



# 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 2004

The Board of Directors (“Directors”) 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, 2004 are as follows:

#### CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31ST DECEMBER, 2004

|   | Notes | 2004<br>HK\$'000 | 2003<br>HK\$'000 |
|---|-------|------------------|------------------|
| Turnover  | (2)   | 1,128,169        | 862,783          |
| Other operating income  |       | 19,564           | 43,257           |
| Total income  |       | 1,147,733        | 906,040          |
| Cost of sales   |       | (201,927)        | (97,229)         |
| Brokerage and commission expenses   |       | (161,553)        | (99,639)         |
| Selling expenses  |       | (292)            | (2,737)          |
| Administrative expenses   |       | (347,972)        | (326,018)        |
| Impairment losses reversed<br>(recognised) and revaluation<br>surplus (deficit) | (4)   | 144,626          | (46,915)         |
| Allowance for bad and doubtful<br>debts written back                            |       | 902              | 19,339           |
| Other operating expenses  |       | (108,756)        | (192,348)        |
| Profit from operations  | (5)   | 472,761          | 160,493          |
| Finance costs   |       | (47,208)         | (60,016)         |
| Release of negative goodwill  |       | 156,741          | 140,282          |
| Amortisation of capital reserve   |       | 17,267           | 17,267           |
| Share of results of associates  |       | 266,192          | 135,708          |

|   |     |                        |                        |
|---|-----|------------------------|------------------------|
| Share of results of jointly controlled entities |     | <u>44,725</u>          | <u>41,941</u>          |
| Profit before taxation                          |     | <b>910,478</b>         | 435,675                |
| Taxation  | (6) | <u>(143,256)</u>       | <u>(71,449)</u>        |
| Profit after taxation                           |     | <b>767,222</b>         | 364,226                |
| Minority interests                              |     | <u>(98,720)</u>        | <u>(53,206)</u>        |
| Profit attributable to shareholders             |     | <b><u>668,502</u></b>  | <b><u>311,020</u></b>  |
| Dividend  |     | <b><u>26,858</u></b>   | <u>–</u>               |
| Earnings per share:                             | (7) |                        |                        |
| Basic   |     | <b><u>HK\$1.36</u></b> | <b><u>HK\$0.64</u></b> |
| Diluted   |     | <b><u>HK\$1.32</u></b> | <b><u>HK\$0.63</u></b> |

Notes:

**(1) Accounting policies**

The accounting policies adopted in the preparation of these financial statements are consistent with those set out in the audited financial statements for the year ended 31st December, 2003.

**(2) Turnover**

|   | <b>2004</b>             | 2003                  |
|---|-------------------------|-----------------------|
|   | <b><u>HK\$'000</u></b>  | <u>HK\$'000</u>       |
| Turnover comprises:                                       |                         |                       |
| Securities broking  | <b>236,854</b>          | 185,130               |
| Interest income   | <b>171,510</b>          | 201,036               |
| Property rental, hotel operations and management services | <b>169,935</b>          | 161,738               |
| Income from corporate finance and others                  | <b>156,849</b>          | 116,011               |
| Income from forex, bullion, commodities and futures       | <b>149,380</b>          | 123,962               |
| Securities trading  | <b>145,205</b>          | 16,991                |
| Dividend income   | <b>73,653</b>           | 41,915                |
| Sales of properties                                       | <b>24,783</b>           | 16,000                |
|   | <b><u>1,128,169</u></b> | <b><u>862,783</u></b> |

### (3) Segmental information

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

|  | 2004   |  |  |                          |
|--|--|--|--|--------------------------|
|  | Investment,<br>broking<br>and finance<br><i>HK\$'000</i> | Property<br>rental, hotel<br>operations and<br>management<br>services<br><i>HK\$'000</i> | Sale of<br>properties and<br>property<br>based<br>investments<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
| Turnover   | 944,846  | 172,835  | 24,783   | 1,142,464                |
| Less: inter-segment turnover                       | (11,395)   | (2,900)  | –  | (14,295)                 |
|  | <u>933,451</u>   | <u>169,935</u>   | <u>24,783</u>  | <u>1,128,169</u>         |
| Profit from operations                             | 232,834  | 213,395  | 26,532   | 472,761                  |
| Finance costs                                      |  |  |  | (47,208)                 |
| Release of negative goodwill                       |  |  |  | 156,741                  |
| Amortisation of capital reserve                    |  |  |  | 17,267                   |
| Share of results of associates                     |  |  |  | 266,192                  |
| Share of results of jointly<br>controlled entities |  |  |  | 44,725                   |
| Profit before taxation                             |  |  |  | 910,478                  |
| Taxation   |  |  |  | (143,256)                |
| Profit after taxation                              |  |  |  | <u>767,222</u>           |
|  | 2003   |  |  |                          |
|  | Investment,<br>broking<br>and finance<br><i>HK\$'000</i> | Property<br>rental, hotel<br>operations and<br>management<br>services<br><i>HK\$'000</i> | Sale of<br>properties and<br>property<br>based<br>investments<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
| Turnover   | 694,317  | 166,198  | 16,000   | 876,515                  |
| Less: inter-segment turnover                       | (9,272)  | (4,460)  | –  | (13,732)                 |
|  | <u>685,045</u>   | <u>161,738</u>   | <u>16,000</u>  | <u>862,783</u>           |
| Profit (loss) from operations                      | 147,905  | 52,785   | (40,197)   | 160,493                  |
| Finance costs                                      |  |  |  | (60,016)                 |
| Release of negative goodwill                       |  |  |  | 140,282                  |
| Amortisation of capital reserve                    |  |  |  | 17,267                   |
| Share of results of associates                     |  |  |  | 135,708                  |
| Share of results of jointly<br>controlled entities |  |  |  | 41,941                   |
| Profit before taxation                             |  |  |  | 435,675                  |
| Taxation   |  |  |  | (71,449)                 |
| Profit after taxation                              |  |  |  | <u>364,226</u>           |

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

**(4) Impairment losses reversed (recognised) and revaluation surplus (deficit)**

|   | <b>2004</b>           | 2003                   |
|---|-----------------------|------------------------|
|   | <b><i>HKS'000</i></b> | <i>HKS'000</i>         |
| Impairment losses reversed (recognised) and revaluation surplus (deficit) comprise: |                       |                        |
| Impairment losses reversed (recognised) in respect of:                              |                       |                        |
| Properties held for sale  | 22,924                | (22,546)               |
| Properties under development  | 3,000                 | (12,200)               |
| Non-trading securities  | <b>(16,418)</b>       | (6,524)                |
|   | <b>9,506</b>          | (41,270)               |
| Surplus (deficit) arising on revaluation of investment properties                   | <b>135,120</b>        | (5,645)                |
|   | <b><u>144,626</u></b> | <b><u>(46,915)</u></b> |

**(5) Profit from operations**

|   | <b>2004</b>           | 2003           |
|---|-----------------------|----------------|
|   | <b><i>HKS'000</i></b> | <i>HKS'000</i> |
| Profit from operations has been arrived at after charging:                              |                       |                |
| Depreciation  |                       |                |
| – owned assets  | 19,318                | 20,259         |
| – assets under a finance lease  | 513                   | 513            |
| Amortisation of intangible assets   | 2,701                 | 2,780          |
| Loss on dilution of interest in an associate  | 4,455                 | –              |
| Loss on disposal of subsidiaries  | –                     | 2,597          |
| Loss on disposal of an associate  | –                     | 3,088          |
| Loss on disposal of a jointly controlled entity   | –                     | 5,549          |
| Loss on disposal of non-trading securities  | –                     | 753            |
| Provision for interest and legal costs in respect of a litigation ( <i>Remark</i> )     | 2,934                 | 58,364         |
| and after crediting:  |                       |                |
| Write back of loss arising from default of loan agreement with Millennium Touch Limited | 2,847                 | 26,412         |
| Profit on deemed disposal of a jointly controlled entity                                | 942                   | –              |
| Profit on disposal of partial interest in a subsidiary                                  | 789                   | –              |
| Profit on disposal of non-trading securities  | <b>2,483</b>          | –              |

*Remark:*

On 1st April, 2004, the High Court of Hong Kong awarded a judgment (“Judgment”) in favour of New World Development Company Limited (“NWDC”) against Sun Hung Kai Securities Limited (“SHKS”), a wholly-owned subsidiary of Sun Hung Kai & Co. Limited (“Sun Hung Kai”), following legal proceedings regarding a joint venture in respect of land and two hotels in Kuala Lumpur, Malaysia. The Judgment was for a principal amount of HK\$80,117,653 together with interest of HK\$25,416,366 and interest at judgment rate from 16th December, 1998 until payment, and costs.

SHKS has since year 2000 booked as “Investments” an amount of approximately HK\$118,000,000 including payments already made to NWDC in a total sum of HK\$35,319,000. Additionally, a provision of approximately HK\$18,700,000 for interest was made in 2000. A further provision of HK\$58,364,000 has been made in these accounts in respect of interest and legal costs in 2003 and interest expense of HK\$2,934,000 was paid in 2004.

SHKS has appealed against the Judgement. Sun Hung Kai’s present understanding of the Judgment is that SHKS now has an effective 12.5% interest, including its share of shareholders’ loans, in a completed project in Kuala Lumpur consisting of two first class hotels with around 1,000 rooms, and a convention and retail complex presently known as “The Renaissance Kuala Lumpur Hotel”.

**(6) Taxation**

|   | <b>2004</b>            | 2003            |
|---|------------------------|-----------------|
|   | <b><i>HK\$'000</i></b> | <i>HK\$'000</i> |
| The charge comprises:   |                        |                 |
| Current tax:  |                        |                 |
| Hong Kong   | <b>31,637</b>          | 23,960          |
| Outside Hong Kong   | <b>3,099</b>           | 418             |
|   | <b>34,736</b>          | 24,378          |
| Deferred tax:   |                        |                 |
| Current year  | <b>2,327</b>           | (9,146)         |
| Effect of a change in tax rate                                | –                      | 766             |
| Taxation attributable to the Company and subsidiaries         | <b>37,063</b>          | 15,998          |
| Share of taxation attributable to associates                  | <b>42,353</b>          | 38,751          |
| Share of deferred taxation attributable to associates         | <b>52,528</b>          | 6,724           |
| Share of taxation attributable to jointly controlled entities | <b>11,312</b>          | 9,976           |
|   | <b>143,256</b>         | 71,449          |

Hong Kong Profits Tax is calculated at the rate of 17.5% (2003: 17.5%) on the estimated assessable profits derived from Hong Kong.

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

**(7) Earnings per share**

The calculation of the basic earnings per share is based on the profit attributable to shareholders of HK\$668,502,000 (2003: HK\$311,020,000) and on the weighted average number of 492,746,074 (2003: 489,372,894) shares in issue during the year.

The calculation of the diluted earnings per share is based on the profit attributable to shareholders of HK\$668,502,000 (2003: HK\$311,020,000) and on the weighted average number of 504,809,099 (2003: 489,915,671) shares in issue during the year after adjusting for the effects of all dilutive potential ordinary shares.

**(8) Impact of recently issued accounting standards**

The Hong Kong Institute of Certified Public Accountants has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (collectively referred as "new HKFRSs"), which are effective for accounting periods beginning on or after 1st January, 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31st December, 2004.

The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

**HIGHLIGHTS**

- The turnover of the Group for the year 2004 was approximately HK\$1,128.2 million, an increase of 30.8% from the previous year due mainly to increase in income from investment, broking and financial services, increase in rental income and hotel revenue, partially offset by the decrease in interest income.
- The Group's profit attributable to shareholders increased more than twofold by HK\$357.5 million to HK\$668.5 million from HK\$311.0 million of 2003. The 115.0% increase in profit was primarily due to revaluation surpluses and a reversal of impairment losses in relation to the Group's Hong Kong properties totalling HK\$158.0 million whilst in year 2003, the revaluation deficits and impairment losses charged to the income statement were HK\$40.4 million, as well as the stronger performance of Sun Hung Kai, a listed subsidiary of the Group.
- The Group's rental income increased moderately during the year under review. Major contributors of rental income included St. George Apartments, China Online Centre, Century Court and Allied Cargo Centre. Moreover, the Group completed the acquisition of the whole of the 22nd Floor of No. 9 Queen's Road Central in late 2004, thus adding a stable rental income stream to the Group's office portfolio from 2005.
- Following the issuance of the occupation permit for phase two of Ibis North Point, the hotel in Java Road, in December 2004 and the hotel licence, the hotel extension has been put into operation.

- Sun Hung Kai recorded profit of approximately HK\$384.8 million, an increase of 59.1% compared to the previous year. The turnover and profits from securities broking and other major divisions continued to show strong growth. Its experienced sales staff with their extensive client network capitalised on the buoyant stock market to expand its market share during the year. The income stream derived by Sun Hung Kai as a liquidity provider of derivative warrants and equity linked notes to warrant issuers continued to be strong. Sun Hung Kai International Bank [Brunei] Limited, which was officially opened in February 2004, plans to develop international banking business as well as offering investment banking and other banking services. After significant transformation of its business structure, management, compliance and control system following its acquisition by Sun Hung Kai in mid 2003, Shun Loong group is now positioning itself for growth with a range of marketing and promotional initiatives planned for Hong Kong and PRC.
- Tian An China Investments Company Limited (“Tian An”) (a listed associate as to 48.6% owned by Sun Hung Kai) achieved a net profit of HK\$200.6 million, representing an increase of 95.9% from 2003. The sharp improvement in the results for the year was mainly attributable to stronger contributions from property sales and the focus by Tian An on products of higher profit margin. Tian An aims at becoming one of the premier real estate companies in Mainland China.
- Allied Kajima Limited, 50% indirectly owned by the Group, reported a 15.9% increase in profit attributable to its shareholders from the year 2003. Both the Novotel Century Hong Kong hotel and the Westin Philippine Plaza Hotel had improved performance from 2003 due to increased tourist arrivals in Hong Kong and the Philippines respectively although the rental income from Allied Kajima Building decreased during the year resulting from lower occupancy rates and reduced rental rates.

## **DIVIDEND AND BOOK CLOSE**

The Directors have proposed a final dividend of HK5 cents per share (2003: Nil) payable to shareholders whose names appear on the register of members of the Company on 3rd June, 2005.

The register of members of the Company will be closed from 30th May, 2005 to 3rd June, 2005, 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 27th May, 2005. Subject to approval by the shareholders at the forthcoming annual general meeting of the Company, dividend warrants are expected to be despatched on 4th July, 2005.

## FINANCIAL REVIEW

### 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.

During the year, 47,767,684 warrants, representing approximately 97.6% of the total outstanding warrants, were converted into 47,767,684 ordinary shares at a subscription price of HK\$2.5 per share. A proceed of HK\$119.4 million was raised from the exercise of warrant subscription rights by warrant holders, and the Company's issued share capital increased from HK\$978.8 million to HK\$1,074.3 million accordingly. The remaining 1,157,975 warrants, representing 1,157,975 ordinary shares issuable, lapsed at the close of business on 6th December, 2004.

At 31st December, 2004, the current ratio (current assets/current liabilities) of the Group was 1.70 times, which increased from the 1.41 times applicable at the end of the preceding year.

At 31st December, 2004, the Group's net borrowings amounted to HK\$1,179.9 million (2003: HK\$1,602.3 million), representing bank borrowings and loan notes of HK\$1,779.4 million (2003: HK\$2,233.0 million) less bank deposits, bank balances and cash of HK\$599.5 million (2003: HK\$630.7 million) and the Group had net assets of HK\$5,818.6 million (2003: HK\$4,889.3 million). Accordingly, the Group's gearing ratio of net borrowings to net assets was 20.3% (2003: 32.8%).

|  | <b>2004</b><br><b>HK\$'000</b> | 2003<br><i>HK\$'000</i> |
|--|--------------------------------|-------------------------|
| Bank borrowings of the Group are repayable as follows: |                                |                         |
| Within one year or on demand                           | <b>603,180</b>                 | 1,059,908               |
| More than one year but not exceeding two years         | <b>226,738</b>                 | 70,760                  |
| More than two years but not exceeding five years       | <b>733,469</b>                 | 759,110                 |
| More than five years                                   | <b>86,362</b>                  | 111,565                 |
|  | <b>1,649,749</b>               | 2,001,343               |
| Loan notes repayable within five years                 | <b>129,637</b>                 | 231,637                 |
|  | <b>1,779,386</b>               | 2,232,980               |

The bank borrowings of the Group were charged at floating interest rates.



## Risk of Foreign Exchange Fluctuation

There have been no significant changes in the exposures to foreign exchange risks from those previously outlined in the Company's annual report for 2003.

## Acquisition of a Subsidiary

During the year, the Group acquired the entire issued share capital of and loans to Gilmore Limited ("Gilmore") for an aggregation consideration of HK\$125.4 million. Gilmore is a property holding company and holds the whole of the 22nd Floor, No. 9 Queen's Road Central, Hong Kong.

## Acquisition of Additional Interest in Tian An

During the year, Sun Hung Kai exercised warrants to subscribe for 44,000,000 shares and purchased 2,196,000 shares in Tian An for a total consideration of HK\$92.8 million.

## Contingent Liabilities

(a) At 31st December, 2004, the Group had guarantees as follows:

|  | <b>2004</b><br><i>HK\$'000</i> | 2003<br><i>HK\$'000</i> |
|--|--------------------------------|-------------------------|
| Guarantees for banking facilities granted to an investee company                         | <b>7,000</b>                   | 6,989                   |
| Indemnities on banking guarantees made available to a clearing house and regulatory body | <b>5,540</b>                   | 4,540                   |
| Indemnities on letter of credit issued by a bank for a loan to a client                  | –                              | 67,556                  |
| Other guarantees   | <b>3,184</b>                   | 913                     |
|  | <b><u>15,724</u></b>           | <b><u>79,998</u></b>    |

(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 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 the High Court of Hong Kong on 1st April, 2004 (“Judgment”) in HCA 3191/1999 between NWDC and Stapleton Development Limited (“Stapleton”) against SHKS, 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 the Court found (“Oral Agreement”). As at 17th June, 2004, the date when the Judgment sum was to be paid, the Judgment amounted to 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 (“Appeal”) to the Court of Appeal. The Appeal has been set down for hearing commencing 7th June, 2005. The decision of the Court of Appeal is likely to be delivered some months after the Appeal.

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”):

- (i) on 1st March, 2000 in the sum of HK\$27,234,754;
- (ii) 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
- (iii) on 1st June, 2004 in the sum of HK\$2,565,839 in respect of a bank loan by Great Union Properties Sdn. Bhd. (“GUP”) (A provision has been made with respect to this claim in the accounts of SHKS).

The outcome of the 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 management 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 Appeal or the Further Writ or for impairment of the value of its interest in the Kuala Lumpur hotels project pursuant to the Judgment. This decision has been taken because it is considered that the current circumstances of the nature and value of the interests existing under the Judgment and the uncertainty of the 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

its Appeal then it may be entitled to recovery of monies already paid. On the other hand if it is not totally 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 value. The matter will be further reviewed after a decision in our Appeal has been handed down.

### **Material Litigation Update**

- (a) On 28th February, 2005, by order of the Hong Kong High Court, the claim by Shenzhen Building Materials Group Co. Limited against SHKIS was dismissed with costs to SHKIS.
- (b) An update on the litigation between NWDC and Stapleton against SHKS is set out in paragraph (c) of the “Contingent Liabilities” section above.
- (c) 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.
- (d) 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.
- (e) 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. The funds are currently in the custody of the Superior Court of Justice. On 31st March, 2005, the Court granted summary judgment to SHKIS in the amount of Canadian currency sufficient to purchase HK\$10,533,000 plus prejudgment and postjudgment interest thereon.
- (f) 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.

## **Pledge of Assets**

At 31st December, 2004, certain of the Group's investment properties, land and buildings, properties under development and properties held for sale with an aggregate carrying value of HK\$3,083.8 million (2003: HK\$2,856.2 million), certain securities in respect of a listed subsidiary with a cost of HK\$902.9 million (2003: HK\$1,740.6 million), and listed investments belonging to the Group and margin clients with an aggregate carrying value of HK\$1,074.4 million (2003: HK\$792.5 million) were pledged to secure loans and general banking facilities to the extent of HK\$3,404.1 million (2003: HK\$3,627.5 million) granted to the Group. Facilities amounting to HK\$1,649.7 million (2003: HK\$1,929.6 million) were utilised at 31st December, 2004.

At 31st December, 2004, a bank deposit of HK\$1.2 million (2003: HK\$1.5 million) was pledged to secure a bank guarantee amounting to HK\$2.0 million (2003: HK\$2.0 million).

## **Employees**

The total number of staff of the Group at 31st December, 2004 was 1,774 (2003: 1,746). Total staff costs, including Directors' emoluments, amounted to HK\$231.7 million (2003: HK\$198.6 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**

Hong Kong saw improved property and financial markets in the year 2004, especially in the second half of 2004. The good performance of the economy was mainly due to the increased tourist arrivals and the improved market sentiments resulting from a series of economic co-operation measures with Mainland China. The management anticipates that the recovery of the local economy will continue in 2005, albeit at a reduced rate. The planned opening of the Hong Kong Disneyland in September 2005 will add more momentum to the tourist business. The management believes that it will further escalate economic activities in the hotel segment and benefit the Group's hotel operations. The further improvement in the residential and office property market brought by the robust economy is expected to be sustainable. However, the wild fluctuations of the crude oil prices and the rising trend of interest rates could adversely impact the market sentiment and activities. The Group will continue to monitor these factors closely and all other relevant factors, whilst aiming to maintain a good balance as between assets and earnings, for the benefit of all shareholders.

## **PROPOSED AMENDMENTS TO THE COMPANY'S ARTICLES OF ASSOCIATION**

In order to ensure compliance with the new Code on Corporate Governance Practices as contained in Appendix 14 to the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange") and to align the Company's Articles of Association with the current practices under the Listing Rules, it is proposed that certain amendments be made to the Company's Articles of Association. A special resolution to give effect to the proposed amendments to the Company's Articles of Association will be proposed at the forthcoming annual general meeting of the Company. Particulars of the proposed amendments will be set out in a circular to be despatched to the shareholders of the Company and in the notice of the aforementioned annual general meeting to be published in due course.

## **DISCLOSURE OF DETAILED FINANCIAL INFORMATION**

All the information required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules in force prior to 31st March, 2004, which remain applicable to results announcements in respect of accounting periods commencing before 1st July, 2004 under the transitional arrangement, will be published on the website of the Stock Exchange in due course.

By Order of the Board  
**Allied Properties (H.K.) Limited**  
**Sir Gordon Macwhinnie**  
*Chairman*

Hong Kong, 14th April, 2005

*As at the date of this announcement, the Board of Directors 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, Sir Gordon Macwhinnie (Non-Executive Chairman), Messrs. John Douglas Mackie and Steven Samuel Zoellner being the Independent Non-Executive Directors.*