	–	–	(284.1)	(284.1)
	<u>(388.2)</u>	<u>42.3</u>	<u>91.2</u>	<u>245.1</u>	<u>189.4</u>	<u>51.1</u>	<u>230.9</u>
Share of results of associates							302.1
Profit before taxation							<u>533.0</u>
Segment assets	<u>5,067.8</u>	<u>843.2</u>	<u>165.4</u>	<u>8,664.3</u>	<u>–</u>	<u>752.7</u>	15,493.4
Interest in associates							3,713.7
Amounts due from associates							62.9
Interest in jointly controlled entities							16.8
Deferred tax assets							122.3
Taxation recoverable							29.1
Total assets							<u>19,438.2</u>
Included in segment results:							
Reversal of impairment loss							
– Loans and advances to consumer finance customers	–	–	–	0.3	–	–	0.3
– Loans and receivables	–	–	–	–	–	1.4	1.4
– Trade and other receivables	8.1	4.6	–	–	–	–	12.7
Amortisation and depreciation	(0.3)	–	–	(205.5)	(17.0)	(33.0)	(255.8)
Impairment loss							
– Loans and advances to consumer finance customers	–	–	–	(363.1)	–	–	(363.1)
– Loans and receivables	(25.7)	–	–	–	–	–	(25.7)
– Trade and other receivables	(46.0)	(62.2)	–	(6.4)	(2.0)	–	(116.6)
– Intangible assets	–	–	–	(69.0)	–	–	(69.0)
– Available-for-sale investments	–	–	–	–	–	(82.4)	(82.4)
Loss on disposal of property and equipment	–	–	–	–	–	(0.7)	(0.7)

* Inclusive of a profit of HK\$163.4 million on disposal of the Group's interest in Quality HealthCare Asia Limited in June 2008.

3. 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 31 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.

4. PROFIT BEFORE TAXATION

	2009 <i>HK\$ Million</i>	2008 <i>HK\$ Million</i>
Profit before taxation for the year has been arrived at after crediting (charging):		
Net realised profit on disposal of investments included in other income		
– Disposal of subsidiaries	–	163.4
– Disposal of available-for-sale investments	16.6	347.7
Reversal of impairment loss included in other income		
– Loans and advances to consumer finance customers	0.3	0.3
– Loans and receivables	–	1.4
– Trade and other receivables	38.3	12.7
Bad debts recovered included in other income	44.8	34.0
Increase in fair value of investment properties included in other income	14.3	–
Net exchange gain included in other income	37.4	–
Amortisation of leasehold interests in land	(3.2)	(3.2)
Depreciation of property and equipment	(34.0)	(40.2)
Amortisation of intangible assets		
– Computer software (included in administrative expenses)	(11.2)	(8.1)
– Other intangible assets (included in direct cost and operating expenses)	(181.1)	(204.3)
Net loss on disposal of property and equipment	<u>(1.9)</u>	<u>(0.7)</u>

5. TAXATION

	2009 <i>HK\$ Million</i>	2008 <i>HK\$ Million</i>
Current tax		
– Hong Kong	192.4	161.0
– Other jurisdictions	13.4	2.6
	<u>205.8</u>	<u>163.6</u>
Under provision in prior years		
– Hong Kong	0.5	3.1
– Other jurisdictions	0.1	–
	<u>206.4</u>	<u>166.7</u>
Deferred tax		
– Current year	(2.0)	(104.3)
– Under provision in prior years	0.9	–
– Change of tax rate	–	(17.2)
	<u>(1.1)</u>	<u>(121.5)</u>
	<u><u>205.3</u></u>	<u><u>45.2</u></u>

Hong Kong profits tax is calculated at the rate of 16.5% (2008: 16.5%) on the estimated assessable profits for the year. Taxation arising in other jurisdictions is calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in the relevant jurisdictions.

6. DIVIDENDS

	2009 <i>HK\$ Million</i>	2008 <i>HK\$ Million</i>
The aggregate amount of dividends paid and proposed:		
– 2009 interim dividend paid of HK6 cents (2008: HK5 cents) per share	104.9	85.5
– 2009 final dividend of HK16 cents (2008: HK5 cents) per share proposed after the end of the reporting period	279.8	85.6
	<u>384.7</u>	<u>171.1</u>
	<u><u>384.7</u></u>	<u><u>171.1</u></u>
	2009 <i>HK\$ Million</i>	2008 <i>HK\$ Million</i>
Dividends recognised as distribution during the year:		
– 2008 final dividend of HK5 cents (2007: HK25 cents) per share	87.8	427.9
– 2009 interim dividend paid of HK6 cents (2008: HK5 cents) per share	104.9	85.5
	<u>192.7</u>	<u>513.4</u>
	<u><u>192.7</u></u>	<u><u>513.4</u></u>

The Directors have recommended the declaration of a final dividend of HK16 cents per share to be distributed in such form as the Board may decide.

The proposed final dividend for the year ended 31 December 2009 has been calculated with reference to the number of shares in issue at 29 March 2010 less the unvested shares held for the SHK Employee Ownership Scheme.

7. EARNINGS PER SHARE

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

	2009 <i>HK\$ Million</i>	2008 <i>HK\$ Million</i>
Earnings		
Earnings for the purposes of basic earnings per share and diluted earnings per share (profit for the year attributable to owners of the Company)	<u>1,258.4</u>	<u>346.5</u>
	<i>Million Shares</i>	<i>Million Shares</i>
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share (after deducting shares held for the SHK Employee Ownership Scheme)	1,734.9	1,697.1
Effect of dilutive potential ordinary shares:		
– Shares held for the SHK Employee Ownership Scheme	<u>0.1</u>	<u>–</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>1,735.0</u>	<u>1,697.1</u>

8. TRADE AND OTHER RECEIVABLES

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

	2009 <i>HK\$ Million</i>	2008 <i>HK\$ Million</i>
Less than 31 days	1,256.2	1,083.2
31 – 60 days	12.9	20.9
61 – 90 days	11.6	23.2
Over 90 days	<u>286.0</u>	<u>40.7</u>
	1,566.7	1,168.0
Secured term loans, margin loans and other receivables	4,211.1	3,330.5
Prepayments and current portion of leasehold interests in land	39.8	113.9
Allowance for impairment	<u>(159.6)</u>	<u>(195.2)</u>
	<u>5,658.0</u>	<u>4,417.2</u>

9. TRADE AND OTHER PAYABLES

The ageing analysis of the trade and other payables is as follows:

	2009 HK\$ Million	2008 HK\$ Million
Less than 31 days	1,280.8	1,173.4
31 – 60 days	9.5	10.0
61 – 90 days	7.2	6.8
Over 90 days	42.8	34.2
	1,340.3	1,224.4
Accruals and other payables	217.6	215.2
	1,557.9	1,439.6

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

For the period under review, the Group's financial results displayed a significant year-on-year improvement. The Group's revenue increased 11.2% to HK\$3,097.6 million (2008: HK\$2,785.4 million), and with costs generally well contained our profit after tax climbed to HK\$1,405.3 million, nearly three times the previous year. Profit attributable to the owners of the Company also reached HK\$1,258.4 million, a 263.2% increase when compared with 2008.

Final Dividend

Accordingly, the Directors have recommended the declaration of a final dividend of HK16 cents per share to be distributed in such form as the Board may decide. The Board will announce the form in which the dividend will be distributed together with the dates for the closure of the register of members of the Company for such entitlement of the final dividend as soon as possible. The proposed final dividend, together with the 2009 interim dividend of HK6 cents per share, represents a total dividend for 2009 of HK22 cents per share (2008: HK10 cents per share), which is consistent with the Group's strategy to maintain a payout ratio of approximately 30% of profit after tax.

MARKET REVIEW

The unprecedented scale of direct government intervention and the implementation of comprehensive stimulus measures played a significant role in countering the negative effects of the global financial crisis during the year under review. Despite a challenging first quarter, sustained low interest rates and more stable corporate earnings created a positive investment climate for the remainder of the year. A liquidity-driven rally saw sharp upswings in many equities indices during the second half of 2009, with a number of markets in Asia outperforming their global peers.

Hong Kong's benchmark indices, battered during 2008, rebounded strongly through 2009. The Hang Seng Index ("HSI") almost doubled from its low of 11,345 on 9 March 2009, closing the year at 21,872. This upward trend was mirrored by the Hang Seng China Enterprises Index, which closed at 12,794, up from a low of 6,404 on 3 March 2009. While Gross Domestic Product ("GDP") in Hong Kong contracted sharply during the first quarter of 2009, subsequent declines were more moderate, and the economy resumed growing in the fourth quarter of the year. Nevertheless, for 2009 as a whole GDP was 2.7% lower in real terms than in 2008.

In China, the Shanghai Stock Exchange Composite Index rallied on the back of an asset price recovery, strong liquidity, and the PRC government's stimulus packages, which included a RMB4 trillion programme largely directed towards boosting infrastructure spending. The index closed the year at 3,277, up 78% from the trough of 1,844, reached on 5 January 2009. While growth in China's GDP contracted markedly during the first quarter, it subsequently recovered strongly to show an 8.7% increase for 2009 compared with the previous year.

BUSINESS REVIEW

The Group's robust balance sheet, diversified business model and commitment to achieving balanced, long-term growth resulted in a strong performance during the year. Focusing on its five core business areas, which include Wealth Management & Brokerage; Asset Management; Corporate Finance; Consumer Finance; and Principal Investments; the Group made significant capital investments to enhance its market leading customer service platforms, upgrade its infrastructure and improve its operational efficiency. These developments, along with a number of initiatives slated for implementation over 2010, ensure the Group remains well placed to execute its strategy and build on its core franchise in Hong Kong and the Greater China region.

Wealth Management & Brokerage

The Group's integrated Wealth Management & Brokerage division saw a significant upturn in its business as a result of the market rebound, particularly during the second half of 2009. The division's customer recruitment strategy resulted in almost 13,000 new accounts opened during the year, while the Group's customer retention efforts were also successful as a result of a range of customer promotions. In addition, the Group's Research team continued to deliver insightful analysis to clients, with its top 10 equities calls outperforming the HSI by between 70% and 300% during the year.

Turnover and profit for the Brokerage unit rose during the year on the back of stronger market sentiment, while the Wealth Management business also turned in an improved performance, with moderating redemptions and higher fund inflows from clients seeking to capitalise on the market turnaround. The Wealth Management team's launch of its flagship SHK Wealth Management Centre was a highlight for the year. Accordingly, revenue for the integrated division, which includes the Group's margin finance business, climbed to HK\$1,269.0 million, a 140% increase when compared with the prior year.

The Group's securities broking business delivered a strong performance for the year. While average daily turnover on the main board of the Hong Kong Stock Exchange decreased to HK\$61.9 billion during 2009, a 13.7% decline from 2008, the Group's securities turnover and client assets under custody increased when compared with 2008, demonstrating our strengthened market position.

Improving market sentiment also drove a sharp increase in initial public offerings ("IPOs") and secondary share placement transactions during 2009. A total of 73 companies listed directly on the main board or transferred from the Growth Enterprise Market, an increase of 49% from the previous year. Equity funds raised (including IPOs) in 2009 totalled HK\$630.7 billion compared with HK\$427.2 billion in 2008. Emphasising the market turnaround, 55 out of the 73 companies listed during the second half. Importantly, the Group continued to build its presence in the IPO and secondary share placement segment, participating in 31 placements or sub-underwriting transactions.

The Group's margin financing activities were significantly successful in an increasingly competitive market environment characterised by numerous retail promotions. As at 31 December 2009, the Group's margin loan book stood at HK\$3,343.6 million, a 48.8% increase from HK\$2,246.5 million at 31 December 2008.

The Group's online business demonstrated healthy growth during the year. SHK Online's profits from stock options trading almost doubled, while its eFutures platform increased 16%. In order to continue providing the Group's customers with a superior online experience, a major revamp of key online platforms was completed during the latter part of the year. The new sites feature a fresh new look, sharper user interface, greater convenience and enhanced trading, information and research functions. The new portals are expected to play an important role in the Group's broader customer recruitment strategy. The online revamp also included a rebranding of SHK Online to the more contemporary, SHK Direct.

Growing the Group's franchise in China also remained a key focus for the division, which continued to deepen its presence on the mainland through its representative offices in Shenzhen, Guangzhou, Beijing, Nanjing and Shanghai. During the year, the Group sought to expand its co-operation with the Foshan Government on the development of the Guangdong Financial Hi-Tech Zone, following the signing of a Memorandum of Understanding in January 2009.

With the global economic outlook gradually improving during the year, higher demand for oil pushed the price to a year high US\$82.0 per barrel on 21 October 2009. Gold continued to remain a safe haven for investors, reaching US\$1,226.1 per ounce on 3 December 2009, while trading in currencies also picked up significantly during the second half as investors sought to hedge against currency risk. Accordingly, the Group's businesses in these areas returned solid results. Largely driven by a significant increase in e-foreign exchange volume, forex trading volumes soared 248%. However, bullion volumes were down slightly for 2009. Futures trading settled across all currencies grew almost 5%, with futures trading settled in currencies other than HKD increasing 36%. The Group will continue to improve the customer trading experience by strengthening its online platforms during the coming year.

China Xin Yongan Futures Company Limited, the Group's 25% owned joint venture (75% owned by 浙江省永安期貨經紀有限公司 Zhe Jiang Province Yongan Futures Broker Company Limited) surpassed its targets for 2009, recording a significant increase in commission income when compared with the previous year. To further execute its business strategy, the company plans to strengthen the commodities futures platform it offers to both corporate and retail clients.

Hong Kong, mainland China, Taiwan and Japan remained key focus areas for the Group's Institutional Sales business, along with other markets in the Asia-Pacific and Europe that demonstrate solid growth potential. The division advanced plans to significantly expand its operations during 2010, as it continues to build its credentials in the primary and secondary markets.

With investors returning to the markets during the year, the Group's Wealth Management division experienced a significant upturn in new business. Despite a challenging first quarter, the subsequent nine months saw a promising performance in the division's mutual fund and unit-linked businesses. Mutual fund revenue for the full year declined slightly when compared with 2008, however the division achieved month-on-month net inflows as investor confidence recovered. Importantly, assets under management from mutual funds rebounded to pre-crisis levels.

During the year, the Group implemented numerous customer incentive programmes which helped drive new business, while providing Investment Consultants with a broader portfolio of products to offer new and existing clients. Notably, a dedicated team was established to handle new clients participating in the Capital Investment Entrant Scheme, a strategy which served a niche group of customers and at the same time attracted considerable new funds.

The general insurance market softened during the second half of 2009, which had an adverse impact on the insurance broking industry as a whole. However, the Group's commitment to streamlining its operations, enhancing customer service and strengthening its intra-Group referral business, resulted in a significant number of new clients and satisfactory growth in existing client penetration. The Group's Insurance business saw profits grow by more than 10% when compared with 2008.

Asset Management

The Asset Management division's largest fund, the SHK Corporate Arbitrage Manager Fund, recorded another positive year, delivering a 13.03% return for the year ending 2009. This followed gains of 19.13% and 103.81% in 2008 and 2007 respectively. This performance led to a Hedge Fund Award from Lipper (Thomson Reuters) in the "Best of Event Driven Fund of Hedge Funds" category for 2009. The Group's affiliate investment company Tribridge Capital Management also enjoyed recognition. Its flagship fund, Tribridge AF1 Fund, was selected by *AsiaHedge* as "Fund of the Year 2009" in the "Fixed Income, High Yield and Distressed" category.

Amidst the global financial crisis, the asset management industry as a whole saw outflows beginning in the second half of 2008, with redemptions spilling over into 2009. The Group's Asset Management business faced a similar challenge, although the situation stabilised significantly from mid-2009. With a lower quantum of assets under management, revenue declined to HK\$105 million from HK\$183 million in 2008.

However, the Group remains confident in the division's future growth prospects. Connecting top tier global funds with Asia-Pacific investors remains the Group's core value proposition, and it plans to further extend this business model in 2010.

Corporate Finance

During the period under review, the Group strengthened its equity capital markets team, with steady progress made over the year in establishing a healthy deal pipeline and broadening the end-to-end solutions available to both corporate and institutional clients.

The Group's Corporate Finance division returned a solid performance for 2009, with revenues increasing 21.1% to HK\$185.4 million (2008: HK\$153.1 million). Continuing to build its reputation as a partner of choice, the division played key roles in a diverse range of deals, including acting as sole sponsor and joint lead manager for the IPOs of China High Precision Automation Group Limited and Sino-Life Group Limited, which together raised HK\$1,274.2 million. The division was also appointed global co-ordinator, bookrunner, lead manager, co-manager or underwriter for a number of IPOs, including, among others, Evergrande Real Estate Group Limited, China Lilang Limited, 361 Degrees International Limited and Silver Base Group Holdings Limited.

The division participated in a number of new and secondary share placements during the period, and completed and underwrote a range of convertible notes and fund raising exercises in both local and overseas equity markets. The Group also took part in several corporate finance transactions and acted as financial adviser or independent financial adviser for a range of listed companies. With a healthy deal pipeline now established, the Group will continue to seek additional mandates for fund raising opportunities and corporate advisory services from both local and overseas enterprises.

In line with an increase in alternative financing channels available to corporate clients, including IPOs and share placements, and consistent with the Group's focus on increasing transactional fee income, the Group continued to scale back its structured finance business, reducing its loan book by 25% to HK\$543.1 million (2008: HK\$724.8 million).

Consumer Finance

The Group's Consumer Finance division, United Asia Finance Limited ("UAF"), again delivered a record set of financial results on the back of a recovering economy and its continued expansion in China. UAF added eight more branches in Shenzhen during the year and one more in Hong Kong, broadening its distribution network to 62 outlets, comprising 20 in China and 42 in Hong Kong. UAF's mainland loan business grew at a satisfactory pace, and licences for additional loan businesses have been granted in Shenyang and Chongqing. UAF will continue to seek further opportunities for growth in China during the coming year.

In Hong Kong, bankruptcy petitions during the second half of 2009 dropped by 27% when compared with the first half as the economy began to improve. UAF benefited from this recovery, with double-digit growth in interest income.

Profit after tax for UAF reached a record high in 2009. Nevertheless, when the Group acquired UAF in 2006, the forecast profit attributable to equity holders of UAF for 2009 was HK\$880.2 million compared with the actual result of HK\$519.7 million. The difference predominantly reflects lower interest yields, higher impairment allowances on loans, and increased operating overheads, including establishment costs relating to the expansion of UAF's China operations. These influences may continue to keep profits in 2010 below the forecast made at the time of acquisition.

However, the Group remains confident that UAF's growth prospects and business model hold significant long-term potential, with the company's success to date in mainland China and Hong Kong, combined with a prudent approach to growth, expected to result in a continued strong performance in the years to come.

Principal Investments

Tian An China Investments Company Limited ("Tian An"), the Group's principal associated company, is engaged in high-end residential and commercial property development in China, along with the sale of cement, clinker and construction materials, property management and hotel operations. During the period under review, Tian An turned in a solid performance with revenue rising to HK\$1,083.5 million, an increase of 129% compared to 2008. Profit attributable to owners of Tian An was HK\$1,067.4 million in 2009, a 50% increase over 2008.

Tian An's total gross floor area ("GFA") sales declined slightly to 91,700m² in 2009 (2008: 93,400m²). A total GFA of approximately 34,700m² of residential and commercial property was completed during the year, a decrease of 81% compared with 2008. However, by the end of 2009, a total GFA of approximately 550,400m² was under construction, a 36% increase year-on-year. Tian An currently has an attributable GFA landbank of approximately 5,763,100m², consisting of 366,800m² of completed investment properties and 5,396,300m² of properties for future development.

During 2009, the PRC government significantly relaxed its monetary policy in order to stimulate growth, with major banks increasing their lending across all sectors of the economy. Tian An capitalised on the resulting buoyant market sentiment, disposing of existing inventory and non-core projects. Although the PRC government has taken some early steps to tighten policy, the longer-term prospects for the property market in China still appear good, Tian An's management team will continue to position the company to take advantage of opportunities as they arise.

With market conditions still uncertain during the early part of 2009, the Group's Principal Investments business did not see significant attractive investment opportunities in the unlisted space. However, as the markets began to recover, the Group focused on pre-IPO investments with clear short to medium term exits, as well as strategic or special situations investments in listed equities. The Group has realised gains from the majority of its investments made during the second half. The division will continue to identify and evaluate potential opportunities which offer attractive valuations and will dispose of existing investments if acceptable valuations can be obtained.

OUTLOOK

The global economy, while showing some positive signs of recovery, is not yet completely out of the woods, although the Group's management team remains relatively optimistic about the region's growth prospects, in particular, China. During the coming years, the Group will continue to expand its business in a prudent manner, with a focus on maintaining a disciplined balance sheet, containing costs and attracting the best talent that Hong Kong has to offer, to ensure the Group continues to deliver the highest levels of customer service.

FINANCIAL REVIEW

Financial Resources and Gearing Ratio

As of 31 December 2009, the equity attributable to owners of the Company amounted to HK\$12,683.4 million, representing an increase of HK\$1,337.9 million or approximately 12% from that of 31 December 2008. The Group continued to maintain a strong cash position and had short-term bank deposits, bank balances, treasury bills and cash amounting to HK\$1,346.0 million (at 31 December 2008: HK\$1,738.9 million). The Group's total bank and other borrowings, short-term loans and three-year bonds due to fellow subsidiaries amounted to HK\$4,513.3 million (at 31 December 2008: HK\$4,494.1 million). Of this, HK\$3,657.7 million (at 31 December 2008: HK\$1,734.7 million) is repayable within one year, and HK\$855.6 million (at 31 December 2008: HK\$2,759.4 million) repayable after one year.

The liquidity of the Group as demonstrated by the current ratio (current assets/current liabilities) decreased to 1.9 times as at 31 December 2009 compared to 2.7 times as at 31 December 2008.

The Group's gearing ratio (calculated on the basis of the Group's total bank and other borrowings, short-term loans and three-year bonds due to fellow subsidiaries over the equity attributable to owners of the Company) improved to approximately 36% as at 31 December 2009 (at 31 December 2008: approximately 40%).

Capital Structure, Bank Borrowings and Exposure to Fluctuations in Exchange Rates

During the year, 50.0 million shares of par value HK\$0.2 each in the capital of the Company were issued for HK\$294.1 million as a result of the exercise of the Company's warrants by warrant holders. The Company also issued 0.2 million shares under the 2009 interim scrip dividend scheme. The Company repurchased 14.1 million shares during the year for a total consideration (including expenses) of HK\$75.5 million. The appointed trustee of the SHK Employee Ownership Scheme ("EOS") also acquired 0.6 million shares of the Company through purchases on The Stock Exchange of Hong Kong Limited for the awarded shares of the scheme.

Other than the three-year bonds and secured instalment loans or those borrowings repayable over one year, the Group's bank and other borrowings and short-term loans due to fellow subsidiaries were on a short-term basis and in HK dollars and Renminbi as at 31 December 2009. They were charged at floating interest rates. There are no known seasonal factors in the Group's borrowing profiles.

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. The Group closely monitors this risk exposure.

Material Acquisitions and Disposals of Subsidiaries, Associates and Jointly Controlled Entities

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

Segment Information

Detailed segment information in respect of the Group's revenue and segment results are shown in Note 2 to the consolidated financial statements.

Charges on Group Assets

Listed shares of the Group with an aggregate value of HK\$2,977.6 million were pledged for bank loans and overdrafts. Investment properties, buildings and interests in land of the Group with a total book value of HK\$169.4 million were pledged by subsidiaries to banks for instalment loans granted to them with a total outstanding balance of HK\$108.9 million as at 31 December 2009. The entire share capital of a wholly-owned subsidiary, UAF Holdings Limited, was also pledged as a share mortgage for the bonds issued by the Group.

Contingent Liabilities

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

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

- (b) In 2001 an order was made by the Hubei Province Higher People's Court in China (the "2001 Order") enforcing a CIETAC award of 19 July 2000 (the "Award") by which Sun Hung Kai Securities Limited ("SHKS") was required to pay US\$3 million to Chang Zhou Power Development Company Limited (the "JVC"), a mainland PRC joint venture. SHKS had disposed of all of its beneficial interest in the JVC to SHKS' listed associate, Tian An, in 1998 and disposed of any and all interest it might hold in the registered capital of the JVC (the "Interest") to Long Prosperity Industrial Limited ("LPI") in October 2001. Subsequent to those disposals, SHKS' registered interest in the JVC in the amount of US\$3 million was frozen further to the 2001 Order. SHKS is party to the following litigation relating to the JVC:

- (i) On 29 February 2008, a writ of summons with general indorsement of claim was issued by Global Bridge Assets Limited ("GBA"), LPI and Walton Enterprises Limited ("WE") (the "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 12 October 2001; and
 - (c) WE 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 WE 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 29 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 JVC 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 JVC or any transaction related thereto. On 24 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, the Company does not consider it presently appropriate to make any other provision with respect to HCA 317/2008.

- (ii) On 20 December 2007, a writ (the “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 JVC, 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 and SHKS’ favour on 27 July 2009 which judgment is currently being appealed against by Ms. Cheung. While a provision has been made for legal costs, the Company does not consider it presently appropriate to make any other provision with respect to this writ.
- (iii) On 4 June 2008, a writ of summons was issued by Tian An and SHKS in the High Court of Hong Kong against Ms. Cheung (the “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 JVC 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 JVC; (d) further and alternatively, that Ms. Cheung’s claim against Tian An and SHKS in respect of her entitlement to the shareholding in the JVC 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 3 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 4 June 2009 seeking the same relief as the HK Writ. The Company does not consider it presently appropriate to make any provision with respect to this action.

MATERIAL LITIGATION UPDATE

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

- (c) Details of proceedings relating to Chang Zhou Power Development Company Limited, a mainland PRC joint venture, are set out in the “Contingent Liabilities” section above.

HUMAN RESOURCES

As at 31 December 2009, the Group’s total headcount stood at 1,996 (including Investment Consultants), representing an approximate increase of 12% as compared with 31 December 2008. Staff costs (including Directors’ emoluments), contributions to retirement benefit schemes and expenses recognised for the EOS amounted to approximately HK\$472.0 million (2008: HK\$604.6 million, a figure which included the staff costs of a listed subsidiary which was disposed of in the first half of 2008).

The Group operates different compensation schemes, reflecting the different roles within the organisation. For sales staff and Investment Consultants, the package may consist of either a base pay and commission/bonus/sales incentive, or alternatively, it may be a straight commission arrangement. For non-sales staff, compensation is comprised of either a base pay with a discretionary bonus/share-based incentive, or a straight base pay, where appropriate.

CODE ON CORPORATE GOVERNANCE PRACTICES

During the year ended 31 December 2009, the Company has applied the principles, and complied with the applicable code provisions, of the Code on Corporate Governance Practices (the “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:

(a) Code Provision A.2.1

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer (“CEO”) should be separate and performed by different individuals.

Under the current organisational structure of the Company, the functions of a CEO are performed by the Executive Chairman, Mr. Lee Seng Huang, in conjunction with another Executive Director, Mr. Joseph Tong Tang, and a senior executive, Mr. Christophe Lee Kin Ping. The Executive Chairman oversees the management of the corporate administrative functions as well as the Group’s interest in UAF whose day-to-day management lies with its designated Managing Director. Mr. Joseph Tong Tang acts as the CEO of Wealth Management, Brokerage & Capital Markets and Asset Management is headed by Mr. Christophe Lee Kin Ping.

The Board believes that this structure spreads the workload that would otherwise be borne by an individual CEO, allowing the growing businesses of the Group to be overseen by appropriately qualified and experienced senior executives in those fields. Furthermore, it enhances communications and speeds up decision-making processes across the Company. The Board also considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. An appropriate balance can be maintained by the operation of the Board, which holds at least four regular meetings a year to discuss the business and operational issues of the Group.

(b) Code Provisions B.1.3 and C.3.3

Code provisions B.1.3 and C.3.3 stipulate that the terms of reference of the remuneration committee and the 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 adopted by the Company are in compliance with the code provision B.1.3, except that the Remuneration Committee should review (as opposed to determine under the code provision) and make recommendations to the Board on the remuneration packages of the Executive Directors only and not senior management (as opposed to Executive Directors and senior management under the code provision).

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

The reasons for the above deviations had been set out in the Corporate Governance Report contained in the Company's Annual Report for the financial year ended 31 December 2008. The Board has reviewed the terms during the year under review and considers that the Remuneration Committee and the Audit Committee should continue to operate according to the terms adopted by the Company. The Board will review the terms at least annually and make appropriate changes if considered necessary.

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

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year ended 31 December 2009, the Company repurchased a total of 14,076,000 shares on the Stock Exchange at an aggregate consideration (before expenses) of HK\$75,316,600. All the repurchased shares were subsequently cancelled.

Particulars of the repurchases are as follows:

<u>Month</u>	<u>Number of shares repurchased</u>	<u>Purchase price</u>		<u>Aggregate consideration (before expenses)</u> (HK\$)
		<u>Highest</u> (HK\$)	<u>Lowest</u> (HK\$)	
May	6,695,000	5.30	4.84	33,888,000
June	633,000	5.22	4.83	3,177,030
July	740,000	5.16	4.88	3,705,570
September	6,000,000	5.75	5.75	34,500,000
October	8,000	5.75	5.75	46,000
	<u>14,076,000</u>			<u>75,316,600</u>

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

PROPOSED ADOPTION OF NEW ARTICLES OF ASSOCIATION

The existing articles of association of the Company has been adopted since 1990 and several amendments have been made thereto subsequently to the adoption. In order to bring the Articles in line with certain recent changes to the Listing Rules as well as to modernise and update the Articles, certain amendments will need to be made to the existing Articles. In view of the substantial number of amendments, the Directors would like to take this opportunity to propose that a new Articles, consolidating all the previous and proposed amendments, be adopted to replace the existing Articles with effect from the date of passing the relevant special resolution at the 2010 Annual General Meeting of the Company ("2010 AGM").

The new Articles will incorporate amendments including, inter alia, the mandatory poll voting at general meetings, the minimum notice period for general meetings, the passing of Directors' resolution in writing by three quarters of the Board, notice to shareholders on the Company's website to the extent permitted by and in accordance with the Hong Kong Company Ordinance, and other housekeeping amendments.

The proposed adoption of the new Articles will be subject to approval of the Shareholders by way of a special resolution to be proposed at the 2010 AGM. A circular containing, inter alia, particulars of the proposed major amendments to the Articles, together with a notice convening the 2010 AGM will be despatched to Shareholders as soon as practicable.

AUDIT COMMITTEE REVIEW

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

SCOPE OF WORK OF MESSRS. 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 31 December 2009 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu ("Deloitte"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Deloitte 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 on the preliminary announcement.

On behalf of the Board
Sun Hung Kai & Co. Limited
Lee Seng Huang
Executive Chairman

Hong Kong, 29 March 2010

As at the date of this announcement, the Board comprises Messrs. Lee Seng Huang (Chairman) and Joseph Tong Tang being the Executive Directors; Messrs. Goh Joo Chuan, Fevzi Timucin Engin, Joseph Kamal Eskandar (alternate to Mr. Fevzi Timucin Engin), Patrick Lee Seng Wei and Ming Cheng being the Non-Executive Directors; and Messrs. David Craig Bartlett, Alan Stephen Jones, Carlisle Caldow Procter and Peter Wong Man Kong being the Independent Non-Executive Directors.