ALLIED GROUP LIMITED
(聯合集團有限公司)

(Incorporated in Hong Kong with limited liability)

(Stock Code: 373)

ANNOUNCEMENT OF AUDITED RESULTS FOR THE YEAR 2007

The Board of Directors ("Board") of Allied Group 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)	**4,925,496**	2,810,634
Other income		**732,567**	222,759
Total income		**5,658,063**	3,033,393
Cost of sales and other direct costs		**(713,620)**	(299,815)
Brokerage and commission expenses		**(414,595)**	(231,446)
Selling and marketing expenses		**(69,374)**	(77,680)
Administrative expenses		**(1,397,523)**	(762,345)
Net profit on deemed disposal of partial interests in subsidiaries	(5)	**401,844**	325,061
Changes in values of properties	(6)	**485,281**	233,324
Net profit (loss) on deemed disposal of partial interests in listed associates	(7)	**151,522**	(80,932)
Impairment loss recognised in respect of available-for-sale financial assets		**(2,000)**	(58,203)
Bad and doubtful debts		**(269,406)**	(139,220)
Other operating expenses		**(134,091)**	(104,284)
Finance costs	(8)	**(341,273)**	(206,453)
Share of results of associates		**301,195**	8,982
Share of results of jointly controlled entities		**131,106**	159,987
Profit before taxation	(9)	**3,787,129**	1,800,369
Taxation	(10)	**(310,381)**	(130,740)
Profit for the year		**3,476,748**	1,669,629
Attributable to:			
Equity holders of the Company		**1,901,254**	1,028,792
Minority interests		**1,575,494**	640,837
		3,476,748	1,669,629
Earnings per share	(11)		
Basic		**HK$7.76**	HK$4.12
Diluted		**HK$7.76**	HK$4.11

CONSOLIDATED BALANCE SHEET
AT 31ST DECEMBER, 2007

	Note	**2007** **HK$'000**	2006 HK$'000 (Note 2)
Non-current assets			
Investment properties		**3,405,200**	2,780,300
Property, plant and equipment		**322,542**	394,219
Prepaid land lease payments		**349,857**	291,196
Goodwill		**229,219**	239,247
Intangible assets		**358,821**	376,330
Interests in associates		**3,453,940**	2,521,862
Interests in jointly controlled entities		**998,767**	914,092
Available-for-sale financial assets		**1,423,970**	1,112,921
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
		12,119,822	10,025,164
Current assets			
Properties held for sale and other inventories		**482,809**	525,000
Financial assets at fair value through profit or loss		**1,209,501**	377,008
Prepaid land lease payments		**6,009**	4,517
Loans and advances to consumer finance customers due within one year		**2,145,159**	1,654,167
Trade and other receivables		**5,884,449**	3,753,345
Amounts due from associates		**156,448**	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		**2,811,029**	1,764,313
		12,821,978	8,164,897
Current liabilities			
Trade and other payables		**2,071,774**	1,552,676
Financial liabilities at fair value through profit or loss		**71,843**	1,972
Amounts due to associates		**12,605**	12,527
Amount due to a jointly controlled entity		**39,063**	79,063
Tax payable		**152,616**	83,481
Bank and other borrowings due within one year		**891,364**	1,645,170
Loan notes		**115,226**	–
Provisions		**75,074**	77,840
Other liabilities due within one year		**734**	861
		3,430,299	3,453,590
Net current assets		**9,391,679**	4,711,307
Total assets less current liabilities		**21,511,501**	14,736,471

	Note	2007 HK$'000	2006 HK$'000 (Note 2)
Capital and reserves			
Share capital		**488,473**	494,033
Share premium and reserves	*(13)*	**8,696,176**	6,791,381
Equity attributable to equity holders of the Company		**9,184,649**	7,285,414
Equity component of convertible bonds of a subsidiary		**–**	3,487
Minority interests		**9,234,306**	6,132,218
Total equity		**18,418,955**	13,421,119
Non-current liabilities			
Bank and other borrowings due after one year		**2,779,592**	919,151
Loan notes		**–**	110,650
Convertible bonds		**–**	34,384
Deferred tax liabilities		**308,178**	249,979
Provisions		**4,773**	1,180
Other liabilities due after one year		**3**	8
		3,092,546	1,315,352
		21,511,501	14,736,471

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 Quality HealthCare Asia Limited group ("Acquisition") 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 Acquisition. Thus, the net assets acquired and goodwill arising from the Acquisition 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 Acquisition, 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 date of the Acquisition. The effects of the restatements are analysed as follows:

	Year 2006 as previously reported *HK$'000*	**Adjustments** *HK$'000*	**Year 2006 as restated** *HK$'000*
Consolidated income statement			
Net profit on deemed disposal of partial interests in subsidiaries	327,275	(2,214)	325,061
Profit for the year	1,671,843	(2,214)	1,669,629
Profit attributable to:			
Equity holders of the Company	1,029,830	(1,038)	1,028,792
Minority interests	642,013	(1,176)	640,837
Earnings per share			
Basic (HK$)	4.12	–	4.12
Diluted (HK$)	4.11	–	4.11

	31st December, 2006 as previously reported *HK$'000*	**Adjustments** *HK$'000*	**31st December, 2006 as restated** *HK$'000*
Consolidated balance sheet			
Goodwill	295,581	(56,334)	239,247
Intangible assets	29,630	346,700	376,330
Deferred tax liabilities	(189,306)	(60,673)	(249,979)
Share premium and reserves	6,746,774	44,607	6,791,381
Minority interests	5,947,132	185,086	6,132,218

(3) Revenue

	2007 *HK$'000*	2006 *HK$'000*
Revenue comprises:		
Interest income on loans and advances to consumer finance customers	**1,113,668**	976,785
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	**689,386**	363,800
Income from corporate finance and others	**399,611**	274,602
Trading profit from forex, bullion, commodities and futures	**278,060**	222,250
Trading profit from securities	**204,334**	80,291
Property rental, hotel operations and management services	**199,227**	179,493
Dividend income	**33,089**	26,981
	4,925,496	2,810,634

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$'000*	**Property development and investment** *HK$'000*	**Corporate and other operations** *HK$'000*	**Total** *HK$'000*
Revenue	**2,653,561**	**1,124,942**	**957,323**	**207,806**	**212,949**	**5,156,581**
Less: inter-segment revenue	**(24,710)**	**–**	**–**	**(8,579)**	**(197,796)**	**(231,085)**
	2,628,851	**1,124,942**	**957,323**	**199,227**	**15,153**	**4,925,496**
Segment results	**1,955,285**	**560,750**	**50,117**	**601,384**	**(24,801)**	**3,142,735**
Net profit on deemed disposal of partial interests in subsidiaries						**401,844**
Net profit on deemed disposal of partial interests in listed associates						**151,522**
Finance costs						**(341,273)**
Share of results of associates						**301,195**
Share of results of jointly controlled entities	**827**	**–**	**–**	**130,279**	**–**	**131,106**
Profit before taxation						**3,787,129**
Taxation						**(310,381)**
Profit for the year						**3,476,748**

	2006					
	Investment, broking and finance *HK$'000*	Consumer finance *HK$'000*	Healthcare *HK$'000*	Property development and investment *HK$'000*	Corporate and other operations *HK$'000*	Total *HK$'000* *(Note 2)*
Revenue	1,436,873	992,294	224,579	187,972	93,705	2,935,423
Less: inter-segment revenue	(29,565)	–	–	(8,479)	(86,745)	(124,789)
	1,407,308	992,294	224,579	179,493	6,960	2,810,634
Segment results	693,227	580,289	17,983	318,215	(15,990)	1,593,724
Net profit on deemed disposal of partial interests in subsidiaries						325,061
Net loss on deemed disposal of partial interests in listed associates						(80,932)
Finance costs						(206,453)
Share of results of associates						8,982
Share of results of jointly controlled entities	1,464	–	(149)	158,672	–	159,987
Profit before taxation						1,800,369
Taxation						(130,740)
Profit for the year						1,669,629

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

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

	2007 ***HK$'000***	2006 *HK$'000* *(Note 2)*
Net profit on deemed disposal of partial interests in subsidiaries comprises:		
Share placing of 166,000,000 shares of a subsidiary *(note)*	**454,838**	–
Share placing of 248,000,000 shares of a subsidiary	**–**	324,320
Exercise of warrants of subsidiaries by warrants holders	**(52,994)**	741
	401,844	325,061

Note: Allied Properties (H.K.) Limited ("Allied Properties"), a listed subsidiary of 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 Allied Properties, 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 Allied Properties before the Share Placing and after top-up subscription was 64.34% and 57.98% respectively.

(6) Changes in values of properties

	2007	2006
	HK$'000	*HK$'000*
Changes in values of properties comprise:		
Net increase in fair value of investment properties	**445,878**	240,296
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)
	485,281	233,324

The recognition and reversal of impairment losses were 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 values 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	2006
		HK$'000	*HK$'000*
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	**10,503**	(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 option and listed warrants of another listed associate	**–**	320
		151,522	(80,932)

(8) Finance costs

	2007	2006
	HK$'000	*HK$'000*
Total finance costs included in:		
Cost of sales and other direct costs	**55,497**	49,762
Finance costs	**341,273**	206,453
	396,770	256,215

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	2006
	HK$'000	*HK$'000*
Profit before taxation has been arrived at after charging:		
Depreciation	**46,325**	36,221
Amortisation of intangible assets	**26,252**	4,225
Amortisation of prepaid land lease payments	**5,417**	4,517
Loss on disposal of partial interest in a subsidiary	**–**	261
Loss on disposal of property, plant and equipment	**4,779**	395
Loss on disposal of an investment property	**–**	146
and after crediting:		
Dividend income from listed equity securities	**24,566**	22,002
Dividend income from unlisted equity securities	**8,523**	4,979
Profit on disposal of available-for-sale financial assets	**598,227**	164,113
Profit on deemed acquisition of interests in an associate	**636**	–
Profit on disposal of an investment property	**11,902**	–
Profit on disposal of associates	**2,460**	–
Profit on disposal of subsidiaries	**61,689**	14,460
Share of profit of discontinued operations of listed associates	**72,922**	2,029

(10) Taxation

	2007	2006
	HK$'000	*HK$'000*
The income tax charge (credit) comprises:		
Current tax:		
Hong Kong	**278,387**	168,070
Other jurisdictions	**2,554**	(46)
	280,941	168,024
Deferred tax	**29,440**	(37,284)
	310,381	130,740

Hong Kong Profits Tax is calculated at the rate of 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	2006
	HK$'000	*HK$'000*
		(Note 2)
Earnings		
Earnings for the purposes of basic earnings per share (profit for the year attributable to equity holders of the Company)	**1,901,254**	1,028,792
Adjustments to earnings in respect of the effect of dilutive potential ordinary shares arising from warrants and convertible bonds of subsidiaries	**–**	(2,549)
Earnings for the purposes of diluted earnings per share	**1,901,254**	1,026,243
Number of shares	***'000***	*'000*
Weighted average number of shares for the purpose of basic and diluted earnings per share	**245,137**	249,791

(12) Dividend

	2007	2006
	HK$'000	*HK$'000*
Ordinary shares:		
Interim dividend of HK15 cents per share (2006: HK10 cents)	**36,646**	24,791
Proposed final dividend of HK60 cents per share (2006: HK40 cents)	**146,496**	98,633
	183,142	123,424

A final dividend of HK60 cents (2006: HK40 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 244,160,423 shares in issue at 15th April, 2008.

In 2007, the Company paid and recognised dividends of HK$97,873,000 and HK$36,636,000, representing HK40 cents per share, being the final dividend of 2006 and HK15 cents per share, being the interim dividend of 2007 respectively.

In 2006, the Company paid and recognised dividends of HK$37,637,000 and HK$24,791,000, representing HK15 cents per share, being the final dividend of 2005 and HK10 cents per share, being the interim dividend of 2006 respectively.

(13) Share premium and reserves

	2007	2006
	HK$'000	*HK$'000*
		(Note 2)
Share premium	**1,519,481**	1,519,481
Property revaluation reserve	**41,792**	19,241
Investment revaluation reserve	**631,735**	521,026
Capital redemption reserve	**213,675**	208,115
Translation reserve	**80,112**	16,275
Non-distributable reserve	**55,226**	55,226
Capital reserve	**(2,971)**	1,517
Accumulated profits	**6,010,630**	4,351,867
Dividend reserve	**146,496**	98,633
	8,696,176	6,791,381

FINAL DIVIDEND AND BOOK CLOSE

The Board has recommended a final dividend of HK60 cents per share for the year ended 31st December, 2007 (2006: HK40 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, making a total dividend for the year 2007 of HK75 cents per share (2006: HK50 cents). It should also be noted that the Company continued to repurchase its shares during the year at an aggregate consideration of approximately HK$60.4 million. Accordingly, earnings per share for 2007 rose by 88.3% over 2006, compared to a corresponding increase of 84.8% in profit attributable to equity holders of the Company. The Company will, when it considers appropriate, continue to use surplus cash to repurchase its shares for cancellation.

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 shares of the Company will be registered. In order to qualify for the final dividend, all transfer 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 Monday, 11th August, 2008.

FINANCIAL REVIEW

Results

The revenue of the Group for the year was approximately HK$4,925.5 million, which was an increase of 75.2% compared with the year 2006. The increase in revenue was due to:

- a pleasing performance from Sun Hung Kai & Co. Limited ("Sun Hung Kai") and United Asia Finance Limited ("UAF"), driven by the strong local economy;
- the full year consolidation of the revenue of Quality HealthCare Asia Limited ("QHA"), which became a subsidiary of the Group in October 2006; 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 84.8% to approximately HK$1,901.3 million from HK$1,028.8 million in 2006. Earnings per share amounted to HK$7.76 (2006: HK$4.12).

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;
- 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$335.9 million attributable to the Company (2006: HK$227.7 million);
- a profit on a deemed disposal of a partial interest in Tian An China Investments Company Limited ("Tian An") of HK$60.7 million attributable to the Company, compared to a deemed loss of HK$39.7 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.

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.

(b) *Group Reorganisation*

On 7th June, 2007, Bright Clear Limited ("Bright Clear"), an indirectly wholly-owned 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 11th June, 2007 made by the Company, Allied Properties (H.K.) Limited ("Allied Properties") and Sun Hung Kai and the circulars dated 3rd July, 2007 issued by Allied Properties and Sun Hung Kai respectively.

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

Allied Properties, 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 Allied Properties before Share Placing and after top-up subscription was 64.34% and 57.98% respectively.

Other than the above disposal, reorganisation 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

During the year, Allied Properties has redeemed all outstanding convertible bonds. The redemption monies, together with accrued interest amounting to HK$549.3 million, were paid during the year. The Company and its subsidiaries have received HK$518.6 million redemption monies accordingly.

At 31st December, 2007, the equity attributable to the equity holders of the Company amounted to HK$9,184.6 million, representing an increase of HK$1,899.2 million or approximately 26.1% from 2006. The Group maintained a strong cash and bank balance position and had cash, treasury bills and bank balances of approximately HK$2,932.0 million as at 31st December, 2007 (2006: HK$1,765.3 million). The Group's bank and other borrowings, together with loan notes, totalling HK$3,786.2 million (2006: HK$2,709.4 million) of which the portion due on demand or within one year decreased to HK$1,006.6 million (2006: HK$1,645.2 million) and the remaining long-term portion increased to HK$2,779.6 million (2006: HK$1,064.2 million). The liquidity of the Group as evidenced by the current ratio (current assets/ current liabilities) was 3.74 times (2006: 2.36 times). The Group's gearing ratio (net bank and other borrowings together with loan notes/equity attributable to the equity holders of the Company) was 9.3% (2006: 13.0%).

During the year, the Company repurchased 2,780,000 own shares at an aggregate consideration of approximately HK$60.4 million, details of which are outlined in the section "Purchase, Sale or Redemption of Shares" below.

The loan notes are charged at fixed interest rates. Most of the bank borrowings of the Group are charged at floating interest rates. There are no known seasonal factors in the Group's borrowing profile.

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	2006
	HK$'000	*HK$'000*
Indemnities on banking guarantees made available to a clearing house and regulatory body	**5,540**	5,540
Other guarantees	**1,400**	12,098
	6,940	17,638

(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 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$4,370.6 million (2006: HK$3,819.9 million), bank deposits 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) respectively together with certain securities in respect of listed subsidiaries held by the Company and its subsidiaries, the carrying value of which in their respective accounts totalling HK$5,204.3 million (2006: HK$3,845.2 million) were pledged to secure loans and general banking facilities to the extent of HK$4,074.2 million (2006: HK$3,275.6 million) granted to the Group. Facilities amounting to HK$1,921.2 million (2006: HK$1,556.0 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

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 ("Stock Exchange"). 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$1,906.0 million 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.

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.

Properties

Hong Kong

Allied Properties reported a profit attributable to its equity holders of HK$2,253.7 million which was an increase of 115.1% from HK$1,047.8 million in 2006.

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 held by Allied Properties, 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.

Allied Kajima Limited, 50% indirectly owned by Allied Properties 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.

During 2007, Allied Properties 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 Allied Properties 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, Allied Properties 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 Allied Properties to attract more investors and widen its shareholder base.

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 102,400m^2, compared to approximately 79,100m^2 in 2006. A total GFA of approximately 87,900m^2 (2006: 83,800m^2) 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 363,000m^2 (2006: 282,300m^2) 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 25,306m^2 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 7,154,000m^2 (total GFA attributable to Tian An is approximately 5,167,000m^2, consisting of 276,000m^2 of completed investment properties and 4,891,000m^2 of properties for development).

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.

Yu Ming

In August, 2007, Bright Clear completed the acquisition of a 22.43% interest in Yu Ming from Sun Hung Kai group. During the year, purchases by Bright Clear on the open market led to increase in shareholding to 24.85%. In November 2007, as a result of Yu Ming's share buyback programme, the Group's shareholding in Yu Ming increased further to 26.98%.

Yu Ming recorded a profit attributable to its equity holders of HK$145.2 million (2006: loss of HK$155.7 million). The increase in profit was mainly due to the disposal of listed shares, its interests in AsiaWorld-Expo, and its portfolio of Hong Kong retail properties. As Yu Ming has significant investments in global equities, the major correction in the equities market in the first quarter of 2008 is expected to have an adverse impact to Yu Ming's profits in 2008.

Yu Ming is in a cash rich position and will continue to explore new opportunities both in Hong Kong and elsewhere with the objective of generating improved returns for the benefit of its shareholders.

Employees

The total number of staff of the Group as at 31st December, 2007 was 3,444 (2006: 3,157). Total staff costs, including Directors' emoluments, amounted to HK$911.0 million (2006: HK$507.5 million). The increase in staff costs was mainly due to the full year consolidation of the results of QHA. 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:

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.

The reasons for the above deviations are set out in the section "Corporate Governance Report" contained in the Company's Annual Report for the financial year ended 31st December, 2007. 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 auditors, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the 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 SHARES

During the year, the Company made the following purchases of its own shares on the Stock Exchange:

Month of Purchase in 2007	Number of shares purchased	Purchase consideration per share Highest *HK$*	Purchase consideration per share Lowest *HK$*	Aggregate consideration paid *HK$*
January	70,000	20.00	19.60	1,391,200
February	16,000	19.90	19.20	314,200
March	348,000	20.00	19.00	6,793,800
April	1,900,000	22.00	20.40	40,814,800
June	376,000	24.00	23.05	8,827,100
September	60,000	31.45	31.45	1,887,000
October	10,000	34.05	34.05	340,500

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares 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 Group Limited
Arthur George Dew
Chairman

Hong Kong, 15th April, 2008

As at the date of this announcement, the Board comprises Messrs. Lee Seng Hui (Chief Executive), Edwin Lo King Yau and Mak Pak Hung being the Executive Directors, Mr. Arthur George Dew (Chairman) and Ms. Lee Su Hwei being the Non-Executive Directors, and Messrs. Wong Po Yan, David Craig Bartlett, John Douglas Mackie and Alan Stephen Jones being the Independent Non-Executive Directors.