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)

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2005

The Board of Directors ("Board") of Allied Properties (H.K.) Limited ("Company") is pleased to announce that the unaudited consolidated results of the Company and its subsidiaries ("Group") for the six months ended 30th June, 2005 with the comparative figures for the corresponding period in 2004 are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT
for the six months ended 30th June, 2005

		Six months ended 30th June,	
		2005	2004
		Unaudited	Unaudited
	Notes	***HK$'000***	*HK$'000*
			(Restated)
Turnover	*(3)*	**546,795**	573,916
Other operating income		**26,282**	6,834
Total income		**573,077**	580,750
Cost of sales		**(101,102)**	(64,917)
Brokerage and commission expenses		**(70,611)**	(98,324)
Selling expenses		**(405)**	–
Administrative expenses		**(162,789)**	(179,660)
Changes in values of properties	*(4)*	**358,385**	–
Bad and doubtful debts (provided) written back		**(6,687)**	1,211
Other operating expenses		**(59,763)**	(63,047)
Finance costs		**(30,427)**	(27,539)
Release of negative goodwill		**–**	79,133
Amortisation of capital reserve		**–**	8,633

Share of results of associates		**79,972**	79,681
Share of results of jointly controlled entities		**58,116**	11,585
Profit before taxation	*(5)*	**637,766**	327,506
Taxation	*(6)*	**(44,427)**	(19,668)
Profit for the period		**593,339**	307,838
Attributable to			
Equity holders of the Company		**541,276**	252,675
Minority interest		**52,063**	55,163
		593,339	307,838
Dividend		**–**	–
Earnings per share	*(7)*		
Basic		**HK$1.01**	HK$0.52
Diluted		**N/A**	HK$0.50

CONDENSED CONSOLIDATED BALANCE SHEET
at 30th June, 2005

	Note	**At 30th June, 2005 Unaudited** ***HK$'000***	At 31st December, 2004 Audited *HK$'000* (Restated)
Non-current assets			
Investment properties		**2,583,637**	2,215,668
Property, plant and equipment		**211,606**	197,390
Properties held for development		**97,311**	97,377
Prepaid land lease payments		**279,703**	272,947
Goodwill		**267**	–
Negative goodwill		**–**	(389,264)
Intangible assets		**21,497**	10,375
Interests in associates		**2,682,631**	2,508,633
Interests in jointly controlled entities		**875,125**	817,798
Available-for-sale financial assets		**977,815**	–
Investments		**–**	911,480
Long-term loan receivable		**4,401**	3,200
Deferred tax assets		**3,974**	10,279
		7,737,967	6,655,883

Current assets			
Properties held for sale and other inventories		**426,657**	401,721
Financial assets at fair value through profit or loss		**119,651**	–
Investments		**–**	48,263
Prepaid land lease payments		**2,659**	2,659
Accounts receivable, deposits and prepayments		**2,371,400**	2,330,938
Amounts due from associates		**50,065**	231
Amount due from a jointly controlled entity		**1,038**	2,040
Tax recoverable		**1,703**	1,464
Short-term pledged bank deposit		**1,159**	1,220
Bank deposits, bank balances and cash		**714,923**	598,254
		3,689,255	3,386,790
Current liabilities			
Accounts payable and accrued charges		**1,128,094**	1,162,499
Amount due to Allied Group Limited		**4,736**	6,094
Amounts due to associates		**5,018**	49,260
Amount due to a jointly controlled entity		**141,063**	141,063
Tax payable		**32,468**	27,452
Bank borrowings due within one year		**894,001**	603,180
Other liabilities due within one year		**383**	459
Dividend payable		**26,858**	–
		2,232,621	1,990,007
Net current assets		**1,456,634**	1,396,783
Total assets less current liabilities		**9,194,601**	8,052,666
Capital and reserves			
Share capital		**1,074,303**	1,074,303
Reserves	*(8)*	**5,480,550**	4,389,114
Equity attributable to equity holders of the Company		**6,554,853**	5,463,417
Minority interest		**1,383,941**	1,281,999
Total equity		**7,938,794**	6,745,416
Non-current liabilities			
Bank borrowings due after one year		**1,027,420**	1,046,569
Loan notes		**69,637**	129,637
Deferred tax liabilities		**156,661**	128,236
Other liabilities due after one year		**2,089**	2,808
		1,255,807	1,307,250
		9,194,601	8,052,666

Notes:

(1) Basis of preparation

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements set out in Appendix 16 of the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange") and with the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

(2) Significant accounting policies

The condensed financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values, as appropriate.

The accounting policies used in the condensed financial statements are consistent with those followed in the Group's annual financial statements for the year ended 31st December, 2004 except as described below.

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), HKASs and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the 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 interest 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 periods are prepared and presented.

Business Combinations

In the current period, 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 periods, 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. Comparative figures for 2004 have not been restated. (See Note 9 for the financial impact).

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 periods, 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. (See Note 9 for the financial impact).

Interests in Jointly Controlled Entities

In previous periods, interests in jointly controlled entities were accounted for using the equity method. In current period, 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 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 period, 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 to recognise, derecognise or measure financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 32 and 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 are 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 net 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:

	As originally stated at 31st December, 2004 HK$'000	Effect on adoption of HKAS 39 HK$'000	As restated at 1st January, 2005 HK$'000	New designation on 1st January, 2005 Intangible assets HK$'000	Financial assets at fair value through profit or loss HK$'000	Available-for-sale financial assets HK$'000	Interests in associates HK$'000
Investment in securities							
Non-trading securities	784,778	(2,096)	782,682	–	–	782,682	–
Trading securities	48,263	(223)	48,040	–	48,040	–	–
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	90,883	(1,447)	89,436	–	250	89,186	–
Interests in associates #	2,483,113	2,469	2,485,582	–	2,469	–	2,483,113

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

\# The warrants of a listed associate which were previously grouped under "interests in associates" at 31st December, 2004 are classified at "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.

Owner-occupied Leasehold Interest in Land

In previous periods, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the cost model, as appropriate. In the current period, 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. (See Note 9 for the financial impact).

Investment Properties

In the current period, 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 periods, 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 periods, 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. According to HKAS 40, 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 period, 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. (See Note 9 for the financial impact).

Hotel Properties

Hong Kong Interpretation 2 "The Appropriate Accounting Policies for Hotel Properties" ("HK–INT 2") clarifies the accounting policy for owner-operated hotel properties. In previous periods, the Group's self-operated hotel properties were carried at revalued amounts and were not subject to depreciation. 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. (See Note 9 for the financial impact).

Deferred Taxes related to Investment Properties

In previous periods, 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 period, 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 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. (See Note 9 for the financial impact).

Potential Impact arising on the New Accounting Standards not yet Effective

The Group has not early applied the following new HKFRSs that have been issued but are not yet effective. The directors of the Company ("Directors") anticipate that the applications of these new HKFRSs will have no material impact on the financial statements of the Group.

HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS-INT 4	Determining whether an Arrangement Contains a Lease
HKFRS-INT 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds

(3) Segmental information

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

	Six months ended 30th June, 2005			
	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*
Turnover	**468,583**	**86,344**	**–**	**554,927**
Less: inter-segment turnover	**(6,682)**	**(1,450)**	**–**	**(8,132)**
	461,901	**84,894**	**–**	**546,795**
Segment result	**135,218**	**396,868**	**(1,981)**	**530,105**
Finance costs				**(30,427)**
Share of results of associates				**79,972**
Share of results of jointly controlled entities	**2**	**58,114**	**–**	**58,116**
Profit before taxation				**637,766**
Taxation				**(44,427)**
Profit for the period				**593,339**

	Six months ended 30th June, 2004			
	Investment, broking and finance *HK$'000* (Restated)	Property rental, hotel operations and management services *HK$'000* (Restated)	Sale of properties and property based investments *HK$'000* (Restated)	Total *HK$'000* (Restated)
Turnover	495,517	85,279	–	580,796
Less: inter-segment turnover	(4,650)	(2,230)	–	(6,880)
	490,867	83,049	–	573,916
Segment result	146,239	31,365	(1,591)	176,013
Finance costs				(27,539)
Release of negative goodwill				79,133
Amortisation of capital reserve				8,633
Share of results of associates				79,681
Share of results of jointly controlled entities	(895)	12,480	–	11,585
Profit before taxation				327,506
Taxation				(19,668)
Profit for the period				307,838

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

(4) Changes in values of properties

	Six months ended 30th June,	
	2005	2004
	HK$'000	*HK$'000*
Changes in values of properties comprise:		
Increase in fair value of investment properties	**328,607**	–
Reversal of write-down of properties held for sale	**24,925**	–
Reversal of impairment losses in respect of buildings	**4,853**	–
	358,385	–

(5) Profit before taxation

	Six months ended 30th June, 2005 HK$'000	2004 HK$'000 (Restated)
Profit before taxation has been arrived at after charging:		
Amortisation of intangible assets	**1,686**	1,180
Amortisation of prepaid land lease payments	**2,144**	1,636
Depreciation	**12,357**	10,423
Impairment losses recognised in respect of non-trading securities	**–**	690
Interest expenses in respect of litigation *(Note)*	**–**	2,934
Loss on dilution of interest in an associate	**–**	4,771
Net unrealised loss on trading securities	**1,780**	4,973
Unrealised loss on derivatives	**1,358**	–
and after crediting:		
Dividend income from investments in listed securities	**8,543**	29,744
Dividend income from investments in unlisted securities	**17,733**	29,540
Excess of net fair value over consideration arising from acquisition of subsidiaries	**199**	–
Interest income	**74,019**	82,230
Net realised profit on derivatives	**10,635**	6,709
Net realised profit on financial assets at fair value through profit or loss	**1,970**	–
Net realised profit on trading securities	**–**	204
Profit on dealing in foreign currencies	**2,817**	13,630
Profit on disposal of available-for-sale financial assets	**2,951**	–
Profit on disposal of a jointly controlled entity	**1,219**	–
Profit on disposal of non-trading securities	**–**	3,421
Profit on other dealing activities	**2,306**	4,149
Refund of interest expenses in respect of litigation *(Note)*	**14,011**	–
Unrealised profit on derivatives	**–**	3
Write-back of loss arising from default of loan agreement with Millennium Touch Limited	**–**	773

Note:

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 appealed against the Judgment to the Court of Appeal. The Court of Appeal has now handed down its judgment ("Court of Appeal Judgment") in which the court ordered a repayment 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 now been granted final leave to appeal the Court of Appeal Judgment to the Court of Final Appeal. It is not presently known when that appeal will be heard.

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% of NWDC's entire interest (including the shareholder loans advanced by, or on behalf of, NWDC, and/or Stapleton Development Limited ("SDL"), and/or SHKS to Great Union Properties Sdn Bhd ("GUP")) in the Joint Venture (as defined in the Judgment), being the 50-50 joint venture between NWDC and/or the 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 center of Kuala Lumpur, and that SDL holds 12.5% of the shares in GUP on trust for SHKS.

(6) Taxation

	Six months ended 30th June,	
	2005	2004
	HK$'000	*HK$'000*
		(Restated)
The charge comprises:		
Current tax:		
Hong Kong	**12,282**	17,796
Outside Hong Kong	**209**	2,741
	12,491	20,537
Deferred tax	**31,936**	(869)
	44,427	19,668

Hong Kong Profits Tax is calculated at the rate of 17.5% (2004: 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 equity holders of the Company of HK$541,276,000 (2004: HK$252,675,000 as restated) and on 537,151,901 (2004: weighted average number of 489,395,450) shares in issue during the period.

No diluted earnings per share has been presented for the current period as the Company had no dilutive potential ordinary shares during the period.

The calculation of the diluted earnings per share for 2004 is based on the profit attributable to equity holders of the Company of HK$252,675,000, as restated, and the weighted average number of 501,502,224 shares in issue during the period after adjusting for the effects of all dilutive potential ordinary shares.

(8) Reserves

	At 30th June, 2005 HK$'000	At 31st December, 2004 HK$'000 (Restated)
Share premium	**516,644**	516,644
Property revaluation reserve	**–**	71,146
Investment revaluation reserve	**327,438**	247,059
Capital redemption reserve	**72,044**	72,044
Translation reserve	**(110,796)**	(109,984)
Capital (goodwill) reserve	**5,889**	(39,177)
Accumulated profits	**4,669,331**	3,604,524
Dividend reserve	**–**	26,858
	5,480,550	4,389,114

(9) Summary of the effects of the changes in accounting policies

The effect of the changes in the accounting policies described in Note 2 above on the results for the current and prior periods are as follows:

	Six months ended 30th June, 2005 HK$'000	2004 HK$'000
Decrease in amortisation of intangible assets	**423**	–
Release of negative goodwill and decrease in amortisation of goodwill	**(77,611)**	–
Increase in deferred tax charge in relation to investment properties	**(26,499)**	(1,689)
Increase in depreciation arising from reclassification of investment properties to property, plant and equipment	**(1,458)**	(1,088)
Increase in amortisation of prepaid land lease payments	**(1,291)**	(1,317)
Loss arising from changes in fair value of financial liabilities, measured at fair value through profit or loss	**(807)**	–
Increase in depreciation arising from restatement of property at cost	**(250)**	(16)
Increase in deferred tax charge arising from restatement of property at cost	**(35)**	(26)
Decrease in deferred tax charge arising from reclassification of hotel property from investment properties to property, plant and equipment	**–**	4,022
Increase in deferred tax charge arising from reclassification of land premium to prepaid land lease payments	**–**	15
Increase in share of results of associates	**11,394**	11,683
Increase (decrease) in share of results of jointly controlled entities	**34,684**	(7,127)
(Decrease) increase in net profit for the period	**(61,450)**	4,457
Attributable to:		
Equity holders of the Company	**(62,845)**	1,539
Minority interest	**1,395**	2,918
	(61,450)	4,457

Analysis of (decrease) increase in net profit for the period by line items presented according to their function:

	Six months ended 30th June, 2005 HK$'000	2004 HK$'000
Decrease in other operating income	**(3,998)**	–
Increase in other operating expenses	**(3,806)**	(3,744)
Decrease in administrative expenses	**423**	–
Reclassification of impairment losses recognised in respect of non-trading securities	**–**	690
Decrease in release of negative goodwill	**(73,613)**	–
Decrease in share of results of associates	**(20,559)**	(16,857)
Increase (decrease) in share of results of jointly controlled entities	**22,261**	(13,063)
Decrease in tax charge	**17,842**	37,431
	(61,450)	4,457

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	67,191	197,390	–	197,390
Interests in associates	2,483,113	25,520	2,508,633	149,242	2,657,875
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)	(103,207)	(128,236)	–	(128,236)
Other assets/liabilities	1,237,542	–	1,237,542	(1,295)	1,236,247
Net assets	7,094,574	(349,158)	6,745,416	537,211	7,282,627
Share capital	1,074,303	–	1,074,303	–	1,074,303
Property revaluation reserve	226,488	(155,342)	71,146	(71,146)	–
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	(295,388)	3,604,524	523,766	4,128,290
Other reserves	862,605	–	862,605	–	862,605
Minority interests	–	1,281,999	1,281,999	42,604	1,324,603
Total equity	5,818,635	926,781	6,745,416	537,211	7,282,627
Minority interest	1,275,939	(1,275,939)	–	–	–

Note: The amounts represent adjustments to comparative figures for 2004 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.

INTERIM DIVIDEND

The Board does not recommend the declaration of an interim dividend (2004: Nil).

FINANCIAL REVIEW

Turnover for the period decreased by 4.7% to HK$546.8 million (2004: HK$573.9 million). The decrease was mainly due to a decline in the commission income of the securities broking and dealing activities as retail broking activities slowed amid market uncertainty on interest rates and oil prices. The profit attributable to the equity holders of the Company for the period was approximately HK$541.3 million. (2004: HK$252.7 million as restated). The increase was mainly represented by the gain in fair value of the investment property portfolio of the Group. Earnings per share amounted to HK$1.01 (2004: HK$0.52).

The period to period changes are not strictly comparable following the adoption of the new HKFRS. Details of the effects of the adoption of new accounting standards are outlined in Note 9 to the Condensed Consolidated Financial Statements.

Financial Resources, Liquidity and Capital Structure

The Group is principally financed by cash inflow from operating activities and banking facilities granted by the banks and 5 year 4% loan notes issued by Sun Hung Kai. 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.

There was no material change to the issued share capital of the Company during the period.

At 30th June, 2005, the current ratio (current assets/current liabilities) of the Group was 1.65 times, which decreased from the 1.70 times applicable at the end of 2004.

At 30th June, 2005, the Group's net borrowings amounted to HK$1,275.0 million (at 31st December, 2004: HK$1,179.9 million), representing bank borrowings and loan notes of HK$1,991.1 million (at 31st December, 2004: HK$1,779.4 million) less bank deposits, bank balances and cash of HK$716.1 million (at 31st December, 2004: HK$599.5 million) and the Group had net assets of HK$6,554.9 million (at 31st December, 2004: HK$5,463.4 million as restated). Accordingly, the Group's gearing ratio of net borrowings to net assets was 19.5% (at 31st December, 2004: 21.6% as restated).

	At 30th June, 2005 HK$'000	At 31st December, 2004 HK$'000
Bank borrowings of the Group are repayable as follows:		
Within one year or on demand	**894,001**	603,180
More than one year but not exceeding two years	**651,773**	226,738
More than two years but not exceeding five years	**298,296**	733,469
More than five years	**77,351**	86,362
	1,921,421	1,649,749
Loan notes repayable within five years	**69,637**	129,637
	1,991,058	1,779,386

The Group's bank borrowings are charged at floating rates.

Acquisition and Disposal

During the period, Sun Hung Kai group acquired all the 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"), 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 Shanghai offices to facilitate expansion while the presently unused units have been leased out for rental income.

In March 2005, Sun Hung Kai group acquired all the 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 period.

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 2004.

Contingent Liabilities

(a) At 30th June, 2005, the Group had guarantees as follows:

	At 30th June, 2005 *HK$'000*	At 31st December, 2004 *HK$'000*
Guarantee for banking facility granted to an investee company	**6,996**	7,000
Indemnities on banking guarantees made available to a clearing house and regulatory body	**5,540**	5,540
Other guarantees	**5,238**	3,184
	17,774	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 in a total sum not exceeding HK$15,700,000 which might have been 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 an account as to 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 High Court on 1st April, 2004 in HCA 3191/1999 between NWDC and SDL 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 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 to the Court of Appeal. The Court of Appeal has now handed down the 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"). It is not presently known when the Final Appeal will be heard.

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 1st 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 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.

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 "unlisted equity securities" and "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.

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 of the nature and value of the interests 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 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 the value of the project.

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. SHKIS is continuing to seek recovery of its costs.

(b) 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.

(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. 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. SHKIS has instructed its legal advisers to effect the payment to it of the funds, as well as interest that has accrued thereon, that are held in the custody of the Superior Court of Justice. SHKIS is continuing to seek recovery of its costs from Sung in Canada.

(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. The case remains at an early stage.

Pledge of Assets

At 30th June, 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$3,378.9 million (at 31st December, 2004: HK$3,026.2 million as restated), certain securities in respect of a listed subsidiary with a cost of HK$902.9 million (at 31st December, 2004: HK$902.9 million), and listed investments belonging to the Group and margin clients with an aggregate carrying value of HK$1,175.0 million (at 31st December, 2004: HK$1,074.4 million) were pledged to secure loans and general banking facilities to the extent of HK$3,196.5 million (at 31st December, 2004: HK$3,404.1 million) granted to the Group. Facilities amounting to HK$1,870.8 million (at 31st December, 2004: HK$1,649.7 million) were utilised at 30th June, 2005.

At 30th June, 2005, a bank deposit of HK$1.2 million (at 31st December, 2004: HK$1.2 million) was pledged to secure a bank guarantee amounting to HK$2.0 million (at 31st December, 2004: HK$2.0 million).

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 and China Online Centre all achieved higher rental income, reflecting the benefits from the higher market rental rates as leases were renewed.

Following the completion of phase two of Ibis North Point at the end of last year, the Group's recurrent income from hotel business has been strengthened. The hotel operating income almost doubled compared with the corresponding period of last year due to the rise in the number of rooms and the increased average room rates as a result of the strong tourism industry in Hong Kong.

To take advantage of the prosperous tourism industry in Hong Kong, the Group is seeking opportunities to increase its investment in the hospitality industry. Application has been made to redevelop Allied Cargo Centre in Tsuen Wan into a hotel complex.

Allied Kajima Limited, 50% indirectly owned by the Group and holding properties including Allied Kajima Building, Novotel Century Hong Kong hotel and the Westin Philippine Plaza Hotel, contributed a profit of 365.7% over the corresponding period in 2004. The increase was mainly due to a strong performance of Novotel Century Hong Kong hotel resulting from higher average room rates, together with the benefit of the gain in value of its investment property.

Mainland PRC

Although total sales of gross floor areas attributable to Tian An, a 48.6% owned listed associate of Sun Hung Kai, decreased to 56,000 sq.m from 120,100 sq.m. during the period under review, Tian An achieved a profit attributable to its shareholders of HK$83.0 million for the period (2004: HK$77.8 million as restated), representing a 6.6% increase over the previous period. This was due to the improved contribution from its jointly controlled entities and gain in fair values of its investment properties in the PRC.

The introduction of various policies of macro-economic adjustments have affected property sales and investment sentiment in the PRC. Tian An is fortunate that its major development projects such as the next phase of Shanghai Tian An Villa in Sheshan, the development project at Chaobao Road in Shanghai as well as Phase III of Tian An Golf Garden in Shenzhen will only be coming on stream towards the end of next year. It is expected that the property market should have improved by then. In the meantime, Tian An will take advantage of the present market sentiment to increase its landbank should opportunities arise.

Financial Services

Sun Hung Kai, a major listed subsidiary of the Group, recorded a profit attributable to its shareholders of HK$215.6 million (2004: HK$214.6 million as restated), with all of its major business segments reporting profitable results.

The turnover and commission income of the securities broking division recorded a decline as retail broking activities slowed amid market uncertainty on interest rates and oil prices.

The corporate finance division experienced a reduction in turnover. However, it successfully sponsored two IPOs on the main board of Stock Exchange, completed the secondary placement of shares in a number of listed companies and was also actively involved in a number of underwriting exercises for IPO and rights issues. The division will continue to focus on IPO projects for medium-sized enterprises in both Hong Kong and China and the financial advisory and placing services for listed companies in Hong Kong.

The first half of 2005 saw steady growth in Sun Hung Kai's margin loan book. Term lending activity has been pleasing during the period.

A hedge fund division was set up in the first half of 2005 to take advantage of investor demand and growth in the Asian hedge fund industry. The division is planning further fund launches in the second half of 2005.

Shun Loong group has adopted a range of business initiatives that are directed at increasing revenues and broadening the client base. In March 2005, Sun Hung Kai completed the acquisitions of Excalibur Futures and Excalibur Securities. Since the acquisitions, Excalibur Futures' turnover has increased and its client base has expanded. It continues to rank highly in the HSI futures market and Sun Hung Kai expects a positive contribution to its profitability for 2005.

Investments

Quality HealthCare Asia Limited ("QHA")

QHA, a 34.40% owned listed associate of Sun Hung Kai, continued to deliver growth in its overall profit performance. Net profit for the period attributable to its equity holders achieved a 15.1% increase to HK$23.2 million. All of its three core healthcare divisions, including medical services, associated health services and elderly services, were profitable.

In April 2005, QHA applied approximately HK$43.3 million cash to repurchase 10% of its ordinary share capital then issued.

The Hong Kong SAR Government has repeatedly delivered very clear messages and directives for healthcare reform and public private partnership opportunities. QHA is supportive of these initiatives and looks forward to participating in these reforms in order to improve and widen the healthcare services available for Hong Kong people.

Yu Ming Investments Limited ("Yu Ming")

Yu Ming, a 22.43% owned listed associate of Sun Hung Kai, reported a profit attributable to its shareholders of HK$188.3 million. As at 30th June, 2005, Yu Ming's major investments were a 13.5% interest in AsiaWorld-Expo, which was held through a private sector consortium, Argyle Centre, CR Airways Limited, Oriental Cashmere Limited, high-yield bonds and equity securities. The increase in profit from HK$22.8 million of the same period of last year to HK$188.3 million was mainly as a result of share of profit from investment in the Argyle Centre, which has appreciated significantly in value.

Shanghai Allied Cement Limited ("SAC")

SAC, a 54.77% owned listed subsidiary of Tian An, reported a loss attributable to its shareholders of HK$16.3 million. The loss resulted from the continuous decline in cement prices while the cost of domestic raw materials and coal remained at a high level in the first half year of 2005, together with the keen competition among some major producers. 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 30th June, 2005 was 1,736 (at 31st December, 2004: 1,774). 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 recent structural changes to the PRC currency regime and the continuing fine-tuning of austerity measures imposed by the Mainland government have produced encouraging development opportunities for the Mainland economy. Pursuant to increasing business integration with the Mainland, Hong Kong should continue to benefit from a prosperous Mainland economy.

Following improved performance in various business sectors such as finance, retailing, tourism and services, local economic prospects remain optimistic for the second half-year as employment rates improve and consumer confidence grows. With the recent opening of the Hong Kong Disneyland, the Group is anticipating a further improvement in the retail and hospitality sector.

On the other hand, Hong Kong is facing higher interest rates and persistently high oil prices. These two factors may bring inflationary pressures to bear on operating and finance costs. The management is wary of these factors but remains committed to its objective of delivering a satisfactory set of 2005 full year results for the benefit of all shareholders.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the applicable code provisions of the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 of the Listing Rules on the Stock Exchange throughout the six months ended 30th June, 2005, except for certain deviations. The major areas of deviation are as follows:

1. **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 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, but subject to the relevant provisions of the Articles of Association of the Company or any other applicable laws whereby the Directors 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.

2. 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.

Further details of the Company's deviations from certain code provisions of the CG Code for the period under review will be set out in the Company's 2005 Interim Report to be sent to the Shareholders at the end of September 2005.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the six months ended 30th June, 2005.

AUDIT COMMITTEE REVIEW

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a general review of the unaudited interim financial report for the six months ended 30th June, 2005. In carrying out this review, the Audit Committee has relied on a review conducted by the Group's external auditors in accordance with Statement of Auditing Standards 700 issued by the HKICPA, and on the interim results announcements of the listed associates, as well as obtaining reports from management. The Audit Committee has not undertaken detailed independent audit checks.

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

Hong Kong, 15th September, 2005

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 Executive Directors, Messrs. Henry Lai Hin Wing and Steven Lee Siu Chung being Non-Executive Directors, Sir Gordon Macwhinnie (Non-Executive Chairman), Messrs. John Douglas Mackie and Steven Samuel Zoellner being Independent Non-Executive Directors.