



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 2007

The Board of Directors (“Board”) of Allied Properties (H.K.) Limited (“Company”) is pleased to announce that the audited consolidated results of the Company and its subsidiaries (“Group”) for the year ended 31st December, 2007 are as follows.

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December, 2007

	Notes	2007 HK\$'000	2006 HK\$'000 (Note 2)
Revenue	(3)	4,868,777	2,166,396
Other income		731,435	200,936
Total income		5,600,212	2,367,332
Cost of sales and other direct costs		(713,540)	(266,727)
Brokerage and commission expenses		(414,595)	(225,513)
Selling and marketing expenses		(69,374)	(20,610)
Administrative expenses		(1,349,431)	(648,090)
Net profit on deemed disposal of partial interests in subsidiaries	(5)	447,930	305,112
Changes in values of properties	(6)	519,281	254,292
Net profit (loss) on deemed disposal of partial interests in listed associates	(7)	141,019	(80,932)
Impairment loss recognised in respect of available-for-sale financial assets		(2,000)	(58,203)
Bad and doubtful debts		(269,406)	(52,780)
Other operating expenses		(462,522)	(164,726)
Finance costs	(8)	(542,346)	(278,612)
Share of results of associates		264,470	8,982
Share of results of jointly controlled entities		131,106	159,987
Profit before taxation	(9)	3,280,804	1,299,512
Taxation	(10)	(221,995)	(50,820)
Profit for the year		3,058,809	1,248,692
Attributable to:			
Equity holders of the Company		2,253,707	1,047,822
Minority interests		805,102	200,870
		3,058,809	1,248,692
Earnings per share	(11)		
Basic		41.35 cents	19.51 cents
Diluted		37.43 cents	19.29 cents

CONSOLIDATED BALANCE SHEET

At 31st December, 2007

	<i>Note</i>	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i> <i>(Note 2)</i>
Non-current assets			
Investment properties		3,618,200	2,959,300
Property, plant and equipment		287,483	365,583
Prepaid land lease payments		341,832	283,032
Goodwill		2,603,378	2,626,744
Intangible assets		2,083,758	2,411,741
Interests in associates		3,176,775	2,521,862
Interests in jointly controlled entities		998,767	914,092
Available-for-sale financial assets		1,366,546	1,060,578
Statutory deposits		29,729	78,687
Amounts due from associates		–	78,000
Loans and advances to consumer finance customers due after one year		1,475,395	1,156,998
Loans and receivables		5,806	33,603
Deferred tax assets		66,576	47,709
		<u>16,054,245</u>	<u>14,537,929</u>
Current assets			
Properties held for sale and other inventories		482,809	525,000
Financial assets at fair value through profit or loss		1,187,110	363,384
Prepaid land lease payments		5,870	4,378
Loans and advances to consumer finance customers due within one year		2,145,159	1,654,167
Trade and other receivables		5,859,292	3,741,396
Amounts due from associates		137,584	80,702
Amount due from a jointly controlled entity		2,192	2,185
Tax recoverable		3,382	2,660
Short-term pledged bank deposit		121,000	1,000
Cash and cash equivalents		1,742,231	1,455,569
		<u>11,686,629</u>	<u>7,830,441</u>
Current liabilities			
Trade and other payables		2,067,778	1,532,185
Financial liabilities at fair value through profit or loss		59,084	1,972
Amount due to ultimate holding company		14,351	10,919
Amount due to a fellow subsidiary		76,183	804,226
Amounts due to associates		12,605	12,527
Amount due to a jointly controlled entity		39,063	79,063
Tax payable		130,102	74,874
Bank and other borrowings due within one year		891,364	1,534,570
Loan notes		69,166	–
Provisions		74,827	77,684
Other liabilities due within one year		734	861
		<u>3,435,257</u>	<u>4,128,881</u>
Net current assets		<u>8,251,372</u>	<u>3,701,560</u>
Total assets less current liabilities		<u>24,305,617</u>	<u>18,239,489</u>

	<i>Note</i>	2007 HK\$'000	2006 HK\$'000 (Note 2)
Capital and reserves			
Share capital		1,129,258	1,074,599
Share premium and reserves	(13)	10,018,348	7,411,463
Equity attributable to equity holders of the Company		11,147,606	8,486,062
Minority interests		6,935,204	4,848,502
Total equity		18,082,810	13,334,564
Non-current liabilities			
Bank and other borrowings due after one year		2,779,592	919,151
Loan notes		–	66,639
Bonds		2,800,000	2,800,000
Convertible bonds		–	479,783
Deferred tax liabilities		638,439	638,164
Provisions		4,773	1,180
Other liabilities due after one year		3	8
		6,222,807	4,904,925
		24,305,617	18,239,489

Notes:

(1) Application of new and revised Hong Kong Financial Reporting Standards (“HKFRSs”)

In the current year, the Group has applied, for the first time, the following new standard, amendment and interpretations (“New HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants, which are effective for the Group’s financial year beginning on 1st January, 2007 and are relevant to the operations of the Group.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) - Int 8	Scope of HKFRS 2
HK(IFRIC) - Int 9	Reassessment of Embedded Derivatives
HK(IFRIC) - Int 10	Interim Financial Reporting and Impairment

The adoption of the New HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

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

HKAS 1 (Revised)	Presentation of Financial Statements ¹
HKAS 23 (Revised)	Borrowing Costs ¹
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ²
HKFRS 2 (Amendment)	Vesting Conditions and Cancellation ¹
HKFRS 3 (Revised)	Business Combinations ²
HKFRS 8	Operating Segments ¹
HK(IFRIC)-Int 11	HKFRS 2: Group and Treasury Share Transactions ³

¹ Effective for annual periods beginning on or after 1st January, 2009

² Effective for annual periods beginning on or after 1st July, 2009

³ Effective for annual periods beginning on or after 1st March, 2007

The Directors of the Company (“Director”) anticipate that the application of these HKFRSs, HKASs and interpretations will have no material impact on the results and the financial position of the Group.

(2) Restatement of 2006 comparatives

The Group acquired the UAF Holdings Limited group and the Quality HealthCare Asia Limited group (“Acquisitions”) during the second half of 2006. When preparing the consolidated financial statements for the year ended 31st December, 2006, the management was in the process of performing the valuation of the net assets acquired in the Acquisitions. Thus, the net assets acquired and goodwill arising from the Acquisitions could only be determined provisionally in the 2006 consolidated financial statements.

The valuation of the net assets was completed in the first half of 2007, giving rise to adjustments to the net assets acquired and goodwill arising from the Acquisitions, including additional amortisation of intangible assets. As a result, the comparative figures in the consolidated income statement and the consolidated balance sheet for the current year are restated as if the adjustments had been recognised on the dates of the Acquisitions. The effects of the restatements are analysed as follows:

	Year 2006 as previously reported <i>HK\$'000</i>	Adjustments <i>HK\$'000</i>	Year 2006 as restated <i>HK\$'000</i>
Consolidated income statement			
Other income	198,823	2,113	200,936
Net profit on deemed disposal of partial interests in subsidiaries	307,326	(2,214)	305,112
Other operating expenses	(91,567)	(73,159)	(164,726)
Taxation	(63,623)	12,803	(50,820)
Profit for the year	<u>1,309,149</u>	<u>(60,457)</u>	<u>1,248,692</u>
Profit attributable to:			
Equity holders of the Company	1,070,222	(22,400)	1,047,822
Minority interests	<u>238,927</u>	<u>(38,057)</u>	<u>200,870</u>
Earnings per share			
Basic (HK cents)	19.92	(0.41)	19.51
Diluted (HK cents)	<u>19.70</u>	<u>(0.41)</u>	<u>19.29</u>
	31st December, 2006 as previously reported <i>HK\$'000</i>	Adjustments <i>HK\$'000</i>	31st December, 2006 as restated <i>HK\$'000</i>
Consolidated balance sheet			
Goodwill	3,567,585	(940,841)	2,626,744
Intangible assets	27,200	2,384,541	2,411,741
Deferred tax liabilities	<u>(220,869)</u>	<u>(417,295)</u>	<u>(638,164)</u>
Share premium and reserves	7,293,770	117,693	7,411,463
Minority interests	<u>3,939,790</u>	<u>908,712</u>	<u>4,848,502</u>

Note: The basic and diluted earnings per share for 2006, being HK\$1.99 and HK\$1.97 respectively, have been adjusted to HK19.92 cents and HK19.70 cents respectively per each sub-divided share as the Company's ordinary shares were sub-divided in August 2007.

(3) Revenue

	2007 HK\$'000	2006 HK\$'000
Revenue comprises:		
Interest income on loans and advances to consumer finance customers	1,113,668	348,411
Securities broking	1,060,420	463,838
Medical services, nursing agency, physiotherapy and dental services, and elderly care services	947,701	222,594
Other interest income	671,646	359,557
Income from corporate finance and others	366,718	274,602
Trading profit from forex, bullion, commodities and futures	278,060	217,915
Property rental, hotel operations and management services	202,083	182,349
Trading profit from securities	197,204	72,902
Dividend income	31,277	24,228
	<u>4,868,777</u>	<u>2,166,396</u>

All interest income for the current year is derived from financial assets that are not carried at fair value through profit or loss.

(4) Segmental information

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

	2007					
	Investment, broking and finance HK\$'000	Consumer finance HK\$'000	Healthcare HK\$'000	Property rental, hotel operations and management services HK\$'000	Sale of properties and property based investments HK\$'000	Total HK\$'000
Revenue	2,608,789	1,124,942	957,323	207,806	–	4,898,860
Less: inter-segment revenue	(24,360)	–	–	(5,723)	–	(30,083)
	<u>2,584,429</u>	<u>1,124,942</u>	<u>957,323</u>	<u>202,083</u>	<u>–</u>	<u>4,868,777</u>
Segment results	2,054,776	97,804	50,117	605,355	30,573	2,838,625
Net profit on deemed disposal of partial interests in subsidiaries						447,930
Net profit on deemed disposal of partial interests in listed associates						141,019
Finance costs						(542,346)
Share of results of associates						264,470
Share of results of jointly controlled entities	827	–	–	130,279	–	<u>131,106</u>
Profit before taxation						3,280,804
Taxation						(221,995)
Profit for the year						<u>3,058,809</u>

	Investment, broking and finance <i>HK\$'000</i>	Consumer finance <i>HK\$'000</i> <i>(Note 2)</i>	Healthcare <i>HK\$'000</i>	Property rental, hotel operations and management services <i>HK\$'000</i>	Sale of properties and property based investments <i>HK\$'000</i>	Total <i>HK\$'000</i> <i>(Note 2)</i>
Revenue	1,423,064	360,643	224,579	187,972	–	2,196,258
Less: inter-segment revenue	(24,239)	–	–	(5,623)	–	(29,862)
	<u>1,398,825</u>	<u>360,643</u>	<u>224,579</u>	<u>182,349</u>	<u>–</u>	<u>2,166,396</u>
Segment results	742,019	88,668	17,983	346,416	(10,111)	1,184,975
Net profit on deemed disposal of partial interests in subsidiaries						305,112
Net loss on deemed disposal of partial interests in listed associates						(80,932)
Finance costs						(278,612)
Share of results of associates						8,982
Share of results of jointly controlled entities	1,464	–	(149)	158,672	–	<u>159,987</u>
Profit before taxation						1,299,512
Taxation						<u>(50,820)</u>
Profit for the year						<u>1,248,692</u>

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

(5) Net profit on deemed disposal of partial interests in subsidiaries

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i> <i>(Note 2)</i>
Net profit on deemed disposal of partial interests in subsidiaries comprises:		
Share placing of 166,000,000 shares of a subsidiary (<i>note</i>)	454,838	–
Share placing of 248,000,000 shares of a subsidiary	–	303,914
Exercise of warrants of subsidiaries by warrants holders	(6,908)	1,198
	<u>447,930</u>	<u>305,112</u>

Note: The Company, through its wholly-owned subsidiary, had completed share placing of 166,000,000 shares (“Share Placing”) of Sun Hung Kai & Co. Limited (“Sun Hung Kai”), a listed subsidiary of the Company, on 12th November, 2007. The top-up subscription of 166,000,000 new shares of Sun Hung Kai was completed on 13th November, 2007. The shareholding in Sun Hung Kai held by the Company before the Share Placing and after top-up subscription was 64.34% and 57.98% respectively.

(6) **Changes in values of properties**

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Changes in values of properties comprise:		
Net increase in fair value of investment properties	479,878	261,264
Reversal (recognition) of impairment loss of properties held for sale	34,660	(5,900)
Impairment loss reversed (recognised) for hotel property	4,743	(1,072)
	<u>519,281</u>	<u>254,292</u>

The recognition and reversal of impairment losses was based on lower of cost and value in use for hotel property and the lower of cost and net realisable value for properties held for sale. The value in use and net realisable values were determined with reference to the respective fair value of the properties based on independent professional valuation at 31st December, 2007.

(7) **Net profit (loss) on deemed disposal of partial interests in listed associates**

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Net profit (loss) on deemed disposal of partial interests in listed associates arises from the following:		
(a) – Subscription of new shares of a listed associate by third parties	141,019	–
– Share placing and top-up subscription of new shares of a listed associate	–	(13,377)
– Exercise of unlisted warrants of a listed associate conferring rights to subscribe for up to 78,800,000 new shares by a subscriber	–	(67,875)
(b) Exercise of share options and listed warrants of another listed associate	–	320
	<u>141,019</u>	<u>(80,932)</u>

(8) **Finance costs**

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Total finance costs included in:		
Cost of sales and other direct costs	55,436	12,270
Finance costs	542,346	278,612
	<u>597,782</u>	<u>290,882</u>

All of the interest expense is derived from financial liabilities that are not carried at fair value through profit or loss.

(9) Profit before taxation

	2007 HK\$'000	2006 HK\$'000 (Note 2)
Profit before taxation has been arrived at after charging:		
Depreciation	44,290	29,917
Amortiation of intangible assets		
Computer software (included in administrative expenses)	5,272	4,225
Other intangible assets (included in other operating expenses)	247,454	69,159
Amortisation of prepaid land lease payments	5,278	4,378
Loss on disposal of property, plant and equipment	4,779	604
Loss on disposal of an investment property	–	146
Loss on early redemption of convertible bonds	13,655	–

and after crediting:

Dividend income from listed equity securities	24,294	20,549
Dividend income from unlisted equity securities	6,983	3,679
Profit on disposal of available-for-sale financial assets	598,227	149,045
Profit on disposal of an investment property	11,902	–
Profit on disposal of associates	9,611	–
Profit on disposal of subsidiaries	49,581	10,753
Share of profit from discontinued operations of a listed associate	57,136	2,029

(10) Taxation

	2007 HK\$'000	2006 HK\$'000 (Note 2)
The income tax charge (credit) comprises:		
Current tax:		
Hong Kong	247,925	95,608
Other jurisdictions	2,554	(46)
	250,479	95,562
Deferred tax	(28,484)	(44,742)
	221,995	50,820

Hong Kong Profits Tax is calculated at 17.5% (2006: 17.5%) of the estimated assessable profits for the year.

Taxation arising in other jurisdictions is calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in the relevant jurisdictions.

(11) Earnings per share

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

	2007 HK\$'000	2006 HK\$'000 <i>(Note 2)</i>
Earnings		
Earnings for the purposes of basic earnings per share (profit for the year attributable to equity holders of the Company)	2,253,707	1,047,822
Adjustments to earnings in respect of the effect of dilutive potential ordinary shares arising from:		
– warrants of a subsidiary	–	(2,722)
– convertible bonds	20,500	5,727
Earnings for the purposes of diluted earnings per share	<u>2,274,207</u>	<u>1,050,827</u>
	'000	'000
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share	5,450,954	5,371,873
Effect of dilutive potential ordinary shares arising from:		
– convertible bonds	226,696	76,547
– warrants	398,246	–
Weighted average number of shares for the purpose of diluted earnings per share	<u>6,075,896</u>	<u>5,448,420</u>

The weighted average number of shares for the purpose of basic and diluted earnings per share have been adjusted for the subdivision of the Company's ordinary shares in August 2007. The basic and diluted earnings per share for the year ended 31st December, 2006 have been restated accordingly.

(12) Dividend

	2007 HK\$'000	2006 HK\$'000
Ordinary shares:		
Proposed final dividend of HK3 cents per share (2006: HK1.5 cents*)	<u>169,453</u>	<u>80,595</u>

A final dividend of HK3 cents (2006: HK1.5 cents*) per share has been proposed by the Directors and is subject to approval by the shareholders of the Company at the forthcoming annual general meeting of the Company.

The amount of the proposed final dividend for the year ended 31st December, 2007 has been calculated by reference to 5,648,428,670 shares in issue at 15th April, 2008.

In 2007 and 2006, the Company paid and recognised dividends of HK\$80,595,000 and HK\$53,715,000, representing HK1.5 cents* and HK1.0 cent* per share, being the final dividends of 2006 and 2005 respectively.

* Adjusted as each share of the Company of HK\$2.00 per share was subdivided into ten shares of HK\$0.20 per share with effect from 21st August, 2007.

(13) Share premium and reserves

	2007 HK\$'000	2006 <i>HK\$'000</i> <i>(Note 2)</i>
Share premium	736,328	517,824
Convertible bonds equity reserve	–	48,660
Property revaluation reserve	56,210	25,675
Investment revaluation reserve	929,019	781,303
Capital redemption reserve	72,044	72,044
Translation reserve	44,275	(41,752)
Capital reserve	(3,880)	2,301
Accumulated profits	8,014,899	5,924,813
Dividend reserve	169,453	80,595
	<u>10,018,348</u>	<u>7,411,463</u>

FINAL DIVIDEND AND BOOK CLOSE

The Board has recommended a final dividend of HK3 cents per share for the year ended 31st December, 2007 (2006: HK1.5 cents*) payable to the shareholders of the Company (“Shareholders”) whose names appear on the register of members of the Company on Friday, 6th June, 2008.

The register of members of the Company will be closed from Tuesday, 3rd June, 2008 to Friday, 6th June, 2008 (both days inclusive), during which period no transfer of the shares of the Company will be registered. In order to qualify for the final dividend, all transfers forms accompanied by the relevant share certificates must be lodged with the Company’s share registrar, Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 2nd June, 2008. Subject to approval by the Shareholders at the forthcoming annual general meeting of the Company, dividend warrants are expected to be despatched to the Shareholders by post on or around Thursday, 7th August, 2008.

* *Adjusted as each share of the Company of HK\$2.00 per share was subdivided into ten shares of HK\$0.20 per share with effect from 21st August, 2007.*

FINANCIAL REVIEW

Results

The revenue of the Group for 2007 was approximately HK\$4,868.8 million, which was an increase of 124.7% compared with the year 2006. The increase in revenue was due to:–

- a stronger performance from Sun Hung Kai & Co. Limited (“Sun Hung Kai”), driven by the buoyant stock market;
- the full year consolidation of the revenue of United Asia Finance Limited (“UAF”) and Quality HealthCare Asia Limited (“QHA”), which became subsidiaries of the Group in August and October 2006 respectively; and
- higher rental income derived from the Group’s investment properties.

The profit attributable to the equity holders of the Company for the year increased by 115.1% to approximately HK\$2,253.7 million from HK\$1,047.8 million in 2006. Earnings per share amounted to HK41.35 cents (2006: HK19.51 cents).

The increase in profit was due to:–

- a significant increase in contribution from Sun Hung Kai;
- higher revaluation gains from the Group’s investment properties as a result of the strong property market in Hong Kong;
- full year consolidation of the results of UAF and QHA;
- a profit on the deemed disposal of a portion of the Group’s interest in Sun Hung Kai arising from a share placing amounting to HK\$454.8 million (2006: HK\$303.9 million);
- a profit on a deemed disposal of a partial interest in Tian An China Investments Company Limited (“Tian An”) of HK\$82.2 million attributable to the Company, compared to a deemed loss of HK\$53.0 million in 2006; and
- the non-recurrence this year of the provision for additional Land Appreciation Tax (“LAT”) in Mainland China made by Tian An in the year 2006.

During 2007, the Company undertook two modifications to its loan and capital structure. Firstly, it redeemed all its outstanding convertible bonds during the year amounting to HK\$549.3 million including accrued interest. The reasons for the redemption were that the Company was unable to utilise the major portion of the proceeds which had been raised from the issue of the convertible bonds in 2006 for the stated purpose of increasing its shareholding in Sun Hung Kai, and that the interest rate on its bank borrowings was less than that payable under the convertible bonds. Secondly, the Company completed a subdivision of shares in August 2007 by subdividing each of the then existing shares of HK\$2.00 into ten shares of HK\$0.20 each. This was designed to improve the trading liquidity of its shares, thereby providing the opportunity for the Company to attract more investors and widen its shareholder base.

Material Acquisitions and Disposals

(a) Disposal of interests in Island New Finance Limited (“INFL”)

On 31st May, 2007, Onspeed Investments Limited (an indirectly non wholly-owned subsidiary of Sun Hung Kai, held through its interest in UAF) completed its disposal of the entire issued share capital of INFL and the assignment of a loan for an aggregate consideration of approximately HK\$248.9 million. As of the completion date of the above disposal, INFL was beneficially interested in approximately 74.999% of the issued capital of The Hong Kong Building and Loan Agency Limited (“HKBLA”).

(b) Disposal of interests in associate

On 7th June, 2007, Bright Clear Limited, a fellow subsidiary of the Company, entered into a conditional sale and purchase agreement with Sun Hung Kai and two subsidiaries of Sun Hung Kai (collectively “Vendors”) to acquire from the Vendors in aggregate 379,291,800 shares in Yu Ming Investments Limited (“Yu Ming”), representing approximately 22.43% of the then issued share capital of Yu Ming at an aggregate consideration of approximately HK\$166.9 million. The transaction was completed on 31st August, 2007. Details of the transaction were contained in the joint announcement dated 7th June, 2007 made by the Company, Allied Group Limited (“AGL”) and Sun Hung Kai and the circulars dated 3rd July, 2007 issued by the Company and Sun Hung Kai respectively.

(c) Deemed disposal of interests in Sun Hung Kai arising from share placing and top up subscription

The Company, through its wholly-owned subsidiary, had completed share placing of 166,000,000 shares (“Share Placing”) of Sun Hung Kai on 12th November, 2007. The top-up subscription of 166,000,000 new shares of Sun Hung Kai was completed on 13th November, 2007. The net proceeds of the placing and top-up subscription amounted approximately HK\$1,906.0 million. The shareholding in Sun Hung Kai held by the Company before Share Placing and after top-up subscription was 64.34% and 57.98% respectively.

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

Financial Resources, Liquidity and Capital Structure

On 20th August, 2007, an ordinary resolution was passed by the Shareholders at an extraordinary general meeting of the Company pursuant to which each of the existing issued and unissued shares of share capital of the Company of HK\$2.00 per share were subdivided into ten shares of HK\$0.20 each with effect from 21st August, 2007.

Since 21st August, 2007 (the share subdivision date), the warrant holders are entitled to subscribe in cash for ten fully paid shares at an initial subscription price of HK\$1.00 per share, subject to adjustment, at any time up to 6th June, 2009. During the year ended 31st December, 2007, 8,736,582 warrants were converted into 8,736,582 ordinary shares at a subscription price of HK\$10.00 per share, while 18,592,634 warrants were converted into 185,926,340 ordinary shares at a subscription price of HK\$1.00 per share. Accordingly 79,953,539 warrants were outstanding at 31st December, 2007. Exercise in full of the outstanding warrants would result in the issue of 799,535,390 additional shares with an aggregate subscription value of HK\$799.5 million.

The net proceeds received from conversion of warrants amounting to HK\$273.2 million was used to finance the general working capital of the Group.

On 23rd February, 2007 and 13th August, 2007, the Company announced a partial early redemption and the full redemption of the convertible bonds, being HK\$5.00 out of the principal amount of HK\$10.00 per convertible bond and the remaining HK\$5.00 of the principal amount. Accordingly, convertible bonds at an amortised cost of HK\$240.1 million and HK\$240.8 million respectively were redeemed during the year.

Sun Hung Kai, through the Company, completed share placing and top-up subscription of total 166,000,000 shares in November 2007, bringing total net proceeds of approximately HK\$1,906.0 million to the Group.

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

At 31st December, 2007, the current ratio (current assets/current liabilities) of the Group was 3.4 times, which increased from the 1.9 times applicable at the end of the preceding year.

At 31st December, 2007, the Group's net borrowings amounted to HK\$4,676.9 million (2006: HK\$5,043.5 million), representing bank and other borrowings, loan notes, short-term loan due to a fellow subsidiary and bonds due to a fellow subsidiary totalling HK\$6,540.1 million (2006: HK\$6,500.1 million) less bank deposits, bank balances, treasury bills and cash of HK\$1,863.2 million (2006: HK\$1,456.6 million) and the Group had equity attributable to equity holders of the Company of HK\$11,147.6 million (2006: HK\$8,486.1 million). Accordingly, the Group's gearing ratio of net borrowings to equity attributable to equity holders of the Company was 42.0% (2006: 59.4%).

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Bank borrowings of the Group are repayable as follows:		
Within one year or on demand	871,641	1,526,570
More than one year but not exceeding two years	721,872	645,712
More than two years but not exceeding five years	1,998,510	273,439
More than five years	59,210	–
	3,651,233	2,445,721
Other borrowings due within one year	19,723	8,000
Short-term loan due to a fellow subsidiary	–	700,000
Loan notes repayable within five years	69,166	66,639
Convertible bonds repayable within five years	–	479,783
Bonds held by a fellow subsidiary repayable within five years	2,800,000	2,800,000
	6,540,122	6,500,143

The bonds due to a fellow subsidiary and most of the bank borrowings of the Group are charged at floating interest rates. The loan notes are charged at fixed interest rates. There are no known seasonal factors in the Group's borrowing profiles.

The fluctuation in exchange rates and market prices does not impose a significant risk to the Group, as its level of foreign currency exposure is relatively immaterial.

Contingent Liabilities

(a) At 31st December, 2007, the Group had guarantees as follows:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Indemnities on banking guarantees made available to a clearing house and regulatory body	5,540	5,540
Other guarantees	1,400	12,098
	<u>6,940</u>	<u>17,638</u>

(b) In 2001 an order was made by the Hubei Province Higher People's Court in China ("2001 Order") enforcing a CIETAC award of 19th July, 2000 ("Award") by which Sun Hung Kai Securities Limited ("SHKS"), a wholly-owned subsidiary of Sun Hung Kai, was required to pay US\$3,000,000 to Chang Zhou Power Development Company Limited ("JV"), a mainland PRC joint venture. SHKS had disposed of all of its beneficial interest in the JV to Sun Hung Kai's listed associate, Tian An, in 1998 and disposed of any and all interest it might hold in the registered capital of the JV ("Interest") to Long Prosperity Industrial Limited ("LPI") in October, 2001. Subsequent to those disposals, SHKS' registered interest in the JV in the amount of US\$3,000,000 was frozen further to the 2001 Order. Sun Hung Kai has recently become aware of the following:

(i) On 29th February, 2008, a writ of summons with general indorsement of claim was issued by Global Bridge Assets Limited ("GBA"), LPI and Walton Enterprises Limited ("Walton") ("2008 Writ") in the High Court of Hong Kong against SHKS ("HCA 317/2008"). In the 2008 Writ, (a) GBA claims against SHKS for damages for alleged breaches of a guarantee, alleged breaches of a collateral contract, for a collateral warranty, and for negligent and/or reckless and/or fraudulent misrepresentation; (b) LPI claims against SHKS damages for alleged breaches of a contract dated 12th October, 2001; and (c) Walton claims against SHKS for the sum of US\$3,000,000 under a shareholders agreement and/or pursuant to the Award and damages for alleged wrongful breach of a shareholders agreement. GBA, LPI and Walton also claim against SHKS interest on any sums or damages payable, costs, and such other relief as the Court may think fit. As at the date of this announcement, the 2008 Writ has not been served on SHKS. If served, it shall be vigorously defended. Among other things, pursuant to a 2001 deed of waiver and indemnification, LPI waived and released SHKS from any claims including any claims relating to or arising from the Interest, the JV or any transaction related thereto, covenanted not to sue, and assumed liability for and agreed to indemnify SHKS from any and all damages, losses and expenses arising from any claims by any entity or party arising in connection with the Interest, the JV or any transaction related thereto. While a provision has been made for legal costs, Sun Hung Kai does not consider it presently appropriate to make any other provision with respect to HCA 317/2008.

- (ii) On 20th December, 2007, a writ (“Mainland Writ”) was issued by 張麗娜 against Tian An and SHKS and was accepted by a mainland PRC court, 湖北省武漢市中級人民法院 ((2008) 武民商外初字第8號), claiming the transfer of a 28% shareholding in the JV, and RMB19,040,000 plus interest thereon for the period from January 1999 to end 2007 together with related costs and expenses. As at the date of this announcement, the Mainland Writ has not been served on SHKS. If served, it shall be vigorously defended. While a provision has been made for legal costs, Sun Hung Kai does not consider it presently appropriate to make any other provision with respect to this writ.

Material Litigation Update

- (a) On 10th July, 2006, the Court of Final Appeal upheld the judgment (as amended by the Court of Appeal) of the Hong Kong Court of First Instance of 1st April, 2004, that SHKS holds a 12.5% interest in a 50/50 joint venture entered into between New World Development Company Limited (“NWDC”) and IGB Corporation Berhad to purchase land and build two international hotels plus a 200-unit serviced apartment complex in Kuala Lumpur, Malaysia (“Joint Venture”), and that accordingly SHKS was liable to pay to NWDC the sums which NWDC had advanced to the joint venture company Great Union Properties Sdn. Bhd (“GUP”) on behalf of SHKS, together with interest on such monies (“Judgment Sum”) and costs of the First Instance hearing and of the two appeals (“Costs Order”). SHKS had previously paid to NWDC the Judgment Sum and more recently a sum in satisfaction of the Costs Order. Other claims from NWDC for amounts advanced to GUP on behalf of SHKS with respect to the Joint Venture had been paid previously by SHKS. SHKS is presently seeking the assistance of NWDC and Stapleton Developments Limited (“Stapleton”) to ensure that the legal interest of the issued shares of GUP which Stapleton holds on trust for SHKS be transferred to SHKS, that GUP acknowledges and records in its accounts in the name of SHKS the amount of the shareholders’ loans made on behalf of SHKS to it.
- (b) Details of the writs relating to Chang Zhou Power Development Company Limited, a mainland PRC joint venture are set out in paragraph (b) of the “Contingent Liabilities” section above.
- (c) By Notice dated 6th June, 2007 the Financial Secretary required the Market Misconduct Tribunal (“MMT”) (i) to conduct proceedings, and (ii) to hear and determine matters arising out of dealings in the securities of QPL International Limited in May and June 2003. Sun Hung Kai’s indirect wholly-owned subsidiaries, Sun Hung Kai Investment Services Limited and Cheeroll Limited (now known as Sun Hung Kai Strategic Capital Limited) were specified in the Notice with two group employees. Procedural determinations made by the MMT are to be the subject of judicial review, the hearing of which is set down to commence on 17th June, 2008. While a provision has been made for legal costs, Sun Hung Kai does not consider it presently appropriate to make any other provision with respect to the Notice or the judicial review proceeding.

Pledge of Assets

At 31st December, 2007, certain of the Group's investment properties, hotel property, land and buildings, prepaid land lease payments and properties held for sale with an aggregate carrying value of HK\$4,560.4 million (2006: HK\$3,975.2 million), bank deposit of HK\$120.0 million (2006: nil), listed investments belonging to the Group and margin clients with market values of HK\$5,717.0 million (2006: HK\$142.1 million) and HK\$2,286.3 million (2006: HK\$1,164.1 million) together with certain securities in respect of a listed subsidiary with a carrying value of HK\$1,489.9 million (2006: HK\$1,181.6 million), were pledged to secure loans and general banking facilities to the extent of HK\$3,874.2 million (2006: HK\$3,075.6 million) granted to the Group. Facilities amounting to HK\$1,921.2 million (2006: HK\$1,445.4 million) were utilised at 31st December, 2007.

At 31st December, 2007, a bank deposit of HK\$1.0 million (2006: HK\$1.0 million) was pledged to secure a bank guarantee amounting to HK\$2.0 million (2006: HK\$2.0 million).

OPERATIONAL REVIEW

Properties

Hong Kong

The local property market remained strong during 2007 as a result of the growth in the Hong Kong economy and the prospects of lower interest rates. Capital values of properties rose significantly and lease renewals with increased rentals continued during the year. The major properties of the Group, including Park Place, Allied Cargo Centre, St. George Apartments, and China Online Centre all achieved higher rental income. Contribution from Ibis North Point continued to strengthen as a result of higher occupancy and average room rates.

Property valuation has been carried out by independent qualified professional surveyors in respect of the Group's investment properties held as at 31st December, 2007. The Group's investment properties were valued at HK\$3,618.2 million and the net increase in fair value of approximately HK\$479.9 million was included in the consolidated income statement for the year as compared with HK\$261.3 million in 2006.

Allied Kajima Limited, 50% indirectly owned by the Group and owning various properties including Allied Kajima Building, Novotel Century Hong Kong hotel and the Sofitel Philippine Plaza Hotel, reported a decrease of 17.8% in profit in 2007. The decrease was mainly due to a lower investment property revaluation gain when compared with 2006.

Mainland PRC

The profit attributable to equity holders of Tian An, a listed associate of Sun Hung Kai and the Group's PRC property unit, was HK\$703 million (2006: HK\$51.5 million), representing a 12.7 times increase over the previous year. If Tian An had excluded the provisions for additional PRC LAT made in 2006 of HK\$297.4 million before minority interests, the profit attributable to equity holders of Tian An would have increased by 110%. This increase in profit was largely the result of gains on disposals of non-core assets including the entire interest in Shanghai Allied Cement Limited, Nanjing Moling town and Xinhui projects.

With the strong PRC property market in 2007, Tian An sold total gross floor area (“GFA”) of approximately 102,400 m², compared to approximately 79,100 m² in 2006. A total GFA of approximately 87,900 m² (2006: 83,800 m²) of residential/commercial properties was completed during the year, representing an increase of 5% over last year. By the end of 2007, a total GFA of approximately 363,000 m² (2006: 282,300 m²) was under construction, representing a 29% increase over the preceding year, including Shanghai Tian An Villa (Phase 2), Wuxi Manhattan (Phase 1), Shanghai Tian An Place (Phase 1), Shenzhen Tian An Golf Garden (Phase 3), Shenzhen Longgang Cyber Park (Phase 1), Changchun Tian An City One (Phase 3), Nantong Tian An Garden (Phase 4), Foshan Tian An Cyber Park (Phase 1) and Panyu Hi-Tech Ecological Park (Phase 4). These properties have significantly increased in value in recent years and Tian An expects to record substantial profits on any disposals.

Pursuant to its strategy of increasing rental income, Tian An managed its portfolio so as to retain more real estate for the generation of rental income. The rental income increased by 23% in 2007 and is expected to continue to increase in the next few years as and when leases are renewed and as a larger portion of Tian An’s investment properties are completed, including the “Flour Mill” project in Shanghai, construction of which is expected to commence by the 4th quarter of this year. Tian An also bought back for rental two floors of Shanghai Tian An Centre and acquired 50% of Novel Plaza with total GFA of 25,306 m² located in close proximity to Tian An Centre in Nanjing Road West, Shanghai.

Tian An together with associates and jointly controlled entities currently have a landbank of total GFA of approximately 7,154,000 m² (total GFA attributable to Tian An is approximately 5,167,000 m², consisting of 276,000 m² of completed investment properties and 4,891,000 m² of properties for development).

Financial Services

Broking and finance

Sun Hung Kai, the Group’s financial services arm performed strongly in 2007. Revenue was HK\$4,666.8 million against HK\$1,984.4 million for 2006. Profit attributable to its equity holders increased by 320.2% from HK\$451.6 million in 2006 to HK\$1,897.6 million.

Securities broking continued to provide a significant contribution to Sun Hung Kai’s revenue. The division participated in a large number of sub-underwritings, placements, IPOs and numerous H-share launches generating substantial profit. SHK Online was able to more than double its revenue, posting a 150% gain in its bottom-line profit when compared with 2006.

The IPO subscriptions from margin financing clients rose 93% for the year compared with 2006 to finish at HK\$232.5 billion in aggregate. The structured corporate lending business remained competitive, notwithstanding the rise in alternative funding channels from the buoyant capital markets and hedge funds. With tighter credit and weaker capital markets, this part of the business is expected to perform better in the coming year.

Increasing global demand and supply constraints generated increased volatility in commodity prices during 2007. Consequently, there was significant growth in Sun Hung Kai’s trading volumes in precious metals and overseas commodities. Sun Hung Kai maintained its leading position in Hang Seng Index futures and options trades as the Hang Seng Index reached its historic high in 2007.

Income from mutual funds and unit-linked products continued to demonstrate healthy gains in 2007. The mutual funds' assets under management cumulative total rose more than 50% compared with 2006 with revenue increasing by almost 100%. The unit-linked products also showed solid growth with revenue increasing by more than 20% when compared with 2006.

The fund management business experienced another year of strong growth in 2007. Assets under management/advisory grew 34% from US\$650 million at the end of 2006 to US\$870 million at the end of 2007. In 2007, Sun Hung Kai launched its first private equity fund – the SHK Asian Opportunities Fund, and successfully raised US\$100 million at first closing.

The corporate finance division returned strong results across the board. It successfully launched and sponsored two IPOs on the main board of The Stock Exchange of Hong Kong Limited. It was also actively involved in a number of secondary placements of existing shares and new shares of listed companies as well as underwriting numerous IPOs during the year. The division was also appointed as independent financial advisor to a number of companies in respect of discloseable and connected transactions and acted as financial advisor in two mandatory cash offer exercises.

A 25% owned joint venture company, China Xin Yongan Futures Company Limited, was established in Hong Kong with 浙江省永安期貨經紀有限公司 (Zhe Jiang Province Yongan Futures Broker Company Limited). It obtained the necessary regulatory approvals and commenced business in May 2007. Results so far have been encouraging, with the company breaking even in August and turning a profit for the rest of the year. Sun Hung Kai continued to strengthen its existing relationships with Mainland Chinese financial institutions and is exploring potential avenues to expand its China business.

During the year, Sun Hung Kai raised approximately HK\$1.9 billion through a top-up share placement of 166,000,000 shares to Dubai Ventures LLC, a group company of Dubai Investment Group. The transaction gives Sun Hung Kai access to new global pools of capital seeking investment opportunities in Greater China.

Consumer finance

UAF achieved significant loan growth in 2007 largely driven by Hong Kong's robust economic growth. Interest income recorded a double-digit rate of increase as compared with 2006. However, higher loan growth and rising bad debt ratios have meant increased impairment allowances under the current accounting principles and this has led to a slightly lower bottom-line contribution in 2007 than in 2006.

Profit attributable to the equity holders of UAF of HK\$650.3 million was forecast for 2007 when UAF was acquired by the Group in 2006. This compares to the actual profit of HK\$467.6 million for 2007. The difference is mainly due to a drop in interest yield compared to the forecast, higher impairment allowances on loans and increased expenditure on operating overheads, which included establishment costs and a delayed roll out for its China operations. There was a gain on disposal of HKBLA not projected. The drop in interest yield and the higher impairment allowances might have a continuing effect on the profit forecast made at the time of acquisition for the remainder of the forecast period to the end of 2010.

UAF operated 39 branches in Hong Kong at the end of 2007 (2006: 36 branches), and has expanded to 41 branches in the early part of 2008. UAF is constantly seeking new locations to expand its business coverage and enhance its service quality.

2007 was also a significant year for UAF's China strategy. It launched its first branch in Shenzhen during the middle of 2007 and opened further three branches in Shenzhen during the year. The UAF brand, trading under the name of UA Easy Cash, has been well received by consumers in Shenzhen and the business has been growing at a promising rate. UAF will, during 2008, focus on developing the required infrastructure for its China activities which the management believes has very significant growth potential. In this regard, it is working to expand its China network to a total of 10 branches by the end of 2008.

Investments

QHA

Revenue increased to HK\$947.7 million, a 6% increase compared with HK\$893.7 million in 2006. Net profit, however, decreased marginally from HK\$65.1 million in 2006 to HK\$63.2 million. The decrease in profit was the result of a time lapse in passing the escalating costs, particularly rental and staff overheads, to customers.

During the year, the management placed significant emphasis on positioning the company for its long-term growth. QHA's business development initiatives resulted in a 5% increase in the number of corporate clients enrolled and QHA's management also implemented a series of technology solutions aimed at automating internal processes and enhancing data integration, resulting in improved accuracy and efficiency.

QHA, as a leading private medical services provider, is well positioned to participate in Hong Kong's healthcare reform programme. QHA's management will support the Government's initiatives to develop sustainable healthcare financing programmes and services that meet our community's needs.

Employees

The total number of staff of the Group as at 31st December, 2007 was 3,396 (2006: 3,111). The increase was mainly due to the consolidation of UAF and QHA. Total staff costs, including Directors' emoluments, amounted to HK\$873.2 million (2006: HK\$409.1 million). The increase in staff costs was mainly due to the full year consolidation of the results of QHA and UAF. The Group reviews remuneration packages from time to time. In addition to salary payments, other staff benefits include contributions to employee provident funds, medical subsidies and a discretionary bonus scheme.

BUSINESS OUTLOOK

We have enjoyed a successful year in 2007. However, we are concerned with the deteriorating operating environment in 2008. The global economy is facing challenges arising from the US sub-prime mortgage problems and strong inflationary pressures due to various factors including higher commodity prices. On the China front, the government's initiatives to control inflation together with a strong RMB are expected to have a negative effect on economic growth in China.

The management is cognizant of the impact of such adverse short-term fluctuations and has prepared the Group for such challenges. The Group is in a strong position and expects to be able to carry out its stated strategies and objectives for the benefit of all Shareholders.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

During the year ended 31st December, 2007, the Company has applied the principles of, and complied with, the applicable code provisions of the Code on Corporate Governance Practices (“CG Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, except for certain deviations which are summarised below:

1. Code Provisions B.1.3 and C.3.3

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

The terms of reference of the remuneration committee (“Remuneration Committee”) adopted by the Company are in compliance with the code provision B.1.3 except that the Remuneration Committee shall review (as opposed to determine under the code provision) and make recommendations to the Board on the remuneration packages of the Executive Directors only and not senior management (as opposed to Directors and senior management under the code provision).

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

2. Code Provision E.1.2

Code provision E.1.2 of the CG Code stipulates that the chairman of the independent board committee (if any) should be available to answer questions at any general meeting to approve a connected transaction that is subject to independent shareholders’ approval.

The sole member of the independent board committee of the Company for advising the independent shareholders to approve a connected transaction regarding the conditional sale and purchase of approximately 22.428% of the issued share capital of Yu Ming was unable to attend the relevant extraordinary general meeting of the Company held on 20th July, 2007 as he was overseas. However, no Shareholder at the meeting raised any questions to be answered by such member.

The reasons for the above deviations are set out in the section “Corporate Governance Report” to be contained in the Company’s 2007 Annual Report. The Board considers that the Remuneration Committee and the Audit Committee should continue to operate according to the terms of reference adopted by the Company. The Board will review the terms at least annually and make appropriate changes if considered necessary.

Further information on the Company's corporate governance practices and details of the Company's deviations from certain code provisions of the CG Code during the year under review will be set out in the Corporate Governance Report to be contained in the Company's 2007 Annual Report which will be sent to the Shareholders at the end of April 2008.

AUDIT COMMITTEE REVIEW

The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and the financial statements for the year ended 31st December, 2007.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the announcement of the Group's consolidated balance sheet, consolidated income statement and the related notes thereto for the year ended 31st December, 2007 have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the announcement.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

APPRECIATION

The Board would like to thank all the staff for achieving the commendable results for 2007, and would like to express appreciation to the Shareholders for their continual support.

By Order of the Board
Allied Properties (H.K.) Limited
Arthur George Dew
Chairman

Hong Kong, 15th April, 2008

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. Arthur George Dew (Chairman), Henry Lai Hin Wing and Steven Lee Siu Chung being the Non-Executive Directors, and Messrs. John Douglas Mackie, Steven Samuel Zoellner and Alan Stephen Jones being the Independent Non-Executive Directors.