ALLIED PROPERTIES (H.K.) LIMITED

（聯合地產（香港）有限公司）

(Incorporated in Hong Kong with limited liability)

(Stock code: 56)

ANNOUNCEMENT OF AUDITED RESULTS FOR THE YEAR 2005

The Board of Directors ("Board") of Allied Properties (H.K.) Limited ("Company") is pleased to announce that the audited consolidated results of the Company and its subsidiaries ("Group") for the year ended 31st December, 2005 are as follows.

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER, 2005

	Notes	**2005** **HK$'000**	2004 HK$'000 (Restated)
Revenue	*(2)*	**1,144,153**	1,128,169
Other income		**95,029**	19,564
Total income		**1,239,182**	1,147,733
Cost of sales		**(219,524)**	(201,927)
Brokerage and commission expenses		**(141,463)**	(161,553)
Selling and marketing expenses		**(5,491)**	(292)
Administrative expenses		**(363,062)**	(348,176)
Changes in values of properties	*(4)*	**608,686**	121,957
Bad and doubtful debts (provided) written back		**(12,042)**	902
Other operating expenses		**(149,446)**	(130,054)
Finance costs		**(96,778)**	(47,208)
Release of negative goodwill		**–**	156,741

	Notes	2005	2004
Amortisation of capital reserve		–	17,267
Share of results of associates		**150,388**	165,856
Share of results of jointly controlled entities		**105,298**	19,090
Profit before taxation	*(5)*	**1,115,748**	740,336
Taxation	*(6)*	**(79,306)**	(80,108)
Profit for the year		**1,036,442**	660,228
Attributable to:			
Equity holders of the Company		**935,342**	563,023
Minority interests		**101,100**	97,205
		1,036,442	660,228
Dividend	*(7)*	**53,715**	26,858
Earnings per share	*(8)*		
Basic		**HK$1.74**	HK$1.14
Diluted		**N/A**	HK$1.12

CONSOLIDATED BALANCE SHEET AT 31ST DECEMBER, 2005

	Notes	**2005** *HK$'000*	2004 *HK$'000* (Restated)
Non-current assets			
Investment properties		**2,784,100**	2,215,668
Property, plant and equipment		**209,419**	197,956
Properties held for development		–	97,377
Prepaid land lease payments		**287,367**	271,505
Goodwill		–	–
Negative goodwill		–	(389,264)
Intangible assets		**22,586**	10,375
Interests in associates		**2,710,057**	2,463,020
Interests in jointly controlled entities		**866,394**	817,798
Available-for-sale financial assets		**993,139**	–
Statutory deposits		**32,831**	–
Investments		–	911,480
Loans and receivables		**202,306**	3,200
Deferred tax assets		**4,143**	10,279
		8,112,342	6,609,394

Current assets			
Properties held for sale and other inventories		**520,950**	401,721
Financial assets at fair value through profit or loss		**179,204**	–
Investments		**–**	48,263
Prepaid land lease payments		**4,420**	4,101
Accounts receivable, deposits and prepayments		**2,612,044**	2,330,938
Amounts due from associates		**7,384**	231
Amount due from a jointly controlled entity		**2,159**	2,040
Tax recoverable		**3,842**	1,464
Short-term pledged bank deposit		**972**	1,220
Bank deposits, bank balances and cash		**481,196**	598,254
		3,812,171	3,388,232
Current liabilities			
Accounts payable and accrued charges		**1,031,946**	1,120,797
Financial liabilities at fair value through profit or loss		**17,756**	–
Amount due to Allied Group Limited		**8,183**	6,094
Amounts due to associates		**62,828**	49,260
Amount due to a jointly controlled entity		**81,063**	141,063
Tax payable		**13,489**	24,726
Bank borrowings due within one year		**950,233**	603,180
Other liabilities due within one year		**33,366**	42,122
		2,198,864	1,987,242
Net current assets		**1,613,307**	1,400,990
Total assets less current liabilities		**9,725,649**	8,010,384
Capital and reserves			
Share capital		**1,074,303**	1,074,303
Reserves	*(9)*	**5,996,232**	4,302,155
Equity attributable to equity holders of the Company		**7,070,535**	5,376,458
Minority interests		**1,481,741**	1,270,428
Total equity		**8,552,276**	6,646,886

Non-current liabilities

Bank borrowings due after one year	**875,763**	1,046,569
Loan notes	**64,252**	129,637
Deferred tax liabilities	**230,615**	183,653
Other liabilities due after one year	**2,743**	3,639
	1,173,373	1,363,498
	9,725,649	8,010,384

Notes:

(1) Significant accounting policies

The accounting policies and methods of computation used in the preparation of the consolidated financial statements are consistent with those adopted in the 2004 annual report except for the changes in accounting policies explained below.

Application of Hong Kong Financial Reporting Standards

In the current year, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are effective for accounting periods beginning on or after 1st January, 2005. The application of the new HKFRSs has resulted in a change in the presentation of the income statement, balance sheet and the statement of changes in equity. In particular, the presentation of minority interests and share of tax of associates or jointly controlled entities has been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current or prior accounting years are prepared and presented.

Business combinations

In the current year, the Group has applied HKFRS 3 "Business Combinations" which is effective for business combinations for which the agreement date is on or after 1st January, 2005. The principal effects of the application of HKFRS 3 to the Group are summarised below:

Goodwill

In previous years, goodwill arising on acquisitions prior to 1st January, 2001 was held in reserves, and goodwill arising on acquisitions after 1st January, 2001 was capitalised and amortised over its estimated useful life. The Group has applied the relevant transitional provisions in HKFRS 3. Goodwill previously recognised in reserves has been transferred to the Group's accumulated profits on 1st January, 2005. With respect to goodwill previously capitalised on the balance sheet, the Group has discontinued amortising such goodwill from 1st January, 2005 onwards and goodwill will be tested for impairment at least annually as well as in the financial year in which the acquisition takes place. Goodwill arising on acquisitions after 1st January, 2005 is measured at cost less accumulated impairment losses (if any) after initial recognition. As a result of this change in accounting policy, no amortisation of goodwill has been charged in the current period. Comparative figures for 2004 have not been restated.

Excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (previously known as "negative goodwill")

In accordance with HKFRS 3, any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition ("discount on acquisition") is recognised immediately in profit or loss in the period in which the acquisition takes place. In previous years, negative goodwill arising on acquisitions prior to 1st January, 2001 was held in reserves, and negative goodwill arising on acquisitions after 1st January, 2001 was presented as a deduction from assets and released to income based on an analysis of the circumstances from which the balance resulted. In accordance with the relevant transitional provisions in HKFRS 3, the Group has derecognised all negative goodwill at 1st January, 2005.

Interests in jointly controlled entities

In previous years, interests in jointly controlled entities were accounted for using the equity method. In the current year, the Group has applied HKAS 31 "Interests in Jointly Controlled Entities" which allows entities to use either proportionate consolidation or the equity method to account for its interests in jointly controlled entities. Upon the application of HKAS 31, the Group has elected to continue applying the equity method to account for its interests in jointly controlled entities. As a result, there has been no change in accounting method in respect of the Group's interests in jointly controlled entities.

Financial instruments

In the current year, the Group has applied HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement". HKAS 32 requires retrospective application. The application of HKAS 32 has had no material effect on the presentation of financial instruments in the financial statements. HKAS 39, which is effective for annual periods beginning on or after 1st January, 2005, generally does not permit an entity to recognise, derecognise or measure financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 39 are summarised below:

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

Debt and equity securities previously accounted for under the alternative treatment of Statement of Standard Accounting Practice ("SSAP") 24

At 31st December, 2004, the Group classified and measured its debt and equity securities in accordance with the alternative treatment of SSAP 24. Under SSAP 24, investments in debt or equity securities were classified as "trading securities", "non-trading securities" or "held-to-maturity investments" as appropriate. Both "trading securities" and "non-trading securities" were measured at fair value. Unrealised gains or losses of "trading securities" were reported in the profit or loss for the period in which gains or losses arose. Unrealised gains or losses of "non-trading securities" were reported in equity until the securities were sold or determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the profit or loss for that period. From 1st January, 2005 onwards, the Group classifies and measures its debt and equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables", or "held-to-maturity financial assets". "Financial assets at fair value through profit or loss" and "available-for-sale financial assets" are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively. "Loans and receivables" and "held-to-maturity financial assets" are measured at amortised cost using the effective interest method.

The effect of redesignation of investments together with their reclassification at 1st January, 2005 on the adoption of HKAS 39 is summarised in the table below:

				New designation on 1st January, 2005						
	As originally stated at 31st December, 2004 *HK$'000*	**Effect on adoption of HKAS 39** *HK$'000*	**As restated at 1st January, 2005** *HK$'000*	**Intangible assets** *HK$'000*	**Available-for-sale financial assets** *HK$'000*	**Statutory deposits** *HK$'000*	**Loans and receivables** *HK$'000*	**Financial assets at fair value through profit or loss** *HK$'000*	**Accounts receivable, deposits and prepayments** *HK$'000*	**Accounts payable and accrued charges** *HK$'000*
Investment in securities										
Non-trading securities	784,778	(2,096)	782,682	–	747,363	–	35,319	–	–	–
Trading securities	48,263	22	48,285	–	–	–	–	48,285	–	–
Other investments										
Club debentures and exchange participation rights *	9,195	–	9,195	9,195	–	–	–	–	–	–
Statutory deposits and other deposits with Exchange and Clearing Companies	26,624	–	26,624	–	–	26,624	–	–	–	–
Amounts due from investee companies, less impairment losses	92,774	(1,447)	91,327	–	–	–	87,921	250	3,156	–
Amounts due to investee companies	(1,891)	–	(1,891)	–	–	–	–	–	–	(1,891)
				9,195	747,363	26,624	123,240	48,535	3,156	(1,891)

* Following the adoption of HKAS 39, the Group has reclassified its exchange participation rights and club debentures which are previously grouped under "other investments" to "intangible assets".

In addition, warrants of a listed associate and amounts due from associates, which are previously grouped under "interests in associates", together with their reclassification at 1st January, 2005 on the adoption of HKAS 39 are as follows:

	Carrying value *HK$'000*	**Amounts due from** *HK$'000*	**Total** *HK$'000*
Interests in associates			
As originally stated at 31st December, 2004	2,340,530	142,583	2,483,113
Share of prior year adjustments of associates	(20,093)	–	(20,093)
As restated	2,320,437	142,583	2,463,020
Adjustments made on 1st January, 2005			
– Adoption of HKAS 39 #	2,469	–	2,469
– Adoption of HKFRSs 3, 36 and 38	153,481	–	153,481
– Share of associates	7,298	–	7,298
	2,483,685	142,583	2,626,268
Less: reclassification			
– Warrants reclassified to financial assets at fair value through profit or loss #	(2,469)	–	(2,469)
– Loan note reclassified to loans and receivables	–	(78,000)	(78,000)
– Amounts due from associates reclassified to accounts receivables, deposits and prepayments	–	(282)	(282)
	2,481,216	64,301	2,545,517

The warrants of a listed associate which are previously grouped under "interests in associates" are classified as "financial assets at fair value through profit or loss" and carried at fair value in accordance with the provisions of HKAS 39.

Financial assets and financial liabilities other than debt and equity securities

From 1st January, 2005 onwards, the Group classifies and measures its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. As mentioned above, financial assets under HKAS 39 are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "financial liabilities other than financial liabilities at fair value through profit or loss (other financial liabilities)". "Other financial liabilities" are carried at amortised cost using the effective interest method.

Bad and doubtful debts

In previous years, allowances for bad and doubtful debts were made having regard to those losses that, although not yet specifically identified, are known from experience to be present in the Group's portfolio of loans and advances and accounts receivable. In determining the level of allowance required, management considered numerous factors including but not limited to, domestic and international economic conditions, the composition of the loan portfolio and accounts receivable and prior loss experience in respect of loans and advances and accounts receivable.

On adoption of HKAS 39, impairment provisions for advances assessed individually are calculated using a discounted cash flow analysis for the impaired advances. Collective assessment of impairment for individually insignificant items or items where no impairment has been identified on an individual basis is made using formula based approaches and statistical methods. Impairment provisions for advances will be presented as individually assessed and collectively assessed instead of general provisions.

Owner-occupied leasehold interest in land

In previous years, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the cost model, as appropriate. In the current year, the Group has applied HKAS 17 "Leases". Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid land lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. This change in accounting policy has been applied retrospectively. Alternatively, where the allocation between the land and buildings elements cannot be made reliably, the leasehold interests in land continue to be accounted for as property, plant and equipment.

Investment properties

In the current year, the Group has, for the first time, applied HKAS 40 "Investment Property". The Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in the profit or loss for the period in which they arise. In previous years, investment properties under SSAP 13 were measured at open market values, with revaluation surplus or deficits credited or charged to investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the income statement. Where a decrease had previously been charged to the income statement and revaluation subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged. The Group has applied the relevant transitional provisions in HKAS 40 and elected to apply HKAS 40 from 1st January, 2005 onwards. The amount held in property revaluation reserve has been transferred to the Group's accumulated profits on 1st January, 2005.

The adoption of HKAS 40 has resulted in a change of classification of certain properties which were previously classified as investment properties in accordance with SSAP 13. In previous years, property with 15% or less by area of value that was occupied by the company or another company in the group should normally be regarded as an investment property in its entirety even though part of it is not held for investment purposes. HKAS 40 requires that, if a portion of the properties could be sold separately (or leased out separately under a finance lease), an entity accounts for the portions separately. If the portion could not be sold separately, the property is investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. In the current year, the Group applied HKAS 40 and has reclassified certain such owner-occupied properties that could be sold separately (or leased out separately under a finance lease) from investment properties to property, plant and equipment retrospectively. Comparative figures for 2004 have been restated.

Hotel properties

In previous years, the Group's self-operated hotel properties were carried at revalued amounts and were not subject to depreciation. Hong Kong Interpretation 2 "The Appropriate Accounting Policies for Hotel Properties" ("HK-INT 2") requires owner-operated hotel properties to be classified as property, plant and equipment in accordance with HKAS 16 "Property, Plant and Equipment", and therefore be accounted for either using the cost model or the revaluation model. The Group has resolved to account for these hotel properties using the cost model. In the absence of any specific transitional provisions in HK-INT 2, the new accounting policy has been applied retrospectively. Comparative figures for 2004 have been restated.

Intangible assets

The adoption of HKAS 38 results in a change of the useful lives of intangible assets according to the provisions of HKAS 38. Certain exchange participation rights with amortisation on a straight line basis over its estimated useful lives of five years before 1st January, 2005 were changed to indefinite useful life on that date. Accumulated amortisation as at 31st December, 2004 has been eliminated with a corresponding decrease in the cost of these intangible assets.

Deferred taxes related to investment properties

In previous years, deferred tax consequences in respect of revalued investment properties were assessed on the basis of the tax consequence that would follow from recovery of the carrying amount of the properties through sale in accordance with the predecessor interpretation (SSAP-Interpretation 20). In the current year, the Group has applied HKAS Interpretation 21 (HKAS "INT-21") "Income Taxes - Recovery of Revalued Non-Depreciable Assets" which removes the presumption that the carrying amount of investment properties are to be recovered through sale. Therefore, the deferred tax consequences of the investment properties are now assessed on the basis that reflect the tax consequences that would follow from the manner in which the Group expects to recover the value of the property at each balance sheet date. In the absence of any specific transitional provisions in HKAS INT-21, this change in accounting policy has been applied retrospectively. Comparative figures for 2004 have been restated.

Summary of the effects of the changes in accounting policies

The effect of the changes in the accounting policies described above on the results for the current and prior years are as follows:

	2005 *HK$'000*	2004 *HK$'000*
Decrease in amortisation of intangible assets	**846**	–
Release of negative goodwill and capital reserve and decrease in amortisation of goodwill	**(201,751)**	–
Decrease in changes in fair value of investment properties arising from reclassification of investment properties to property, plant and equipment	**(28,992)**	(39,087)
Increase in deferred tax charge in relation to investment properties	**(34,178)**	(42,960)
Increase in depreciation arising from reclassification of investment properties to property, plant and equipment	**(3,064)**	(2,176)
Increase in amortisation of prepaid land lease payments	**(2,733)**	(2,636)
Loss arising from changes in fair value of financial liabilities, measured at fair value through profit or loss	**(1,914)**	–
Tax on loss arising from fair value changes of financial assets and liabilities, measured at fair value through profit or loss	**2**	–
Increase in finance costs	**(8,692)**	–
(Increase) decrease in deferred tax charge arising from restatement of property at cost	**(18)**	5
Increase in depreciation arising from restatement of property at cost	**(449)**	(31)
Increase in depreciation arising from reinstatement costs	**(260)**	(204)
Increase in deferred tax charge arising from reclassification of land premium to prepaid land lease payments	**(155)**	(90)
Increase (decrease) in share of results of associates	**117,210**	(5,492)
Increase (decrease) in share of results of jointly controlled entities	**60,553**	(14,323)
Decrease in profit for the year	**(103,595)**	(106,994)
Attributable to:		
Equity holders of the Company	**(125,306)**	(105,479)
Minority interests	**21,711**	(1,515)
	(103,595)	(106,994)

Analysis of decrease in profit for the year by line items presented according to their function:

	2005 *HK$'000*	2004 *HK$'000*
Decrease in other income	**(1,914)**	–
Increase in other operating expenses	**(5,400)**	(4,880)
Increase in administrative expenses	**(260)**	(204)
Decrease in changes in fair value of investment properties	**(28,992)**	(22,669)
Reclassification of impairment losses recognised in respect of non-trading securities	**–**	(16,418)
Decrease in release of negative goodwill	**(155,219)**	–
Decrease in amortisation of capital reserve	**(17,267)**	–
Increase (decrease) in share of results of associates	**87,945**	(5,455)

Increase (decrease) in share of results of jointly controlled entities	**60,553**	(14,323)
Increase in finance costs	**(8,692)**	–
Increase in taxation	**(34,349)**	(43,045)
	(103,595)	(106,994)

The cumulative effect of the application of the new HKFRSs on the balance sheet at 31st December, 2004 and 1st January, 2005 are summarised below:

	At 31st December, 2004 (Originally stated) *HK$'000*	Adjustments *HK$'000* *(Note)*	At 31st December, 2004 (Restated) *HK$'000*	Adjustments *HK$'000*	At 1st January, 2005 (Restated) *HK$'000*
Investment properties	2,611,336	(395,668)	2,215,668	–	2,215,668
Property, plant and equipment	130,199	67,757	197,956	–	197,956
Interests in associates	2,483,113	(20,093)	2,463,020	82,497	2,545,517
Interests in jointly controlled entities	1,036,507	(218,709)	817,798	–	817,798
Prepaid land lease payments	–	275,606	275,606	–	275,606
Negative goodwill	(389,264)	–	(389,264)	389,264	–
Deferred tax assets	10,170	109	10,279	–	10,279
Deferred tax liabilities	(25,029)	(158,624)	(183,653)	–	(183,653)
Other assets/liabilities	1,237,542	1,934	1,239,476	91,309	1,330,785
Net assets	7,094,574	(447,688)	6,646,886	563,070	7,209,956
Share capital	1,074,303	–	1,074,303	–	1,074,303
Property revaluation reserve	226,488	(76,575)	149,913	(149,913)	–
Translation reserve	(205,496)	95,512	(109,984)	–	(109,984)
Capital (goodwill) reserve	(39,177)	–	(39,177)	41,987	2,810
Accumulated profits	3,899,912	(461,114)	3,438,798	623,558	4,062,356
Other reserves	862,605	–	862,605	(1,572)	861,033
Minority interests	–	1,270,428	1,270,428	49,010	1,319,438
Total equity	5,818,635	828,251	6,646,886	563,070	7,209,956
Minority interests	1,275,939	(1,275,939)	–	–	–

The financial effects of the application of the new HKFRSs to the Group's equity at 1st January, 2004 are summarised below.

	At 1st January, 2004 (Originally stated) *HK$'000*	Adjustments *HK$'000* *(Note)*	At 1st January, 2004 (Restated) *HK$'000*
Share capital	978,768	–	978,768
Accumulated profits	939,958	(355,635)	584,323
Property revaluation reserve	245,739	(114,085)	131,654
Translation reserve	(205,761)	95,488	(110,273)
Other reserves	2,930,610	–	2,930,610
Minority interests	1,148,929	(4,165)	1,144,764
	6,038,243	(378,397)	5,659,846

Note: The amounts represent adjustments to comparative figures arising from the reclassification of certain investment properties of the Group to property, plant and equipment and prepaid land lease payments as a result of the application of HKAS 40, recognition of deferred tax liabilities in respect of revalued investment properties in accordance with HKAS INT-21 and changes in presentation of balance sheet items in accordance with HKAS 1. These changes of accounting policies have been applied retrospectively.

(2) Revenue#

	2005	2004
	HK$'000	*HK$'000*
Revenue comprises:		
Securities broking	**225,664**	236,854
Interest income	**180,696**	171,510
Property rental, hotel operations and management services	**173,358**	169,935
Income from corporate finance and others	**169,297**	156,849
Income from forex, bullion, commodities and futures	**149,289**	149,380
Securities trading	**203,993**	145,205
Dividend income	**41,856**	73,653
Sales of properties	**–**	24,783
	1,144,153	1,128,169

\# Revenue is also the Group's turnover.

(3) Segmental information

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

	2005			
	Investment, broking and finance	**Property rental, hotel operations and management services**	**Sale of properties and property based investments**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Revenue	**987,628**	**177,957**	**–**	**1,165,585**
Less: inter-segment revenue	**(16,833)**	**(4,599)**	**–**	**(21,432)**
	970,795	**173,358**	**–**	**1,144,153**
Segment results	**299,353**	**631,147**	**26,340**	**956,840**
Finance costs				**(96,778)**
Share of results of associates				**150,388**
Share of results of jointly controlled entities				**105,298**
Profit before taxation				**1,115,748**
Taxation				**(79,306)**
Profit for the year				**1,036,442**

	2004			
	Investment, broking and finance *HK$'000*	Property rental, hotel operations and management services *HK$'000*	Sale of properties and property based investments *HK$'000*	Total *HK$'000*
	(Restated)	(Restated)	(Restated)	(Restated)
Revenue	944,846	172,835	24,783	1,142,464
Less: inter-segment revenue	(11,395)	(2,900)	–	(14,295)
	933,451	169,935	24,783	1,128,169
Segment results	232,585	169,473	26,532	428,590
Finance costs				(47,208)
Release of negative goodwill				156,741
Amortisation of capital reserve				17,267
Share of results of associates				165,856
Share of results of jointly controlled entities				19,090
Profit before taxation				740,336
Taxation				(80,108)
Profit for the year				660,228

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

(4) Changes in values of properties

	2005 *HK$'000*	2004 *HK$'000*
		(Restated)
Changes in values of properties comprise:		
Increase in fair value of investment properties	**522,250**	91,719
Reversal of write-down of properties held for sale	**47,452**	22,924
Reversal of impairment of properties held for development	**34,700**	3,000
Reversal of impairment of buildings	**4,284**	4,314
	608,686	121,957

The impairment losses reversed were determined with reference to the respective fair values based on independent professional valuations at 31st December, 2005.

(5) Profit before taxation

	2005 *HK$'000*	2004 *HK$'000* (Restated)
Profit before taxation has been arrived at after charging:		
Depreciation		
Owned assets	**24,437**	21,090
Assets under a finance lease	**42**	513
	24,479	21,603
Amortisation of intangible assets	**3,662**	2,701
Amortisation of prepaid land lease payments	**4,401**	3,275
Loss on dilution of interests in an associate	**–**	4,492
Loss on disposal of property, plant and equipment	**671**	579
Provision for interest in respect of litigation with New World Development Company Limited ("NWDC")	**–**	2,934
and after crediting:		
Dividend income from investments in listed equity securities	**16,853**	36,843
Dividend income from investments in unlisted equity securities	**25,003**	36,810
Net realised profit on derivatives	**20,513**	15,455
Net profit on other dealing activities	**7,733**	8,141
Net realised profit on trading securities	**–**	4,321
Profit on disposal/deemed disposal of a jointly controlled entity	**1,219**	942
Profit on disposal of available-for-sale financial assets	**56,748**	–
Profit on disposal of an investment property	**2,061**	–
Profit on disposal of non-trading securities	**–**	2,483
Profit on dealing in foreign currencies	**6,753**	18,180
Profit on disposal of partial interest in a subsidiary	**–**	789
Repayment of interest in respect of litigation with NWDC pursuant to Court of Appeal Judgment	**14,783**	–

(6) Taxation

	2005 *HK$'000*	2004 *HK$'000* (Restated)
The charge comprises:		
Current tax:		
Hong Kong	**26,254**	31,637
Outside Hong Kong	**229**	3,099
	26,483	34,736
Deferred tax	**52,823**	45,372
	79,306	80,108

Hong Kong Profits Tax is calculated at 17.5% (2004: 17.5%) on the estimated assessable profits for the year.

Taxation outside Hong Kong is calculated at the rates prevailing in the relevant jurisdictions.

(7) Dividend

A final dividend of HK10 cents (2004: HK5 cents) per share has been proposed by the Board.

(8) Earnings per share

The calculation of the basic earnings per share is based on the profit attributable to equity holders of the Company of HK$935,342,000 (2004: HK$563,023,000, as restated) and on the weighted average number of 537,151,901 (2004: 492,746,074) shares in issue during the year.

Changes in the Group's accounting policies during the year are described in detail in note 1. To the extent that those changes have had an impact on results reported for 2005 and 2004, they have had impact on the amounts reported for earnings per share. The following tables summarise that impact on both the basic and diluted earnings per share.

Basic earnings per share

	2005 *HK$*	2004 *HK$*
Figure before adjustments	**1.97**	1.36
Adjustment arising from changes in accounting policies	**(0.23)**	(0.22)
As reported/restated	**1.74**	1.14

Diluted earnings per share

	2004 *HK$*
Figure before adjustments	1.32
Adjustment arising from changes in accounting policies	(0.20)
As restated	1.12

Diluted earnings per share is not presented for the year as the Company had no dilutive potential ordinary shares during the year. The calculation of the diluted earnings per share for 2004 was based on the profit attributable to equity holders of the Company of HK$563,023,000, as restated, and on the weighted average number of 504,809,099 shares in issue during the year 2004 after adjusting for the effects of all dilutive potential ordinary shares.

(9) Reserves

	2005 *HK$'000*	2004 *HK$'000* (Restated)
Share premium	**516,644**	516,644
Property revaluation reserve	–	149,913
Investment revaluation reserve	**490,639**	247,059
Capital redemption reserve	**72,044**	72,044
Translation reserve	**(86,753)**	(109,984)
Capital (goodwill) reserve	**4,827**	(39,177)
Accumulated profits	**4,945,116**	3,438,798
Dividend reserve	**53,715**	26,858
	5,996,232	4,302,155

(10) Potential impact arising on the new accounting standards not yet effective

The Group has not early applied the following new standards and interpretations that have been issued but are not yet effective and are pertinent to the operation of the Group. The Board anticipates that the application of these standards and interpretations will have no material impact on the financial statements of the Group.

HKAS 1 (Amendment)	Capital Disclosures[1]
HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures[2]
HKAS 21 (Amendment)	Net Investments in a Foreign Operation[2]
HKAS 39 (Amendment)	The Fair Value Option[2]
HKAS 39 & HKFRS 4 (Amendments)	Financial Guarantee Contracts[2]
HKFRS 7	Financial Instruments: Disclosures[1]
HK(IFRIC)-Int 4	Determining whether an Arrangement Contains a Lease[2]

[1] Effective for annual periods beginning on or after 1st January, 2007.
[2] Effective for annual periods beginning on or after 1st January, 2006.

DIVIDEND AND BOOK CLOSE

The Board has proposed a final dividend of HK10 cents per share (2004: HK5 cents) payable to shareholders whose names appear on the register of members of the Company on Friday, 26th May, 2006.

The register of members of the Company will be closed from Monday, 22nd May, 2006 to Friday, 26th May, 2006, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the final dividend, all transfers of shares 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 4:00 p.m. on Friday, 19th May, 2006. Subject to approval by the shareholders at the forthcoming annual general meeting of the Company, dividend warrants are expected to be despatched on Tuesday, 27th June, 2006.

PROPOSED BONUS ISSUE OF WARRANTS

The Board is also pleased to announce that the Company has proposed a bonus issue of warrants ("Bonus Issue") to the shareholders of the Company. Details of the Bonus Issue are set out in a separate announcement of the Company dated the same as this results announcement.

FINANCIAL REVIEW

The profit attributable to the equity holders of the Company for the year was approximately HK$935.3 million. (2004: HK$563.0 million, as restated). The increase was mainly represented by the gain in fair value of the investment property portfolio of the Group partially reduced by the termination of release of negative goodwill and amortisation of negative goodwill from the beginning 2005. Earnings per share amounted to HK$1.74 (2004: HK$1.14, as restated). Details of the effects of the adoption of new accounting standards are outlined in note 1 to the Consolidated Financial Statements above.

Financial Resources, Liquidity and Capital Structure

The Group is principally financed by net cash inflow from operating activities and banking facilities granted by the banks. 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.

At 31st December, 2005, the current ratio (current assets/current liabilities) of the Group was 1.73 times, which increased from the 1.70 times applicable at the end of the preceding year.

At 31st December, 2005, the Group's net borrowings amounted to HK$1,408.0 million (2004: HK$1,179.9 million), representing bank borrowings and loan notes of HK$1,890.2 million (2004: HK$1,779.4 million) less bank deposits, bank balances and cash of HK$482.2 million (2004: HK$599.5 million) and the Group had equity attributable to equity holders of the Company of HK$7,070.5 million (2004: HK$5,376.5 million as restated). Accordingly, the Group's gearing ratio of net borrowings to equity attributable to equity holders of the Company was 19.9% (2004: 21.9%).

	2005	2004
	HK$'000	*HK$'000*
Bank borrowings of the Group are repayable as follows:		
Within one year or on demand	**950,233**	603,180
More than one year but not exceeding two years	**606,939**	226,738
More than two years but not exceeding five years	**211,214**	733,469
More than five years	**57,610**	86,362
	1,825,996	1,649,749
Loan notes repayable within five years	**64,252**	129,637
	1,890,248	1,779,386

Most of the bank borrowings of the Group are charged at floating interest rates.

Acquisition and Disposal

During the year, Sun Hung Kai & Co. Limited ("Sun Hung Kai") group acquired the entire interest in Hing Yip Holdings Limited and Sing Hing Investment Limited from a wholly-owned subsidiary of Tian An China Investments Company Limited ("Tian An"), a listed associate of the Group, at a total consideration of HK$52.3 million. These two subsidiaries are principally engaged in property investment in China and own certain office premises in the Tian An Centre in Shanghai. A portion of the office premises is occupied by Sun Hung Kai's Shanghai offices to facilitate expansion while some units not being occupied by the Sun Hung Kai group are leased out for rental income.

In March 2005, Sun Hung Kai group acquired the entire interest in Excalibur Futures Limited ("Excalibur Futures") and Excalibur Securities Limited ("Excalibur Securities") at a total consideration of HK$25.9 million. Excalibur Futures is principally engaged in futures dealing and broking whereas Excalibur Securities is engaged in securities broking.

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

Contingent Liabilities

(a) At 31st December, 2005, the Group had guarantees as follows:

	2005	2004
	HK$'000	*HK$'000*
Guarantees for banking facilities granted to an investee company	**6,979**	7,000
Indemnities on banking guarantees made available to a clearing house and regulatory body	**5,540**	5,540
Other guarantees	**7,084**	3,184
	19,603	15,724

(b) On 4th February, 2004, Sun Tai Cheung Credits Limited ("STCC") and Sun Hung Kai Investment Services Limited ("SHKIS"), both indirect wholly-owned subsidiaries of Sun Hung Kai, were served with a writ attaching a statement of claim ("200/2004") by Shanghai Finance Holdings Limited ("SFHL"), claiming, inter alia, that the sale of the shares in Shun Loong Holdings Limited ("SLHL") ("Shun Loong Shares") by STCC as assignee to SHKIS (for a consideration of HK$36,500,000 subject to additional amounts of HK$15,700,000 which may be payable one year from the date of completion under certain conditions) pursuant to a sale and purchase agreement dated 25th June, 2003 be set aside, or alternatively, against STCC for damages and the amount received by STCC in respect of the Shun Loong Shares. The writ is being vigorously defended. STCC and SHKIS were properly advised at all times during the transaction and believe that the claim is not soundly based and have applied to have the claim struck-out. The proceedings have now been stayed until further order by the court. While a provision has been made for legal costs, at this stage, the management is of the view that it is not appropriate for any other provision to be made with respect to this action.

(c) By the Judgment of High Court of Hong Kong on 1st April, 2004 ("Judgment") in HCA 3191/1999 between NWDC and Stapleton Development Limited ("SDL") against Sun Hung Kai Securities Limited ("SHKS") a wholly-owned subsidiary of Sun Hung Kai, SHKS was ordered to pay NWDC the sum of HK$105,534,018 together with interest on the principal sum of HK$80,117,653 at judgment rate from 16th December, 1998 until payment, pursuant to the terms of an oral agreement which was found by the court

("Oral Agreement"). As at 17th June, 2004, the date when the Judgment sum was paid, the amount was HK$150,115,682 (being HK$105,534,018 plus interest of HK$44,581,664). SHKS has paid the Judgment amounts. SHKS has filed an appeal against the Judgment both as to liability and quantum to the Court of Appeal. That Court of Appeal has now handed down its judgment ("Court of Appeal Judgment") in which the Court of Appeal ordered a repayment to SHKS of part of the interest element for the period from 16th December, 1998 to 31st March, 2004 previously ordered against SHKS in the High Court but otherwise broadly confirmed the Judgment. The sum repayable amounted to HK$14,783,091 and has now been repaid.

SHKS has obtained leave to appeal the Court of Appeal Judgment to the Court of Final Appeal ("Final Appeal"). The Final Appeal will be heard on 19th June, 2006.

Since the handing down of the Judgment, NWDC has written to SHKS demanding payment of three further amounts for what it asserts as pro-rata shareholders' contributions advanced by NWDC on behalf of SHKS ("New Claims"):

1. on 1st March, 2000 in the sum of HK$27,234,754;

2. on 2nd January, 2001 in the sum of HK$7,697,418 (Sun Hung Kai understands that a further writ was issued by NWDC in April 2004, naming SHKS as defendant, and claiming the aforesaid two amounts as well as interest thereon from March 2000 and January 2001 respectively ("Further Writ"). The Further Writ has not been served on SHKS); and

3. on 4th June, 2004 in the sum of HK$2,565,839 in respect of a bank loan by GUP (a provision has been made with respect to this claim in the accounts of SHKS).

The Group understands that a second further writ including a statement of claim ("HCA 376/2006") was issued by NWDC and SDL in February 2006, claiming, inter alia, the sum of HK$37,498,011 being the aggregate of amounts of the New Claims, together with interest thereon at such rate and for such period as the Court considers appropriate. This second further writ has not been served on SHKS.

The outcome of the Final Appeal as well as other issues will be relevant to the determination of whether SHKS is liable to pay the New Claims which NWDC asserts are due under the Oral Agreement. Accordingly, the Group takes the view that the New Claims are a contingent liability, and that while a provision has been made for legal costs, it is considered that it is not presently appropriate for any other provision to be made with respect to the Final Appeal or the Further Writ. An analysis as to the possible financial implications for the Group depending on the ultimate outcome of the Final Appeal was provided below:

(i) Pending any judgment pursuant to such appeal to the Court of Final Appeal, Sun Hung Kai's present understanding of the effect of the Court of Appeal Judgment is that SHKS now effectively owns 25% ("SHKS Interest") of NWDC's entire interest (including the shareholder loans advanced by, or on behalf of, NWDC and/or SDL and/or SHKS to GUP in the Joint Venture (as defined in the Judgment), being the 50-50 joint venture between NWDC and/or SDL and IGB Corporation Bhd. to purchase land and to build two hotels of 1,000 rooms and a 200 unit service apartment block at the city centre of Kuala Lumpur and SDL holds 12.5% of the shares in GUP on trust for SHKS. A sum totalling HK$118,003,000 (2004: HK$118,003,000) is included in "amounts due from investee companies" being the amount, (excluding interest which has been expensed in prior years) which represents the carrying value of the SHKS Interest.

(ii) The Group has decided that it is not presently appropriate to make any provisions in respect of the litigation or for impairment of the value of its interest in the total Kuala Lumpur hotels project pursuant to the Judgment and the Court of Appeal Judgment (together "Judgments"). This decision has been taken because it is considered that the current circumstances regarding the nature and value of the interest existing under the Judgments and the uncertainty of the Final Appeal, result in a situation where it is not possible to decide with any degree of accuracy as to what the final position may be. On the one hand if SHKS is completely successful in the Final Appeal then it may be entitled to recovery of monies already paid. On the other hand if it is not successful or only partially successful then it may be possible that further provision for impairment of the value of its final interests in the Kuala Lumpur hotels project may be required. The extent of such provision is not presently capable of determination as the holding company of the hotel namely GUP has not provided a current valuation of the project and SHKS has not had sufficient access to the detailed books and records of GUP to reach a supportable view as to the value of the project.

Material Litigation Update

(a) An update on the litigation between SFHL against STCC and SHKIS (200/2004) and the litigation between NWDC and SDL against SHKS are set out in paragraphs (b) and (c) of the "Contingent Liabilities" section above respectively.

(b) Shun Loong Finance Limited and SLHL (together the "Petitioners"), both wholly-owned subsidiaries of Sun Hung Kai, filed a winding-up petition on 19th February, 2004 in the British Virgin Islands ("B.V.I.") seeking an order that SFHL be wound up by reason of its failure to pay debts owing to the Petitioners. The B.V.I. proceedings were stayed by order of the B.V.I. court. The Petitioners have appealed that decision but have agreed not to pursue the appeal during the stay of 200/2004.

(c) Sun Hung Kai, STCC and SHKIS filed a writ on 7th February, 2004 (230/2004) naming as defendants Shanghai Land Holdings Limited, Stephen Liu Yiu Keung, Yeo Boon Ann, The Standard Newspapers Publishing Limited and Hong Kong Economic Times Limited and claiming damages for libel, injunctive relief, interest and costs. The case remains at an early stage.

(d) SHKIS filed a notice of action on 8th June, 2004 in Canada naming as defendants Sung Chun ("Sung"), Song Lei ("Song") and the Bank of Montreal claiming from Sung and Song reimbursement for funds totalling US$1,300,000 transferred by them in addition to costs, and against the Bank of Montreal for an injunction freezing the subject funds or alternatively for payment of the funds into court. SHKIS discontinued the action in respect of the Bank of Montreal, and agreed to a dismissal of the action against Song. On 31st March, 2005, the Court granted summary judgment to SHKIS ("Summary Judgment") in the amount of Canadian currency sufficient to purchase HK$10,533,000 plus prejudgment and postjudgment interest thereon. On 24th January, 2006, SHKIS received in partial satisfaction of the Summary Judgment order C$14,071 and US$1,288,555 (i.e. together HK$10,008,868) that had been held in custody of the Superior Court of Justice.

(e) SHKIS filed a writ on 23rd July, 2004 in Hong Kong naming as defendants Sellon Enterprises Limited ("Sellon"), Sung and Song and seeking a declaration that Sellon holds property wholly or in part on trust for SHKIS. The case remains at an early stage.

Pledge of Assets

At 31st December, 2005, certain of the Group's investment properties, land and buildings, properties held for development, prepaid land lease payments and properties held for sale with an aggregate carrying value of HK$3,545.8 million (2004: HK$3,026.2 million, as restated), certain securities in respect of a listed subsidiary with a cost of HK$902.9 million (2004: HK$902.9 million), and listed investments belonging to the Group and margin clients with an aggregate carrying value of HK$1,387.7 million (2004: HK$1,074.4 million) were pledged to secure loans and general banking facilities to the extent of HK$3,098.8 million (2004: HK$3,404.1 million) granted to the Group. Facilities amounting to HK$1,792.9 million (2004: HK$1,649.7 million) were utilised at 31st December, 2005.

At 31st December, 2005, a bank deposit of HK$1.0 million (2004: HK$1.2 million) was pledged to secure a bank guarantee amounting to HK$2.0 million (2004: HK$2.0 million).

Events After the Balance Sheet Date

(a) on 3rd April, 2006, Wah Cheong Development (B.V.I.) Limited ("Wah Cheong"), a wholly-owned subsidiary of Sun Hung Kai, entered into a conditional option agreement with CLSA Capital Limited ("CLSA"), pursuant to which Wah Cheong was granted the option to acquire further 34,156,666 shares in Quality HealthCare Asia Limited ("QHA") from CLSA at an option consideration of HK$27,752,291. The option agreement will only take effect after the approval of the shareholders of the Company, Sun Hung Kai and Allied Group Limited, the ultimate holding company of the Company respectively, and the confirmation from the Securities and Futures Commission on terms that are not considered detrimental that Wah Cheong and CLSA will not be regarded as parties acting in concert and that Wah Cheong is not required to make a mandatory offer to all QHA's shareholders until it exercises the option.

The option will entitle Wah Cheong to:

- acquire all (but not part) of the option shares (being 34,156,666 QHA shares held by CLSA) at an aggregate exercise price of HK$83,256,873 (i.e. HK$2.4375 per option share), and
- exercise all or part of the option warrants (being such number of QHA warrants held by CLSA as would, if exercised, lead to the subscription of 6,943,333 QHA shares at HK$2.5 per share).

The option is exercisable by Wah Cheong, with respect to the option shares, at any time within a period of 4 years and, with respect to the option warrants, on or before 13th January, 2007.

At 7th April, 2006, Wah Cheong has an equity interest of approximately 34.39% in QHA. It also holds such number of warrants as would, if exercised, lead to the subscription of 12,544,632 shares. Exercise of such warrants in full would result in Wah Cheong holding an equity interest of approximately 38.36% in QHA.

Assuming that (i) no new shares are issued by QHA (other than those issued following exercise in full of the option warrants), (ii) the option is exercised in respect of the option shares and the option warrants as mentioned in the option agreement have been exercised, and (iii) Wah Cheong does not exercise any of the warrants held by it, Wah Cheong's equity interest in QHA will increase to approximately 53.54% of the enlarged capital. In case Wah Cheong exercises all the warrants held by it, Wah Cheong's equity interest in QHA will further increase to approximately 56.25%.

(b) On 6th April, 2006, the following agreements were entered into

- a placing agreement between Sun Hung Kai as vendor and 3V Capital Limited as a placing agent in respect of the placing of 175,000,000 existing shares in Tian An to independent investors at a price of HK$5.1 per share, and
- a subscription agreement between Sun Hung Kai and Tian An in respect of Sun Hung Kai's subscription for 175,000,000 new shares in Tian An ('subscription shares') at the same price on completion of the placing.

The placing agreement is unconditional and completion of the placing has taken place. However, the subscription agreement is conditional upon:

- The Stock Exchange of Hong Kong Limited ("Stock Exchange") granting listing of and permission to deal in the subscription shares.
- granting of a waiver from any obligation to make a general offer under Rule 26 of the Takeover Code arising as a result of the subscription, and
- completion of the placing.

The completion of the above will result in Sun Hung Kai's equity interest in Tian An reducing from approximately 48.60% to approximately 40.51%. The Board does not anticipate any significant gain or loss to the Group arising from this transaction.

OPERATIONAL REVIEW

Properties

Hong Kong

The Group's investment property portfolio continued to record improving results, benefiting from the buoyant local property market. St. George Apartments, Century Court, Allied Cargo Centre, Park Place, 22nd floor of No. 9 Queen's Road Central and China Online Centre all achieved higher rental income as and when leases were renewed during the year. Contribution from Ibis North Point continued to strengthen during the second half of the year. The hotel operating income almost doubled compared with that of last year due to the rise in the number of rooms and the increased average room rates.

With the application of the new Hong Kong Accounting Standards, the Group has adopted the fair value model for its investment properties. As at the year end, the investment properties of the Group were revalued by an independent firm of valuers, resulting in a valuation surplus of approximately HK$522.3 million which was reported in the consolidated income statement for the year.

Allied Kajima Limited, 50% indirectly owned by the Group and holding properties including Allied Kajima Building, Novotel Century Hong Kong hotel and the Philippine Plaza Hotel, contributed an increase in profit of 363.9% in 2005 as compared to that of 2004. The increase was mainly due to a revaluation of its investment property and a stronger performance by Novotel Century Hong Kong hotel, which recorded significantly higher average room rates.

Mainland PRC

Tian An, a listed associate of Sun Hung Kai and the Group's PRC property unit, registered a 10.2% increase in net profit attributable to its equity holders to HK$202.5 million. The increase in profit for the year is largely the result of an increase in the valuation of Tian An's investment properties. Tian An as a whole registered lower sales of total gross floor area of approximately 138,000m^2, as compared to 225,000m^2 in 2004.

The decline in sales is the direct result of management's decision to maximise its profit margin from its development properties, and to retain for their rental income selected properties which Tian An believes will provide increasing rental streams with corresponding increases in value.

The major projects developed by the Tian An group that are expected to come on stream in the coming year comprise Shanghai Tian An Villa (Phase 2), Shanghai Tian An Place (Phase 1), Nantong Tian An Garden (Phase 3), Guangzhou Panyu Hi-Tech Ecological Park (Phase 3), and Shenzhen Tian An Cyber Park – Golf & Seaview Garden (Phase 3).

Tian An forecasts a positive outlook for the PRC economy and property market for the foreseeable future and accordingly its objectives for 2006 will be to continue to dispose of non-core assets, increase its land bank in major cities as and when opportunities arise, maximise its development profit, increase its recurrent rental income, streamline operating processes, and continue to strengthen the professional management team.

Financial Services

Sun Hung Kai, the Group's broking arm, recorded a profit attributable to its equity holders of HK$401.5 million (2004: HK$378.7 million, as restated).

Securities broking commissions formed the principal source of Sun Hung Kai's income in 2005. The company actively participated in numerous issues of new shares offerings, sub-underwriting and placements of equities and warrants for clients. Third-party execution provided to non-exchange participants continued to contribute sound revenues. While Sun Hung Kai was not as active as a liquidity provider for warrant issuers as in the past, the income growth from structured products was generally pleasing.

Securities financing recorded strong net revenues as a result of the expanded loan portfolio and active participation in IPO financing.

During the year, Sun Hung Kai's corporate finance division successfully sponsored three IPOs on the main board of the Stock Exchange and completed the secondary placement of shares in a number of listed companies. Furthermore, the division was appointed as the financial adviser on the repurchase offer/mandatory general offer for shares and the independent financial adviser on certain notifiable and connected transactions of several listed companies. It was also actively involved in a number of underwriting exercises for IPO issues and will continue to focus on securing IPO projects for medium-sized enterprises in both Hong Kong and China as well as performing financial advisory and placing services for listed companies in Hong Kong.

A hedge fund division was formed in 2005 and the first in-house hedge fund was launched in June 2005. The division also hopes to launch a number of new hedge funds in 2006. A subsidiary company in the alternative investments division was appointed as the replacement manager for an umbrella fund in January 2006. This appointment brings a further US$410 million of investor funds under Sun Hung Kai's management.

The Shun Loong group of companies which was acquired in 2003 is being actively integrated with the overall operations of Sun Hung Kai.

Investments

Quality HealthCare Asia Limited

QHA, a 34.39% owned listed associate of Sun Hung Kai, was successful in delivering significantly improved results for 2005 with a 24.7% increase in net profit to HK$56.1 million. The improved performance was a result of increases in visits from both contract and private paying clients and an overall growth in the total number of corporate clients served.

Major resources were dedicated towards renovation and upgrading some of the key medical centres, including the flagship centre at Prince's Building. The purposes of the renovation were to upgrade the facilities, enhance the operational efficiency and improve the ambience of the centres in order to deliver a better experience for clients.

At 7th April, 2006, Sun Hung Kai, the Company and Allied Group Limited, being the ultimate holding company, jointly announced that Wah Cheong had entered into a conditional option agreement pursuant to which Wah Cheong was granted an option to acquire further 34,155,666 shares in QHA from CLSA at an option consideration of HK$27,752,291. Details of the transaction are set out in the "Events After the Balance Sheet Date" section under "Financial Review" above.

Yu Ming Investments Limited ("Yu Ming")

Yu Ming, a 22.43% owned listed associate of Sun Hung Kai, recorded profit attributable to its equity holders of HK$144.7 million (2004: $39.4 million). The increase in profit was mainly as a result of share of profit from investment in Argyle Centre, which has appreciated significantly in value. However, Yu Ming's performance was adversely affected by Oriental Cashmere Limited ("Oriental Cashmere") and its high-yield bond portfolio.

At 31st December, 2005, Yu Ming's major investments were in Asia World-Expo, retail shops in Mongkok and Causeway Bay, CR Airways Limited, Oriental Cashmere, high-yield bonds and equity securities.

AsiaWorld-Expo, of which Yu Ming has an effective 8.1% equity interest and 40% in the management right, was officially opened in December 2005. Bookings have already been received for 2009, and revenue is exceeding original expectations.

Shanghai Allied Cement Limited ("SAC")

SAC, a 54.77% owned listed subsidiary of Tian An, reported a loss attributable to its shareholders of HK$35.2 million (2004: profit of HK$10.4 million, as restated). The loss resulted from the low cement price and strong coal price throughout the year, as well as the fact that two new production lines of SAC only commenced production in 2005. SAC's management is cautiously optimistic on the long-term prospects of the cement industry in the PRC and hopes to take advantage of the present competitive environment to review its businesses and improve its cost structure and efficiency.

Employees

The total number of staff of the Group at 31st December, 2005 was 1,662 (2004: 1,774). Total staff costs, including Directors' emoluments, amounted to HK$224.5 million (2004: HK$231.7 million). The Group reviews remuneration packages from time to time and normally annually. Besides salary payments, other staff benefits include contributions to employee provident funds, medical subsidies and a discretionary bonus scheme.

BUSINESS OUTLOOK

The Hong Kong economy is expected to continue to enjoy benefits from the stable local economic environment and the vigorous growth in the Mainland economy. With the improved employment situation, rising labour income and enhanced economic co-operation with the Pan-Pearl River Delta, the local economy is benefiting from solid growth in private expenditure. However, the persistently high global oil prices and interest rates are still the factors that may negatively influence the market sentiment in 2006.

The Group expects its office and residential portfolio will continue to benefit from the positive local property market, with occupancy rates of the Group's investment properties expected to remain high. The promising tourism industry in Hong Kong will be beneficial to the Group's hotel business.

Barring any unexpected external factors, the Group takes a positive outlook on local business conditions in the year 2006. However, given the high oil prices and interest rates, the rate of economic growth is anticipated to be slower than that of last year. The Group will maintain its cautious strategy by maintaining healthy cash management, balanced capital structure and will seek viable business opportunities that will deliver long term and sustainable values to the shareholders of the Company.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles of and complied with the applicable code provisions of the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange throughout the financial year ended 31st December, 2005, except for certain deviations. The major areas of deviation are as follows:

Code Provisions A.4.1 and A.4.2

Code provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election, and code provision A.4.2 stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

The Non-Executive Directors of the Company had no fixed term of office prior to June 2005, but retired from office on a rotational basis in accordance with the relevant provision of the Articles of Association of the Company. According to the Articles of Association of the Company then in effect before 3rd June, 2005, at each annual general meeting of the Company, one-third of the Directors of the Company for the time being or, if their number is not three or a multiple of three, then the number nearest one-third, should retire from office, provided that no Director holding office as executive chairman or as a managing director or as a chief executive should be subject to retirement by rotation. Further, any Director appointed to fill a casual vacancy or as an addition to the Board should hold office only until the next following annual general meeting of the Company and would then be eligible for re-election at the meeting.

To fully comply with the code provision A.4.1, the term of office of all the Non-Executive Directors of the Company was fixed in June 2005 which shall continue until 31st December, 2006, but subject to the relevant provisions of the Articles of Association of the Company or any other applicable laws whereby the Directors of the Company shall vacate or retire from their office. In addition, to ensure full compliance with the code provision A.4.2, relevant amendments to the Articles of Association of the Company were proposed and approved by the shareholders of the Company ("Shareholders") at its annual general meeting held on 3rd June, 2005.

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 provisions.

The terms of reference of the remuneration committee ("Remuneration Committee") and the audit committee ("Audit Committee") of the Company have been revised in June 2005 to comply with the above code provisions with certain deviations. A major deviation from the code provision B.1.3 is that the Remuneration Committee should, pursuant to its revised terms of reference, review (as opposed to determine under the code provision) and make recommendations to the Board on the remuneration packages of the Executive Directors only but not senior management.

Detailed information of the Company's compliance of the CG Code and deviations from certain code provisions of the CG Code for the financial year ended 31st December, 2005 will be set out in the Corporate Governance Report to be included in the Company's 2005 Annual Report which will be sent to the Shareholders at the end of April 2006.

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, 2005.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the announcement of the Group's results for the year ended 31st December, 2005 have been agreed by the Group's auditors, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the announcement.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's share during the year.

APPRECIATION

The Board would like to thank all the staff for achieving the commendable results for 2005, and would like to express appreciation to the shareholders for their continual support. Special mention should be made of Sir Gordon Macwhinnie who retired as Chairman of the Group at the end of 2005. The Group and its management have benefited from sharing his wealth of experience and his valuable advice. We wish him a happy retirement.

On behalf of the Board
Allied Properties (H.K.) Limited
Patrick Lee Seng Wei
Chief Executive

Hong Kong, 12th April, 2006

As at the date of this announcement, the Board of the Company comprises Messrs. Patrick Lee Seng Wei (Chief Executive) and Li Chi Kong being the Executive Directors, Messrs. Henry Lai Hin Wing and Steven Lee Siu Chung being the Non-Executive Directors, and Messrs. Alan Stephen Jones, John Douglas Mackie and Steven Samuel Zoellner being the Independent Non-Executive Directors.