



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 2006

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, 2006 are as follows.

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31ST DECEMBER, 2006

		2006	2005
	Notes	HKS'000	HKS'000
Revenue	(2)	2,166,396	964,603
Other income		198,823	94,564
Total income		2,365,219	1,059,167
Cost of sales and other direct costs		(266,727)	(79,612)
Brokerage and commission expenses		(225,513)	(141,463)
Selling and marketing expenses		(20,610)	(17,179)
Administrative expenses		(648,090)	(351,374)
Profit on deemed disposal of partial interests in subsidiaries	(4)	307,326	-
Changes in values of properties	(5)	254,292	608,686
Net loss on deemed disposal of partial interests in listed associates	(6)	(80,932)	-
Impairment loss recognised in respect of available-for-sale financial assets	(7)	(58,203)	(14,411)
Bad and doubtful debts		(52,780)	(12,042)
Other operating expenses		(91,567)	(94,932)
Finance costs	(8)	(278,612)	(96,778)
Share of results of associates		8,982	150,388
Share of results of jointly controlled entities		159,987	105,298
Profit before taxation	(9)	1,372,772	1,115,748
Taxation	(10)	(63,623)	(79,306)
Profit for the year		1,309,149	1,036,442
Attributable to:			
Equity holders of the Company		1,070,222	935,342
Minority interests		238,927	101,100
		1,309,149	1,036,442
Earnings per share	(11)		
Basic		HKS1.99	HKS1.74
Diluted		HKS1.97	HKS1.74

CONSOLIDATED BALANCE SHEET AT 31ST DECEMBER, 2006

	2006	2005
	HKS'000	HKS'000
Non-current assets		
Investment properties	2,959,300	2,784,100
Property, plant and equipment	365,583	209,419
Prepaid land lease payments	283,032	287,367
Goodwill	3,567,585	-
Intangible assets	27,200	22,586
Interests in associates	2,521,862	2,645,475
Interests in jointly controlled entities	914,092	866,394
Available-for-sale financial assets	1,060,578	993,139
Statutory deposits	78,687	32,831
Amounts due from associates	78,000	78,000
Loans and advances to consumer finance customers due after one year	1,156,998	-
Loans and receivables	33,603	124,306
Deferred tax assets	47,709	4,143
	13,094,229	8,047,760
Current assets		
Properties held for sale and other inventories	525,000	520,950
Prepaid land at fair value through profit or loss	363,384	179,204
Prepaid land lease payments	4,378	4,420
Loans and advances to consumer finance customers due within one year	1,654,167	-
Accounts receivable, deposits and prepayments	3,741,396	2,367,044
Amounts due from associates	80,702	316,966
Amount due from a jointly controlled entity	2,185	2,159
Tax recoverable	2,660	3,842
Short-term pledged bank deposit	1,000	972
Cash and cash equivalents	1,455,569	481,196
	7,830,441	3,876,753
Current liabilities		
Accounts payable and accrued charges	1,532,185	1,031,946
Financial liabilities at fair value through profit or loss	1,972	17,756
Amount due to ultimate holding company	10,919	8,183
Amount due to a fellow subsidiary	804,226	-
Amounts due to associates	12,527	62,828
Amount due to a jointly controlled entity	79,063	81,063
Tax payable	74,874	13,489
Bank and other borrowings due within one year	1,534,570	950,233
Provisions	77,684	33,366
Other liabilities due within one year	861	-
	4,128,881	2,198,864
Net current assets	3,701,560	1,677,889
Total assets less current liabilities	16,795,789	9,725,649

Capital and reserves

	Notes	2006	2005
		HKS'000	HKS'000
Share capital		1,074,599	1,074,303
Reserves	(13)	7,293,770	5,996,232
			(Note 1)
Equity attributable to equity holders of the Company		8,368,369	7,070,535
Minority interests		3,939,790	1,481,741
Total equity		12,308,159	8,552,276
Non-current liabilities			
Bank and other borrowings due after one year		919,151	875,763
Loan notes		66,639	64,252
Bonds		2,800,000	-
Convertible bonds		479,783	-
Deferred tax liabilities		220,869	230,615
Provisions		1,180	1,769
Other liabilities due after one year		8	974
		4,487,630	1,173,373
		16,795,789	9,725,649

Notes:

(1) Application of new and revised Hong Kong Financial Reporting Standards ("HKFRS") and changes in presentation

(a) Application of new and revised Hong Kong Financial Reporting Standards

In the current year, the Group has applied, for the first time, a number of new standards, amendments and interpretations ("new HKFRS") issued by the Hong Kong Institute of Certified Public Accountants, which are either effective for accounting periods beginning on or after 1st December, 2005 or 1st January, 2006. The adoption of these new HKFRS has 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.

(b) Changes in presentation – Hong Kong Accounting Standard 1 "Presentation of Financial Statements"

In the current year, the amounts due from associates previously included in interests in associates of HK\$64,582,000, loans and receivables of HK\$78,000,000 and accounts receivable, deposits and prepayments of HK\$245,000,000 are presented as separate line items in the consolidated balance sheet. Also, certain comparative figures have been reclassified and certain notes to the consolidated financial statements have been merged, split or expanded to conform with current year's presentation.

Except for the change explained above, the accounting policies and methods of computation used in preparation of the consolidated financial statements are consistent with those adopted in the 2005 annual report.

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

The Group has not early applied the following new standards, amendment or interpretations that have been issued but are not yet effective and are relevant to the operations of the Group. The Directors of the Company ("Directors") anticipate that the application of these standards, amendment or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Amendment)	Capital Disclosures ¹
HKFRS 7	Financial Instruments: Disclosures ¹
HKFRS 8	Operating Segments ²
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives ³
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment ⁴
HK(IFRIC)-Int 11	HKFRS 2: Group and Treasury Share Transactions ⁵

- ¹ Effective for annual periods beginning on or after 1st January, 2007.
- ² Effective for annual periods beginning on or after 1st January, 2009.
- ³ Effective for annual periods beginning on or after 1st June, 2006.
- ⁴ Effective for annual periods beginning on or after 1st November, 2006.
- ⁵ Effective for annual periods beginning on or after 1st March, 2007.

(2) Revenue

	2006	2005
	HKS'000	HKS'000
Revenue comprises:		
Interest income on loans and advances to consumer finance customers	348,411	-
Securities broking	463,838	225,664
Trading profit from securities	72,902	24,443
Trading profit from forex, bullion, commodities and futures	217,915	149,289
Income from corporate finance and others	274,602	169,297
Property rental, hotel operations and management services	182,349	173,358
Medical services, nursing agency, physiotherapy and dental services, and elderly care services	222,594	-
Other interest income	359,557	180,696
Dividend income	24,228	41,856
	2,166,396	964,603

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

(3) Segmental information

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

	2006					
	Investment, broking and finance	Consumer finance	Healthcare	Property rental, hotel operations and management services	Sale of properties and property based investments	Total
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
Revenue	1,423,064	360,643	224,579	187,972	-	2,196,258
Less: inter-segment revenue	(24,239)	-	-	(5,623)	-	(29,862)
	1,398,825	360,643	224,579	182,349	-	2,166,396
Segment results	742,019	159,714	17,983	346,416	(10,111)	1,256,021
Profit on deemed disposal of partial interests in subsidiaries						307,326
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	-	159,987
Profit before taxation						1,372,772
Taxation						(63,623)
Profit for the year						1,309,149

During the year, the Group acquired additional interests in Quality HealthCare Asia Limited ("QHA"), a former associate of the Group, to the extent that QHA became a subsidiary of the Group. The Group also acquired the entire interests in UAF Holdings Limited ("UAF Holdings"), a former fellow subsidiary of the Company. Accordingly, the results, assets and liabilities of QHA and UAF Holdings were consolidated and have been classified as the Healthcare and Consumer Finance segments, respectively.

	2005					
	Investment, broking and finance	Consumer finance	Healthcare	Property rental, hotel operations and management services	Sale of properties and property based investments	Total
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
Revenue	808,078	177,957	-	-	-	986,035
Less: inter-segment revenue	(16,833)	(4,599)	-	-	-	(21,432)
	791,245	173,358	-	-	-	964,603
Segment results	299,353	631,147	26,340	-	-	956,840
Finance costs						(96,778)
Share of results of associates						150,388
Share of results of jointly controlled entities	2	105,296	-	-	-	105,298
Profit before taxation						1,115,748
Taxation						(79,306)
Profit for the year						1,036,442

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

(4) Profit on deemed disposal of partial interests in subsidiaries

	2006	2005
	HKS'000	HKS'000
Profit on deemed disposal of partial interests in subsidiaries comprises:		
Share placing of 248,000,000 shares of a subsidiary (note)	303,914	-
Exercise of warrants of subsidiaries by warrants holders	3,412	-
	307,326	-

Note:

The Company, through its wholly-owned subsidiary, had completed share placings of 169,000,000 shares ("1st Share Placing") and 79,000,000 shares ("2nd Share Placing") of Sun Hung Kai & Co. Limited ("Sun Hung Kai"), a listed subsidiary of the Company, on 22nd May, 2006 and 10th August, 2006 respectively. The top-up subscription of 248,000,000 new shares of Sun Hung Kai was completed on 10th August, 2006. The shareholdings in Sun Hung Kai held by the Company before the 1st Share Placing and after top-up were 74.99% and 62.54% respectively.

(5) Changes in values of properties

	2006	2005
	HKS'000	HKS'000
Changes in values of properties comprise:		
Net increase in fair value of investment properties	261,264	522,250
(Recognition) reversal of impairment loss of properties held for sale	(5,900)	47,452
Impairment loss (recognised) reversed of hotel property	(1,072)	4,284
Reversal of impairment loss of properties held for development	-	34,700
	254,292	608,686

The recognition and reversal of impairment losses were based on lower of cost or 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 independent professional valuations at 31st December, 2006.

(6) Net loss on deemed disposal of partial interests in listed associates

	2006	2005
	HKS'000	HKS'000
Net loss on deemed disposal of partial interests in listed associates arises from the following:		
(a) - 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	-
- Share placing and top-up subscription of shares of a listed associate	13,377	-
(b) Exercise of share options and listed warrants of another listed associate	(320)	-
	80,932	-

(7) **Impairment loss recognised in respect of available-for-sale financial assets**

The amount for 2006 represents an impairment loss of HK\$58,203,000 provided by the Group relating to its 12.5% interest in a Kuala Lumpur hotels project because the carrying amount of the investment exceeded the estimated recoverable amount.

The amount for 2005 of HK\$14,411,000 represents impairment losses of listed equity investments.

	2006 HK\$'000	2005 HK\$'000
Total finance costs included in:		
Cost of sales and other direct costs	11,934	–
Finance costs	278,612	96,778
	<u>290,546</u>	<u>96,778</u>

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

(9) **Profit before taxation**

	2006 HK\$'000	2005 HK\$'000
Profit before taxation has been arrived at after charging:		
Depreciation		
Owned assets	29,917	24,437
Asset under a finance lease	–	42
	<u>29,917</u>	<u>24,479</u>
Amortisation of intangible assets (included in other operating expenses)	4,225	3,662
Amortisation of prepaid land lease payments	4,378	4,401
Loss on disposal of property, plant and equipment	604	671
Loss on disposal of an investment property	146	–
and after crediting:		
Dividend income from listed equity securities	20,549	16,853
Dividend income from unlisted equity securities	3,679	25,003
Net realised profit on derivatives	27,209	20,513
Net profit on other dealing activities	23,961	7,733
Net realised profit on financial assets at fair value through profit or loss	27,052	3,132
Profit on disposal/deemed disposal of a jointly controlled entity	–	1,219
Profit on disposal of available-for-sale financial assets	149,045	56,748
Profit on disposal of an investment property	–	2,061
Net profit on dealing in leveraged foreign currencies	8,304	6,753
Net realised profit on disposal of a subsidiary	8,640	–
Repayment of interest in respect of litigation with New World Development Company Limited pursuant to Court of Appeal Judgement	–	14,783

(10) **Taxation**

	2006 HK\$'000	2005 HK\$'000
The income tax charge (credit) comprises:		
Current tax:		
Hong Kong	95,608	26,254
Outside Hong Kong	(46)	229
	<u>95,562</u>	<u>26,483</u>
Deferred tax	(31,939)	52,823
	<u>63,623</u>	<u>79,306</u>

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

Taxation outside Hong Kong is calculated at the rates prevailing 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:

	2006 HK\$'000	2005 HK\$'000
<i>Earnings</i>		
Earnings for the purposes of basic earnings per share (profit for the year attributable to equity holders of the Company)	1,070,222	935,342
Adjustments to earnings in respect of the effect of dilutive potential ordinary shares arising from:		
– warrants of a subsidiary	(2,722)	–
– interest on convertible bonds	5,727	–
Earnings for the purposes of diluted earnings per share	<u>1,073,227</u>	<u>935,342</u>
<i>Number of shares</i>	<i>'000</i>	<i>'000</i>
Weighted average number of shares for the purpose of basic earnings per share	537,187	537,152
Effect of dilutive potential ordinary shares arising from convertible bonds	7,655	–
Weighted average number of shares for the purpose of diluted earnings per share	<u>544,842</u>	<u>537,152</u>

(12) **Dividend**

	2006 HK\$'000	2005 HK\$'000
Ordinary shares:		
Proposed final dividend of HK15 cents per share (2005: HK10 cents)	<u>80,595</u>	<u>53,715</u>

A final dividend of HK15 cents (2005: HK10 cents) per share has been proposed by the Directors and is subject to approval by the shareholders at the forthcoming annual general meeting of the Company.

The amount of the proposed final dividend for the year ended 31st December, 2006 has been calculated by reference to 537,300,015 shares in issue at 16th April, 2007.

During the year ended 31st December, 2006 and 2005, the Company paid and recognised dividends of HK\$53,715,000 and HK\$26,858,000, representing HK10 cents per share and HK5 cents per share, being the final dividends of 2005 and 2004, respectively.

(13) **Reserves**

	2006 HK\$'000	2005 HK\$'000
Share premium	517,824	516,644
Convertible bonds equity reserve	48,660	–
Property revaluation reserve	25,675	–
Investment revaluation reserve	641,210	490,639
Capital redemption reserve	72,044	72,044
Translation reserve	(41,752)	(86,753)
Capital reserve	2,301	4,827
Accumulated profits	5,947,213	4,945,116
Dividend reserve	80,595	53,715
	<u>7,293,770</u>	<u>5,996,232</u>

DIVIDEND AND BOOK CLOSE

The Board has proposed a final dividend of HK15 cents per share (2005: HK10 cents) payable to shareholders whose names appear on the register of members of the Company on Wednesday, 13th June, 2007.

The register of members of the Company will be closed from Thursday, 7th June, 2007 to Wednesday, 13th June, 2007, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on Wednesday, 6th June, 2007. Subject to approval by the shareholders at the forthcoming annual general meeting of the Company, dividend warrants are expected to be despatched on Monday, 9th July, 2007.

FINANCIAL REVIEW

Results

The revenue of the Group for 2006 was approximately HK\$2,166.4 million, which was an increase of 125% compared with 2005. The increase in revenue was due to:-

- stronger performance from Sun Hung Kai & Co. Limited ("Sun Hung Kai");
- higher rental income received from the Group's investment properties; and
- consolidation of the revenues of United Asia Finance Limited ("UAF") and Quality HealthCare Asia Limited ("QHA"), which became subsidiaries of the Group in August and October 2006 respectively.

The profit attributable to the equity holders of the Company for the year was approximately HK\$1,070.2 million. (2005: HK\$935.3 million). Earnings per share amounted to HK\$1.99 (2005: HK\$1.74).

The increase in profit was due to:-

- increased contributions from Sun Hung Kai and the Group's investment properties; and
- a profit on the deemed disposal of a portion of the Group's interest in Sun Hung Kai amounting to HK\$303.9 million.

The increase in profit was partially offset by a number of issues including:-

- provisions by Tian An China Investments Company Limited ("Tian An") for past years Land Appreciation Tax ("LAT") in Mainland China amounting to approximately HK\$67.4 million attributable to the Company, a deemed loss of approximately HK\$44.3 million attributable to the Company arising from the conversion of 78,800,000 warrants of Tian An by Wachovia Investment Holdings, LLC, as well as a deemed loss of approximately HK\$8.7 million attributable to the Company arising from the placing of 175,000,000 Tian An shares to a number of institutional investors.
- We believe, however, that the consequent cash injection into Tian An in respect of the conversion of Tian An warrants and placement of Tian An shares above has in fact strengthened its balance sheet and its capacity to pursue its development projects and has thus enhanced the long term value of the Group's investment in Tian An;
- an impairment provision of approximately HK\$37.9 million attributable to the Company in relation to the carrying value of the interest in the Kuala Lumpur hotel joint venture with New World Development Company Limited ("NWDC"); and
- a loss on the derecognition by Yu Ming Investments Limited ("Yu Ming") of its investment in CR Airways Limited (now known as Hong Kong Airlines Limited) and receivables in an aggregate amount of approximately HK\$27.8 million attributable to the Company.

Material Acquisitions and Disposal

(a) *Acquisition of additional interests in QHA*

During the year, Sun Hung Kai concluded an option agreement with CLSA Capital Limited ("CLSA") in relation to the option shares and option warrants of QHA for a consideration of approximately HK\$11.1 million. The option entitled Sun Hung Kai to acquire from CLSA 34,156,666 shares in QHA at an aggregate exercise price of approximately HK\$99.9 million, and for warrants leading to the subscription of 7,056,232 shares in QHA.

On 29th September, 2006, Sun Hung Kai exercised the option over the option shares of QHA and in October 2006 CLSA transferred all the option warrants of QHA to Sun Hung Kai. The exercise of the option over the option shares of QHA required Sun Hung Kai to make a general offer for all the issued shares of QHA not already owned by it. Sun Hung Kai increased its interests in QHA from approximately 34.40% as at 1st January, 2006 to 50.13% after the closing of the general offer in November 2006. On 27th November, 2006, Sun Hung Kai exercised warrants of QHA to subscribe for 5,000,000 QHA shares and increased Sun Hung Kai's interests in QHA to approximately 51.14%.

(b) *Acquisition of interests in UAF Holdings Limited ("UAF Holdings")*

On 24th August, 2006, Sun Hung Kai completed an agreement with Allied Group Limited ("Allied Group") and AG Capital Holding Limited ("AGCH"), a wholly-owned subsidiary of Allied Group, for the purchase of the entire issued share capital of UAF Holdings, a wholly-owned subsidiary of AGCH together with the assignment of related shareholder's loan at an aggregate consideration of HK\$4,328.0 million. The consideration was settled by cash of HK\$628.0 million, a short-term loan of HK\$900.0 million and three year bonds with a principal amount of HK\$2,800.0 million.

UAF Holdings holds 50.91% interest in UAF. Subsequent to the acquisition, Sun Hung Kai's interests in UAF increased from 7.27% to 58.18%. UAF and its subsidiaries are principally engaged in consumer finance loans throughout Hong Kong.

(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 169,000,000 shares ("1st Share Placing") and 79,000,000 shares ("2nd Share Placing") of Sun Hung Kai, on 22nd May, 2006 and 10th August, 2006 respectively. The top-up subscription of 248,000,000 new shares of Sun Hung Kai was completed on 10th August 2006. The net proceeds of the placing and top-up subscription was approximately HK\$1,685.5 million. The shareholdings in Sun Hung Kai held by the Company before the 1st Share Placing and after top-up subscription were 74.99% and 62.54% respectively.

(d) *Deemed disposal of interests in Tian An arising from share placing and top-up subscription and exercise of unlisted warrants by a subscriber*

In April 2006, Sun Hung Kai completed the placing and top-up subscription of 175,000,000 shares in Tian An. Subsequently, a third party exercised its rights under unlisted Tian An warrants for the conversion of 78,800,000 shares in Tian An. The shareholdings in Tian An held by Sun Hung Kai decreased from 48.6% as at 1st January, 2006 to 39.59%, as at 31st December, 2006.

Other than the above acquisitions 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

A bonus issue of warrants on the basis of one warrant for every five shares held was proposed by the Board on 12th April, 2006. 107,430,380 warrants were issued on 5th June, 2006.

The warrant holders are entitled to subscribe in cash for one fully paid share at an initial subscription price of HK\$10 per share, subject to adjustments, at any time from 7th June, 2006 to 6th June, 2009 (both days inclusive). During the year ended 31st December, 2006, 147,625 warrants were converted into 147,625 ordinary shares at a subscription price of HK\$10 per share. Accordingly 107,282,755 warrants were outstanding at 31st December, 2006. Exercise in full of the outstanding warrants would result in the issue of 107,282,755 additional shares with an aggregate subscription value of approximately HK\$1,072.8 million.

The net proceeds received from conversion of warrants was used to finance the general working capital of the Group.

On 10th November, 2006, the Company issued convertible bonds amounting to HK\$537.3 million. The convertible bonds bear interests at 7% p.a. for the period from 10th November, 2006 to 30th June, 2009 and 4% p.a. for the period from 1st July, 2009 to 9th November, 2011, the maturity date. Bondholders have rights to convert the bonds into new shares of the Company at an initial conversion price of HK\$10 (subject to adjustments) during the conversion period commencing from 1st July, 2009. Subsequent to the balance sheet date, the Company had partially redeemed the convertible bonds. Details are set out in the section "Events After The Balance Sheet Date" below.

Sun Hung Kai completed share placings and top-up subscription of total 248,000,000 shares in August 2006, bringing total net proceeds of approximately HK\$1,685.5 million to the Group. Part of the proceeds raised by Sun Hung Kai was used to finance the HK\$4,328.0 million acquisition of UAF Holdings. While the transaction has affected the Group's overall gearing ratio, the Group's balance sheet continues to be strong.

The Group is principally financed by banking facilities granted by the banks and proceeds from issue of shares by the Company and subsidiary, and bonds and convertible bonds issued. 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, 2006, the current ratio (current assets/current liabilities) of the Group was 1.90 times, which increased from the 1.76 times applicable at the end of the preceding year.

At 31st December, 2006, the Group's net borrowings amounted to HK\$5,043.5 million (2005: HK\$1,408.0 million), representing bank and other borrowings, loan notes, short-term loan due to a fellow subsidiary, bonds due to a fellow subsidiary and convertible bonds totalling HK\$6,500.1 million (2005: HK\$1,890.2 million) less bank deposits, bank balances, treasury bills and cash of HK\$1,456.6 million (2005: HK\$482.2 million) and the Group had equity attributable to equity holders of the Company of HK\$8,368.4 million (2005: HK\$7,070.5 million). Accordingly, the Group's gearing ratio of net borrowings to equity attributable to equity holders of the Company was 60.3% (2005: 19.9%). The increase in borrowings was mainly due to the finance raised for the acquisition of UAF Holdings.

	2006 HK\$'000	2005 HK\$'000
Bank borrowings of the Group are repayable as follows:		
Within one year or on demand	1,526,570	950,233
More than one year but not exceeding two years	645,712	606,939
More than two years but not exceeding five years	273,439	211,214
More than five years	–	57,610
	<u>2,445,721</u>	<u>1,825,996</u>
Other borrowings due within one year	8,000	–
Short-term loan due to a fellow subsidiary	700,000	–
Loan notes repayable within five years	66,639	64,252
Convertible bonds repayable within five years	479,783	–
Bonds held by a fellow subsidiary repayable within five years	2,800,000	–
	<u>6,500,143</u>	<u>1,890,248</u>

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

Contingent Liabilities

(a) At 31st December, 2006, the Group had guarantees as follows:

	2006 HK\$'000	2005 HK\$'000
Indemnities on banking guarantees made available to a clearing house and regulatory body	5,540	5,540
Other guarantees	12,098	7,084
	<u>17,638</u>	<u>12,624</u>

(b) In June 2006, Sun Hung Kai received notice of a 2001 order made by the Hubei Province Higher Peoples Court in China freezing US\$3 million of funds (or assets of equivalent value) of Sun Hung Kai Securities Limited ("SHKS"), a wholly-owned subsidiary of Sun Hung Kai, pursuant to which SHKS's shares in Chang Zhou Power Development Company Limited ("Chang Zhou Power") in China ("Chang Zhou Power Shares") (worth US\$3 million) were subsequently frozen. SHKS had sold the Chang Zhou Power Shares in 1998. Sun Hung Kai will further investigate the matter but at this stage it does not consider that it is appropriate to make any provision considering the circumstances.

Material Litigation Update

(a) By the Judgment of High Court on 1st April, 2004 ("Judgment") in HCA 3191/1999 between NWDC and Stapleton Developments Limited ("SDL") against SHKS, the Court held that SHKS had a 12.5% interest in a 50/50 joint venture entered into between NWDC and IGB Corporation Berhad to purchase land and build 2 international hotels plus a 200-unit service apartment in Kuala Lumpur, Malaysia ("Joint Venture"). In particular the Court found that: (i) as to SHKS's interest in Great Union Properties Sdn. Bhd. ("GUP") that SDL, a corporation ultimately owned 100% by NWDC, holds 12.5% of the issued shares of GUP ("GUP Shares") on trust for SHKS, and that SHKS is entitled to the transfer to it of the legal title to the GUP Shares, upon payment of certain amounts to NWDC; (ii) as to the Joint Venture, that SHKS beneficially owns 25% of NWDC's entire interest in the Joint Venture; (iii) as to the shareholder's loans, that SHKS beneficially owns 25% of the loans advanced to GUP by SDL in a principal amount equivalent to HK\$114,904,023.60. SHKS was ordered to pay NWDC the sum of HK\$105,534,018.22 together with interest on the principal sum of HK\$80,117,652.72 at judgment rate from 16th December, 1998 until payment, pursuant to the terms of an oral agreement which the Court found. As at 17th June, 2004, the date when the Judgment sum was paid, the Judgment amounted to HK\$150,115,681.54 (being HK\$105,534,018.22 plus interest of HK\$44,581,663.32). SHKS has paid the Judgment amounts. SHKS filed an appeal against the Judgment both as to liability and quantum to the Court of Appeal. That Court of Appeal handed down the judgment ("Court of Appeal Judgment") in which the Court of Appeal ordered a repayment to SHKS of part of the interest element for the period from 16th December, 1998 to 31st March, 2004 previously ordered against SHKS in the Court of First Instance but otherwise broadly confirmed the Judgment. The sum repayable amounted to HK\$14,783,090.86 and has been repaid. SHKS obtained leave to appeal the Court of Appeal Judgment to the Court of Final Appeal ("Final Appeal"). The Final Appeal was heard on 19th, 20th and 21st June, 2006. On 10th July, 2006, the Court of Final Appeal delivered its decision ("Final Appeal Judgment"), dismissing the Final Appeal except to the extent that the principal sum awarded in favour of NWDC should be reduced by HK\$629,448.15. This amount together with interest thereon of HK\$647,991.43 totalling HK\$1,277,439.58 has now been paid to SHKS by NWDC. Pursuant to the Final Appeal Judgment, SHKS was ordered to pay costs of the appeal.

SHKS received new claims contained in (i) a writ containing an endorsement of claim issued by NWDC in April 2004 ("HCA 813/2004") for the sums of HK\$27,237,489.51 and HK\$7,697,418.42 together with interest on such sums from 1st March, 2000 and 2nd January, 2001 respectively at such rate as the Court considers appropriate, although as at the date of this announcement, the writ in HCA 813/2004 had not been served on SHKS; and (ii) a writ including a statement of claim issued by NWDC and SDL in February, 2006 ("HCA 376/2006") for what are asserted to be amounts advanced by

NWDC on behalf of SHKS as pro-rata contributions to shareholders' loans. The sum of HK\$37,498,011.41, being the aggregate of the contributions claimed from SHKS, together with interest thereon at such rate and for such period as the Court considers appropriate is claimed in HCA 376/2006, although as at the date of this announcement, that writ had not been served on SHKS. In October 2006, SHKS made payment to NWDC of HK\$37,498,011 in settlement of the principal amount of the new claims, and in December 2006, it made payment to NWDC of HK\$10,081,950 in settlement of interest on the new claims. SHKS has now paid all amounts of principal and interest due to be paid to NWDC. The final amount of NWDC's costs and disbursements, that SHKS is liable to pay has yet to be determined. SHKS has given notice to NWDC and SDL, among other things, of its demand that the legal interest in the GUP Shares be transferred to it and that its portion of the shareholder's loans be assigned to it.

- (b) On 4th February, 2004, Sun Tai Cheung Credits Limited ("STCC") and Sun Hung Kai Investment Services Limited ("SHKIS"), both indirect wholly-owned subsidiaries of Sun Hung Kai, were served with a writ including a statement of claim ("200/2004") by Shanghai Finance Holdings Limited ("SFHL"), claiming, inter alia, an order that the sale of the shares in Shun Loong Holdings Limited ("SLHL") ("Shun Loong Shares") by STCC as assignee to SHKIS (at a consideration of HK\$36,500,000 subject to additional amounts in a total sum not exceeding HK\$15,700,000 which might have been payable one year from the date of completion under certain conditions) pursuant to a sale and purchase agreement dated 25th June, 2003 be set aside, or alternatively, as against STCC for damages and an account as to the money obtained by STCC in respect of the Shun Loong Shares. The action was dismissed by consent on 27th October, 2006.
- (c) Shun Loong Finance Limited and SLHL (together the "Petitioners"), both indirect wholly-owned subsidiaries of Sun Hung Kai, filed a winding-up petition on 19th February, 2004 in the British Virgin Islands ("B.V.I.") seeking an order that SFHL be wound up by reason of its failure to pay debts owing to the Petitioners. The B.V.I. proceedings were discontinued by consent on 10th November, 2006.
- (d) Sun Hung Kai, STCC and SHKIS filed a writ on 7th February, 2004 ("230/2004") naming as defendants Shanghai Land Holdings Limited, Stephen Liu Yiu Keung, Yeo Boon Ann, The Standard Newspapers Publishing Limited and Hong Kong Economic Times Limited and claiming damages for libel, injunctive relief, interest and costs. The action was dismissed by consent on 27th October, 2006.
- (e) Details on the case regarding Chang Zhou Power are set out in paragraphs (b) of the "Contingent Liabilities" section above.

Pledge of Assets

At 31st December, 2006, 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\$3,975.2 million (2005: HK\$3,699.4 million), listed investments belonging to the Group and margin clients with a carrying value of HK\$1,306.2 million (2005: HK\$1,387.7 million) together with certain securities in respect of a listed subsidiary with a carrying value of HK\$1,181.6 million (2005: HK\$902.9 million), were pledged to secure loans and general banking facilities to the extent of HK\$3,075.6 million (2005: HK\$3,098.8 million) granted to the Group. Facilities amounting to HK\$1,445.4 million (2005: HK\$1,792.9 million) were utilised at 31st December, 2006.

At 31st December, 2006, a bank deposit of HK\$1.0 million (2005: HK\$1.0 million) was pledged to secure a bank guarantee amounting to HK\$2.0 million (2005: HK\$2.0 million).

Events After the Balance Sheet Date

- (a) In January 2007, Sun Hung Kai sold 43,950,000 shares in Lippo Limited, an available-for-sale investment, through a number of on-market transactions on The Stock Exchange of Hong Kong Limited ("Stock Exchange") at an aggregate consideration of approximately HK\$131.9 million which gave rise to a profit of approximately HK\$48.0 million. Sun Hung Kai ceased to have any interest in Lippo Limited after the disposal.
- (b) On 22nd February, 2007, the Company announced a partial redemption of the convertible bonds, being HK\$5 out of the principal amount of HK\$10 per convertible bond. The redemption monies, together with accrued interest amounting to approximately HK\$274.8 million were payable on 22nd March, 2007. The effect to consolidated income statement arising on the transaction was immaterial.

As stated in the prospectus dated 12th October, 2006 issued by the Company, one of the major reasons for the issue of the convertible bonds was to enable the Company to restore, to the extent possible, its shareholding percentage in Sun Hung Kai, which was diluted in the top-up placing arrangement of SHK in August 2006. Following completion of such top-up placing arrangement, one of the places has become a substantial shareholder of Sun Hung Kai, whose shares in Sun Hung Kai are, by such reason, not regarded as being held in public hands for the purposes of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). Public disclosures reveal that since then, such placee has not disposed of any of its shares in Sun Hung Kai. Any increase in the Company's shareholding percentage in Sun Hung Kai may therefore have further impact on the public float of Sun Hung Kai and give rise to the risk of the public float of Sun Hung Kai not being maintained in accordance with the requirements under the Listing Rules. Accordingly, the Directors do not foresee any opportunity, in the short or medium run, for the Company to apply any significant part of the proceeds of the issue of the convertible bonds to restore its shareholding percentage in Sun Hung Kai.

The Directors consider that the partial redemption of the convertible bonds provides a good opportunity for the Group to reduce its liabilities and interest payment obligations and to improve its financial position.

OPERATIONAL REVIEW

Properties

Hong Kong

The local property market continued to benefit from the stable economy and the buoyant stock market. Capital values of properties rose moderately and positive rental trends continued during the year. China Online Centre, Allied Cargo Centre, Park Place as well as Century Court all achieved higher rental income. Contribution from Ibis North Point continued to strengthen resulting from both 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, 2006. The Group's investment properties were valued at HK\$2,959.3 million, the net increase in fair value of approximately HK\$261.3 million being reported in the consolidated income statement for the year.

Allied Kajima Limited, 50% indirectly owned by the Group and holding properties including Allied Kajima Building, Novotel Century Hong Kong hotel and the Philippine Plaza Hotel, contributed a profit increase of 50.7% in 2006 as compared to 2005. The increase was mainly due to a revaluation of its investment property and a strong performance by Novotel Century Hong Kong hotel which recorded significantly higher average room rates.

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 approximately HK\$51.5 million (2005: HK\$202.5 million), representing a 75% decrease over the previous year. The decrease was attributable to the recognition in the current year by Tian An, in the interest of prudence, of a provision for both past years and year 2006 LAT previously noted as a contingent liability. These provisions amounted to approximately HK\$261.6 million and HK\$35.8 million respectively. Had these provisions not been made, the profit attributable to equity holders of Tian An would have increased to HK\$334.6 million (2005: HK\$202.5 million). This increase, before

the provision for additional LAT, would have resulted from an increase in the fair value of its investment properties, a gain on its disposal of a jointly controlled entity, and a substantial increase in rental income.

Pursuant to its strategy of increasing rental income and maximizing development profit, Tian An managed its portfolio so as to retain more real estate for the generation of rental income. Tian An recorded sales of approximately 79,100 m² total GFA in 2006, compared to 138,000 m² in 2005. The benefits of this strategy should be realized in 2008 and 2009 when substantial developments held for sale will be available for marketing. These developments include Shanghai Tian An Place in Cao Bao Lu, Shanghai Tian An Villa in Sheshan, The Manhattan in Wuxi and Shenzhen Tian An Golf Garden (Phase 3). These properties have significantly increased in value in recent years and Tian An expects to record substantial profit on any disposals. The rental income increased by 70% in 2006 and is expected to continue to increase in the next few years as a larger portion of Tian An's investment properties are completed, including the "Flour Mill" project in Shanghai.

Tian An has a current landbank of total GFA of approximately 6,322,000 m² (total GFA attributable to Tian An is approximately 4,615,000 m², consisting of 222,000 m² of completed investment properties and 4,393,000 m² of properties for development), located mainly in Shanghai and Shenzhen, as well as other cities.

Financial Services

Broking and finance

Sun Hung Kai, the Group's broking arm, recorded a profit attributable to its equity holders of HK\$486.8 million (2005: HK\$401.5 million). Revenue for the year was HK\$1,984.4 million, compared to HK\$793.6 million for the previous year. The increases in the revenue and profit reported were due to the combined effect of the consolidation of the results of UAF and QHA, which became subsidiaries of the Group in August and October 2006 respectively, and the strong performance of Sun Hung Kai itself. Sun Hung Kai enjoyed a strong year with all operating divisions showing marked increases in both revenue and profit reported. The principal reason for Sun Hung Kai reporting a modest increase of 21.2% in the profit attributable to its equity holders was due to the inclusion of several significant non-recurring items, which included some non-cash charges, as detailed in the Results section above. Sun Hung Kai's 2006 results, stripped of the above non-recurring items, showed solid operational improvements and growth.

Securities broking continued to be a significant contributor to the revenue in Sun Hung Kai. Third party execution provided to non-exchange participants also produced ongoing revenue. Institutional and investment bank clients remained a source of stable income.

The buoyant stock market conditions were reflected in a substantial increase in Sun Hung Kai's margin book. The term lending book remained stable despite keen competition in alternate financing through the capital markets using IPOs and placements.

The fund management business experienced pleasing growth in 2006. Assets under management grew by 150% from approximately US\$260 million at the end of 2005 to US\$650 million at the end of 2006. Sun Hung Kai grew its platform from three to six funds and continued to recruit experienced investment professionals to join its platform as well as launching additional Asian hedge funds.

The corporate finance division successfully launched and sponsored four IPOs on the main board and one IPO on the GEM board of the Stock Exchange. It was also actively involved in a number of underwriting exercises for IPOs. Sun Hung Kai participated in 37 issues of sub-underwriting, placements and IPOs generating substantial income from IPO placement and trading commissions as a result of the upsurge of IPO launches especially from H-shares. The division was also appointed as the independent financial advisor in respect of several major transactions and connected transactions of various listed companies.

Sun Hung Kai continued to strengthen its existing relationships with Mainland Chinese financial institutions and is exploring potential avenues to expand its China business.

The Shun Loong group of companies which was acquired in 2003 was fully integrated with the operations of Sun Hung Kai to maximise operational efficiencies and cost savings.

Sun Hung Kai, during the year, raised approximately HK\$1,685.5 million through two placements and a top-up subscription with its majority shareholder to strengthen its balance sheet and finance its acquisition of UAF.

Consumer finance

In 2006, the Group expanded into the consumer finance sector, through the acquisition by Sun Hung Kai in August of UAF (and in which now Sun Hung Kai holds 58.18%). Given UAF's proven expertise in the industry and growth potential in both Hong Kong and China's consumer finance market, the Group believes this strategic acquisition will strengthen and diversify the Group's earnings base significantly.

UAF is a leading consumer finance company that had 36 branches in Hong Kong at the end of 2006 (2005: 32), providing a versatile range of personal loan products. UAF achieved a 13.9% increase in revenue during the year and a 10.6% growth in the balance of loans and advances to consumer finance customers at the year end. In 2007, UAF will continue to focus on improving its service, expanding its branch network, and exploring further business initiatives.

UAF believes that significant untapped market demand for consumer finance products exists in China and accordingly has set up a team to explore the potential of a retail chain to develop consumer finance businesses in China and to formulate an appropriate action plan for development of same. We anticipate that UAF should be able to launch a viable consumer finance business in Mainland China in the foreseeable future after appropriate preparatory work has been effectively established.

The Hong Kong Building and Loan Agency Limited ("HKBLA"), a listed company in Hong Kong and 74.99% owned subsidiary of UAF since September 2005, was principally engaged in the provision of mortgage finance, investment holding and treasury investments. HKBLA recorded a pleasing increase in profit for the year to HK\$11.3 million (2005: HK\$1.2 million), mainly driven by its treasury management activities.

Investments

QHA

Following Sun Hung Kai's purchase of the additional shares of QHA from CLSA in October 2006 upon its exercise of an option granted by CLSA and a consequent general offer, QHA became a 51.15% subsidiary of Sun Hung Kai.

QHA reported a net profit of HK\$65.1 million in 2006, a 16% increase compared to net profit of HK\$56.1 million in 2005. Turnover for QHA in 2006 increased by 8.6% to HK\$893.7 million from HK\$822.8 million in 2005.

The continued growth in profit resulted from ongoing enhancement to customer services, improvements in operational efficiency, and closer teamwork between frontline and back office staff. The total number of client visits to QHA's medical network continued to increase, and there was overall growth in the total number of corporate clients.

QHA continued to expand its medical network in 2006 with the establishment of new centres and the expansion and relocation of existing centres. The expertise and reputation of QHA's third party administration and call centre continued to strengthen and QHA has been appointed by international insurers to handle China claims and health plans.

Yu Ming

Yu Ming, a 22.43% owned listed associate of Sun Hung Kai, incurred a loss attributable to its equity holders of HK\$155.7 million (2005: profit of HK\$144.7 million). The loss was mainly due to the derecognition of the investment and the receivables originally held in CR Airways Limited in an aggregate amount of HK\$190.2 million. We understand that Yu Ming is studying the legal implications of the exchange of its interest in CR Airways Limited for its stake in Grand China Air Company Limited.

At the end of 2006, the major investments of Yu Ming were in AsiaWorld-Expo, retail shops in Mongkok and Causeway Bay, Grand China Air Company Limited and a portfolio of debt securities and equity investments.

Shanghai Allied Cement Limited ("SAC")

SAC, a 54.77% owned listed subsidiary of Tian An, reported a profit attributable to its equity holders of HK\$0.4 million (2005: loss of HK\$35.2 million). The improvement in profit was principally due to the higher cement price. In addition, the sales volume of cement and clinker amounted to 2.186 million tonnes, representing an increase of 23% as compared to the previous year. SAC's Shanghai cement factory is located on an attractive site in Shanghai. The property is carried at cost in the books and the management of SAC is examining alternative avenues to realise its value.

Employees

The total number of staff of the Group as at 31st December, 2006 was 3,111 (2005: 1,662). The increase was mainly due to the consolidation of UAF and QHA. Total staff costs, including Directors' emoluments, amounted to HK\$409.1 million (2005: HK\$224.5 million). 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

The market expects the Hong Kong economy to have further growth in 2007, although at a more moderate rate when compared with last year. Again, the Hong Kong investment property market is expected to be satisfactory and the financial market is forecast to benefit from strong investor confidence and continuing inflows of capital. Nevertheless, the Group will keep alert on any potential impacts arising from the persistently high fuel price, possible additional austerity measures imposed by the Mainland Government and the unsettled disputes in the Middle East.

The Group will continue to develop its core financial services and property investment and development businesses both in Hong Kong and Mainland China for the benefit of all shareholders.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles of, and complied with, the applicable code provisions of the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 of the Listing Rules throughout the financial year ended 31st December, 2006, except for the 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 should 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) should 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 coordination 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 the entire issued share capital of UAF Holdings was unable to attend the relevant extraordinary general meeting of the Company held on 9th August, 2006 as he was overseas during that period. However, no shareholder at the meeting raised any questions to be answered by such member.

3. Subsequent to the retirement of Sir Gordon Macwhinnie as the Non-Executive Chairman and an Independent Non-Executive Director of the Company on 30th December, 2005, the post of the Chairman was vacant until 1st January, 2007 when Mr. Arthur George Dew was appointed as the Chairman and a Non-Executive Director of the Company.

The reasons for the above deviations are set out in the section "Corporate Governance Report" to be contained in the Company's 2006 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 2006 Annual Report which will be sent to the Shareholders at the end of April 2007.

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, 2006.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated balance sheet, consolidated income statement and the related notes thereto for the year ended 31st December, 2006 as set out in this announcement 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 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 2006, and would like to express appreciation to the shareholders for their continual support.

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

Hong Kong, 16th April, 2007

As at the date of this announcement, the Board 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.