



ALLIED GROUP LIMITED
(聯合集團有限公司)

(Incorporated in Hong Kong with limited liability)

(Stock Code: 373)

UNAUDITED INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30TH JUNE, 2008

The Board of Directors (“Board”) of Allied Group Limited (“Company”) is pleased to announce that the unaudited consolidated results of the Company and its subsidiaries (“Group”) for the six months ended 30th June, 2008 with the comparative figures for the corresponding period in 2007 are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

for the six months ended 30th June, 2008

		Six months ended 30th June,	
		2008	2007
		Unaudited	Unaudited
	<i>Notes</i>	HK\$'000	HK\$'000
Revenue	3	1,930,432	2,125,787
Other income		25,398	220,963
Total income		1,955,830	2,346,750
Cost of sales and other direct costs		(367,972)	(301,898)
Brokerage and commission expenses		(126,305)	(161,344)
Selling and marketing expenses		(30,361)	(26,747)
Administrative expenses		(682,385)	(630,321)
Profit on disposal of subsidiaries		–	62,321
Discount on acquisition of additional interest in a subsidiary		19,792	–
Loss on fair value change of warrants of a listed associate	4	(270,051)	–
Changes in values of properties	5	30,423	185,352
Bad and doubtful debts		(136,595)	(110,695)
Other operating expenses		(58,087)	(61,266)
Finance costs	6	(50,873)	(138,375)
Share of results of associates		312,422	163,067
Share of results of jointly controlled entities		71,267	92,858
Profit before taxation	7	667,105	1,419,702
Taxation	8	(96,802)	(135,164)
Profit for the period		570,303	1,284,538
Attributable to			
Equity holders of the Company		208,491	673,568
Minority interests		361,812	610,970
		570,303	1,284,538
Earnings per share	9		
Basic		HK\$0.85	HK\$2.74

CONDENSED CONSOLIDATED BALANCE SHEET

at 30th June, 2008

	At 30th June, 2008 Unaudited HK\$'000	At 31st December, 2007 Audited HK\$'000
Non-current assets		
Investment properties	3,568,415	3,405,200
Property, plant and equipment	341,431	322,542
Prepaid land lease payments	352,189	349,857
Goodwill	237,454	229,219
Intangible assets	358,058	358,821
Interests in associates	3,984,330	3,453,940
Interests in jointly controlled entities	1,072,012	998,767
Available-for-sale financial assets	897,472	1,423,970
Statutory deposits	25,656	29,729
Loans and advances to consumer finance customers due after one year	1,657,754	1,475,395
Loans and receivables	7,069	5,806
Deferred tax assets	79,718	66,576
	<hr/> 12,581,558	<hr/> 12,119,822
Current assets		
Properties held for sale and other inventories	478,169	482,809
Financial assets at fair value through profit or loss	926,123	1,209,501
Prepaid land lease payments	6,129	6,009
Loans and advances to consumer finance customers due within one year	2,314,291	2,145,159
Trade and other receivables	5,791,041	5,884,449
Amounts due from associates	62,254	156,448
Amount due from a jointly controlled entity	1,200	2,192
Tax recoverable	4,769	3,382
Short-term pledged bank deposit	121,825	121,000
Cash and cash equivalents	2,384,849	2,811,029
	<hr/> 12,090,650	<hr/> 12,821,978
Current liabilities		
Trade and other payables	1,894,061	2,071,774
Financial liabilities at fair value through profit or loss	116,930	71,843
Amounts due to associates	12,924	12,605
Amount due to a jointly controlled entity	39,063	39,063
Tax payable	228,254	152,616
Bank and other borrowings due within one year	1,033,493	891,364
Loan notes	47,133	115,226
Provisions	26,353	75,074
Dividend payable	146,496	–
Other liabilities due within one year	668	734
	<hr/> 3,545,375	<hr/> 3,430,299
Net current assets	<hr/> 8,545,275	<hr/> 9,391,679
Total assets less current liabilities	<hr/> 21,126,833	<hr/> 21,511,501

CONDENSED CONSOLIDATED BALANCE SHEET (Cont'd)*at 30th June, 2008*

	At 30th June, 2008 Unaudited HK\$'000	At 31st December, 2007 Audited HK\$'000
Capital and reserves		
Share capital	488,321	488,473
Share premium and reserves	<u>8,543,776</u>	<u>8,696,176</u>
Equity attributable to equity holders of the Company	9,032,097	9,184,649
Shares held for employee ownership scheme of a subsidiary	(29,548)	–
Employee share-based compensation reserve of a subsidiary	2,873	–
Minority interests	<u>9,263,115</u>	<u>9,234,306</u>
Total equity	<u>18,268,537</u>	<u>18,418,955</u>
Non-current liabilities		
Bank and other borrowings due after one year	2,554,140	2,779,592
Deferred tax liabilities	300,087	308,178
Provisions	4,068	4,773
Other liabilities due after one year	<u>1</u>	<u>3</u>
	<u>2,858,296</u>	<u>3,092,546</u>
	<u>21,126,833</u>	<u>21,511,501</u>

Notes :

1. BASIS OF PREPARATION

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis, except for certain properties and financial instruments, which are measured at fair value.

The accounting policies used in the unaudited condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31st December, 2007.

In the current period, the Group has applied, for the first time, the following new interpretations (“new Interpretations”) issued by HKICPA, which are effective for the Group’s financial year beginning on 1st January, 2008 and are relevant to the operations of the Group.

HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of these new Interpretations had no material effect on how the results or 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, amendments and interpretation 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
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation ¹
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations ¹
HKFRS 3 (Revised)	Business Combinations ²
HKFRS 8	Operating Segments ¹
HK(IFRIC) – Int 13	Customer Loyalty Programmes 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 July, 2008.

The directors of the Company anticipate that the application of these new and revised standards, amendments and interpretation will have no material impact on the results and the financial position of the Group.

3. SEGMENTAL INFORMATION

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

	Six months ended 30th June, 2008					
	Investment, broking and finance <i>HK\$'000</i>	Consumer finance <i>HK\$'000</i>	Healthcare <i>HK\$'000</i>	Property development and investment <i>HK\$'000</i>	Corporate and other operations <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue	636,482	640,817	521,275	148,053	82,703	2,029,330
Less: inter-segment revenue	(26,417)	-	-	(5,522)	(66,959)	(98,898)
	<u>610,065</u>	<u>640,817</u>	<u>521,275</u>	<u>142,531</u>	<u>15,744</u>	<u>1,930,432</u>
Segment results	161,277	298,411	25,276	101,387	(1,803)	584,548
Discount on acquisition of additional interest in a subsidiary						19,792
Loss on fair value change of warrants of a listed associate						(270,051)
Finance costs						(50,873)
Share of results of associates						312,422
Share of results of jointly controlled entities	(1)	-	-	71,268	-	71,267
Profit before taxation						<u>667,105</u>
Taxation						(96,802)
Profit for the period						<u>570,303</u>
	Six months ended 30th June, 2007					
	Investment, broking and finance <i>HK\$'000</i>	Consumer finance <i>HK\$'000</i>	Healthcare <i>HK\$'000</i>	Property development and investment <i>HK\$'000</i>	Corporate and other operations <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue	1,045,415	537,135	465,804	97,625	120,721	2,266,700
Less: inter-segment revenue	(23,438)	-	-	(4,365)	(113,110)	(140,913)
	<u>1,021,977</u>	<u>537,135</u>	<u>465,804</u>	<u>93,260</u>	<u>7,611</u>	<u>2,125,787</u>
Segment results	741,723	297,777	37,194	232,114	(6,656)	1,302,152
Finance costs						(138,375)
Share of results of associates						163,067
Share of results of jointly controlled entities	730	-	78	92,050	-	92,858
Profit before taxation						<u>1,419,702</u>
Taxation						(135,164)
Profit for the period						<u>1,284,538</u>

Inter-segment transactions have been entered into on terms agreed by the parties concerned.

During the period under review, 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. LOSS ON FAIR VALUE CHANGE OF WARRANTS OF A LISTED ASSOCIATE

In December 2007, a listed associate of the Group issued new shares by way of open offer to the qualifying shareholders on the basis of one new share for every five shares held together with new warrants of the listed associate in the proportion of one new warrant for every one new share successfully subscribed. The Group subscribed its proportion of the new shares and procured the new warrants. The warrants were recognised by the Group as “financial assets at fair value through profit or loss” at their initial carrying amount representing their fair value at the date of acquisition.

The fair value of the warrants at 30th June, 2008 dropped when compared to the fair value at 1st January, 2008 and the Group incurred an unrealised loss of HK\$270,051,000 (2007: Nil) arising from the fair value change. However, the listed associate recorded a profit in the current period as a result of the changes in fair value of the warrants and the Group shared this profit from the associate, which is approximately the same as the loss incurred.

5. CHANGES IN VALUES OF PROPERTIES

	Six months ended 30th June,	
	2008	2007
	HK\$'000	HK\$'000
Changes in values of properties comprise:		
Net increase in fair value of investment properties	22,238	174,264
Reversal of impairment loss of properties held for sale	9,579	10,668
Impairment loss (recognised) reversed for hotel property	(1,394)	420
	<u>30,423</u>	<u>185,352</u>

6. FINANCE COSTS

	Six months ended 30th June,	
	2008	2007
	HK\$'000	HK\$'000
Total finance costs included in:		
Cost of sales and other direct costs	29,646	22,104
Finance costs	50,873	138,375
	<u>80,519</u>	<u>160,479</u>

8. TAXATION

	Six months ended 30th June,	
	2008	2007
	HK\$'000	HK\$'000
The income tax charge comprises:		
Current tax:		
Hong Kong	112,376	126,296
Other jurisdictions	562	784
	<u>112,938</u>	<u>127,080</u>
Under(over) provision in prior year	3,780	(424)
	<u>116,718</u>	<u>126,656</u>
Deferred tax		
Current period	(7,351)	8,508
Change of tax rates	(12,565)	–
	<u>(19,916)</u>	<u>8,508</u>
	<u>96,802</u>	<u>135,164</u>

Hong Kong Profits Tax is calculated at the rate of 16.5% (2007: 17.5%) on the estimated assessable profits for the period.

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

9. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit attributable to equity holders of the Company of HK\$208,491,000 (2007: HK\$673,568,000) and on the weighted average number of 244,173,000 (2007: 246,018,000) shares in issue during the period.

Diluted earnings per share is not presented as the Company had no dilutive potential ordinary shares during both periods.

10. DIVIDEND

	Six months ended 30th June,	
	2008	2007
	HK\$'000	HK\$'000
Ordinary shares:		
Interim dividend declared after the balance sheet date of HK15 cents per share (2007: HK15 cents per share)	<u>36,622</u>	<u>36,646</u>

The amount of the interim dividend for the six months ended 30th June, 2008 has been calculated by reference to 244,146,423 shares in issue at 17th September, 2008.

The Company did not pay any dividend during the current and prior period. The final dividend of 2007 was paid in August 2008.

When the Board of Directors consider whether a dividend should be paid, if so, the amount, factors such as the past record of dividends, earnings of the Company and the Group, operational requirements, planned expansion and growth of the Group's businesses, the earnings forecast as well as the cash flow forecast of the Company and the Group will be taken into consideration.

It is particularly noted:–

- That the accounts are consolidated and therefore a major portion of the consolidated earnings of a listed group may be retained in the lower level partly owned subsidiaries (listed or unlisted) and associates or jointly controlled enterprises (listed or unlisted).
- The declared profit is not equivalent to actual cash received because of accounting standards and only cash received should be considered in determining cash dividends paid.

An objective of the Company is to maintain a balance between sustained growth of the Group and benefits of the shareholders as a whole.

INTERIM DIVIDEND AND BOOK CLOSE

The Board is pleased to declare an interim dividend of HK15 cents per share (2007: HK15 cents) payable to the shareholders whose names appear on the register of members of the Company on Friday, 31st October, 2008. The Board is cognizant of the benefit to shareholders of a dividend policy with a high pay-out ratio. However, we consider that a sustainable dividend represents a better policy. This is reflected in this current dividend declaration, which is the same as that in the corresponding period of last year, even though a fall in profit has been reported. It should also be noted that the Company continued to repurchase its shares during the period at an aggregate consideration of approximately HK\$2.2 million. Accordingly, both net asset value per share and earnings per share have been enhanced.

The register of members of the Company will be closed from Monday, 27th October, 2008 to Friday, 31st October, 2008 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to qualify for the interim 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 Friday, 24th October, 2008. Dividend warrants are expected to be despatched on Friday, 7th November, 2008.

FINANCIAL REVIEW

Results

The revenue of the Group was HK\$1,930.4 million, a decrease of 9.2% compared with the corresponding period of 2007. The decrease in revenue was mainly due to the decrease in turnover from the Group's broking and finance business due to an unstable financial market during the period, and was partly alleviated by increased revenue from the consumer finance and healthcare segments.

The profit attributable to the equity holders of the Company for the period was HK\$208.5 million (2007: HK\$673.6 million), a decrease of HK\$465.1 million. Earnings per share amounted to HK\$0.85 (2007: HK\$2.74).

The decrease in profit was primarily due to:-

- decreased contributions from the Group's financial services division;
- lower fair value gain on the investment properties of the Group; and
- losses, both realised and unrealised, arising from investments in securities due to a falling global financial market.

Financial Resources, Liquidity and Capital Structure

At 30th June, 2008, the equity attributable to the equity holders of the Company amounted to HK\$9,032.1 million, representing a decrease of HK\$152.5 million or approximately 1.7% from that of 31st December, 2007. The Group's short-term bank deposits, treasury bills, bank balances and cash amounted to HK\$2,506.7 million (at 31st December, 2007: HK\$2,932.0 million). The Group's bank loans and other borrowings, together with loan notes, totalling HK\$3,634.7 million (at 31st December, 2007: HK\$3,786.2 million) of which the portion due on demand or within one year was HK\$1,080.6 million (at 31st December, 2007: HK\$1,006.6 million), and the remaining long-term portion was HK\$2,554.1 million (at 31st December, 2007: HK\$2,779.6 million). The liquidity of the Group as evidenced by the current ratio (current assets/current liabilities) was 3.41 times (at 31st December, 2007: 3.74 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 12.5% (at 31st December, 2007: 9.3%).

The loan notes are charged at fixed interest rates. Most of the bank borrowings of the Group are charged at floating interest rates.

During the period, the Company repurchased a total of 76,000 of its own shares at an aggregate consideration, including transaction costs, of approximately HK\$2.2 million.

Acquisition and Disposal

On 26th June, 2008, Famestep Investments Limited (“Famestep”), a direct wholly-owned subsidiary of Allied Properties (H.K.) Limited (“Allied Properties”), completed the acquisition of the entire share capital of Wah Cheong Development (B.V.I.) Limited (“Wah Cheong”) and the assignment of a HK\$271.4 million loan from Sun Hung Kai & Co. Limited (“Sun Hung Kai”) for an aggregate consideration of approximately HK\$470.7 million. As at the completion date of the disposal, Wah Cheong was beneficially interested in approximately 51.15% of the issued capital of Quality HealthCare Asia Limited (“QHA”). Details of the transaction were contained in the joint announcement dated 14th May, 2008 made by the Company, Allied Properties and Sun Hung Kai and the circulars dated 4th June, 2008 issued by the Company, Allied Properties and Sun Hung Kai respectively. It should be noted that in the consolidation financial statements of the Company, the gain on the disposal of Wah Cheong of approximately HK\$163 million recorded by Sun Hung Kai was eliminated against the goodwill arising from the acquisition of Wah Cheong by Famestep as the transaction is an intercompany transaction.

Other than the above group reorganisation, there were no material acquisitions or disposals of subsidiaries, associated companies or jointly controlled entities completed during the period.

Risk of Foreign Exchange Fluctuation

There have been no significant changes in the exposure to foreign exchange risks from those outlined in the Company’s Annual Report for the financial year ended 31st December, 2007.

Contingent Liabilities

(a) At the balance sheet date, the Group had guarantees as follows :

	At 30th June, 2008 <i>HK\$’000</i>	At 31st December, 2007 <i>HK\$’000</i>
Indemnities on banking guarantees made available to a clearing house and regulatory body	5,540	5,540
Other guarantees	3,000	1,400
	<u>8,540</u>	<u>6,940</u>

(b) In 2001, an order was made by the Hubei Province Higher People’s Court in China (“2001 Order”) enforcing a CIETAC award of 19th July, 2000 (“Award”) by which Sun Hung Kai Securities Limited (“SHKS”), a wholly-owned subsidiary of Sun Hung Kai, was required to pay US\$3,000,000 to Chang Zhou Power Development Company Limited (“JV”), a mainland PRC joint venture. SHKS had disposed of all of its beneficial interest in the JV to Sun Hung Kai’s listed associate, Tian An China Investments Company Limited (“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 is party to the following litigation relating to the JV:

- (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 an alleged collateral warranty, and for alleged 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. The 2008 Writ was served on SHKS on 29th May, 2008. It is being 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 Cheung Lai Na (張麗娜) ("Ms. Cheung") 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. The Mainland Writ is being 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.
- (iii) On 4th June, 2008, a writ of summons was issued by Tian An and SHKS in the High Court of Hong Kong against Ms. Cheung ("HK Writ"), seeking declarations that (a) Ms. Cheung is not entitled to receive or obtain the transfer of 28% or any of the shareholding in the JV from Tian An and SHKS; (b) Ms. Cheung is not entitled to damages or compensation; (c) Hong Kong is the proper and/or the most convenient forum to determine the issue of Ms. Cheung's entitlement to any shareholding in the JV; (d) further and alternatively, that Ms. Cheung's claim against Tian An and SHKS in respect of her entitlement to the shareholding in the JV is scandalous, vexatious and/or frivolous; and (e) damages, interest and costs as well as further or other relief (together with related costs and expenses). As at the date of this announcement, the HK Writ has not been served on Ms. Cheung. Sun Hung Kai does not consider it presently appropriate to make any provision with respect to this action.

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) 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 Holdings Limited dating back to 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 employees of Sun Hung Kai. Procedural determinations made by the MMT were the subject of judicial review heard in June 2008, the outcome of which is pending. While a provision has been made for legal costs, the Company does not consider it presently appropriate to make any other provision with respect to the Notice or the judicial review proceeding.
- (c) Details of proceedings relating to Chang Zhou Power Development Company Limited, a mainland PRC joint venture, are set out in paragraph (b) of the “Contingent Liabilities” section.

Pledge of Assets

At 30th June, 2008, 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\$4,426.6 million (at 31st December, 2007: HK\$4,370.6 million), bank deposits of HK\$120.3 million (at 31st December, 2007: HK\$120.0 million), listed investments belonging to the Group and margin clients with market values of HK\$2,950.7 million (at 31st December, 2007: HK\$5,717.0 million) and HK\$1,559.7 million (at 31st December, 2007: HK\$2,286.3 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\$4,011.5 million (at 31st December, 2007: HK\$5,204.3 million) were pledged to secure loans and general banking facilities to the extent of HK\$4,081.6 million (at 31st December, 2007: HK\$4,074.2 million) granted to the Group. Facilities amounting to HK\$1,909.1 million (at 31st December, 2007: HK\$1,921.2 million) were utilised at 30th June, 2008.

At 30th June, 2008, a bank deposit of HK\$1.5 million (at 31st December, 2007: HK\$1.0 million) was pledged to secure a bank guarantee amounting to HK\$2.0 million (at 31st December, 2007: HK\$2.0 million).

OPERATIONAL REVIEW

Financial Services

Broking and finance

Sun Hung Kai, the Group's broking and finance arm, recorded a profit attributable to its equity holders of HK\$462.3 million (2007: HK\$747.1 million).

It should be noted that Sun Hung Kai's profit for the period included several non-cash charges. Firstly, there was an impairment charge of HK\$56 million relating to the carrying value of intangible assets, specifically the value of the customer relationship of Sun Hung Kai's consumer finance business which was acquired in 2006. In addition, Sun Hung Kai's profit was also impacted by the ongoing amortisation charges of intangible assets totalling HK\$114 million (2007: HK\$105.3 million). These charges are of a non-cash nature and do not affect the underlying operating cash flow.

The brokerage division's customer recruitment strategy enjoyed commendable results, with approximately 17,000 new accounts opened during the 12-month period to 30th June, 2008. During the first half of 2008, SHK Online, Sun Hung Kai's self-directed internet execution service, was able to maintain its momentum, and matched its 2007 first half performance in terms of both revenue and profitability. The reduction in revenue generated from stock trading was mitigated to some extent by an increase in activity on Sun Hung Kai's HSI Futures trading platform.

Surging demand for commodities and a weaker U.S. dollar during the period under review saw oil peak at a record US\$143.67 per barrel, with gold also surpassing its previous highs to reach US\$1,030.80 per ounce. Sun Hung Kai's trading volumes of overseas commodities futures doubled during the first half, with precious metals and foreign currencies also proving popular among investors looking for alternative investment opportunities.

As a result of tighter credit conditions and weaker capital markets, the margin lending business remained relatively stable, with its loan book growing 4.5% to approximately HK\$2.8 billion compared with the first half of 2007.

The wealth management division recorded pleasing revenue growth during the period. Combined revenue from Sun Hung Kai's mutual fund platform, which offers more than 2,500 funds along with sales in unit-linked products, climbed steadily, increasing more than 10% when compared with the same period last year. Several initiatives aimed at expanding Sun Hung Kai's revenue streams and boosting the productivity of its investment consultants were also adopted.

The asset management division experienced a reasonably steady first half despite the continued performance challenges and widespread redemptions in the industry. Assets under management held directly and through associates continued to grow towards the US\$1 billion mark.

Consumer finance

United Asia Finance Limited ("UAF"), the Group's consumer finance arm, achieved a double-digit rate of increase both in loan portfolio and interest income during the first half of the year. However, the division's profit after tax for the period was marginally lower when compared with the same period in 2007, which reflected a gain from the disposal of The Hong Kong Building and Loan Agency Limited ("HKBLA") in May 2007. Excluding the HKBLA gain in 2007, profit for the current interim period would have increased by 19%.

While competition in the Hong Kong market remained intense, the management continued to broaden UAF's distribution network both in Hong Kong and China. Currently, UAF has 41 branches in Hong Kong and 8 branches in Shenzhen.

The China business continues to grow at a satisfactory pace as UAF's Mainland branch network gradually builds towards critical mass. The challenge now for UAF in its China operations is to secure sufficient Renminbi funding to grow its business. In this regard, the management has been exploring alternative funding sources with several financial institutions.

Properties

Hong Kong

Allied Properties reported a profit attributable to its equity holders of HK\$322.1 million (2007: HK\$742.7 million).

Allied Properties' recurrent income from its investment property portfolio continued to increase. Park Place, Century Court, St George Apartments, Allied Cargo Centre as well as China Online Centre achieved higher rental income. The hotel operating income from Ibis North Point continued to record improving results due to higher average room rates as a result of the continuing robust tourism industry in Hong Kong.

Allied Kajima Limited, 50% indirectly owned by Allied Properties and holding properties including Allied Kajima Building, Novotel Century Hong Kong hotel and the Sofitel Philippine Plaza Hotel, contributed a lower profit than that of the corresponding period in 2007, principally due to a lower fair value gain from the investment properties.

Mainland PRC

Revenue of Tian An for the period reached HK\$210.7 million (2007: HK\$244.4 million for continuing operations and HK\$192.5 million for discontinued operations), a decrease of 14% compared with the corresponding period last year. The profit attributable to equity holders of Tian An was HK\$957.4 million (2007: HK\$335.7 million), representing a 185% increase. This increase included a gain of HK\$757.1 million, representing the change in fair value of a derivative financial instrument liability in respect of the warrants. If Tian An excluded this change in fair value of the derivative financial instrument and the profit of HK\$137.8 million from its discontinued cement operations in the corresponding period of last year, the profit attributable to its equity holders would have shown a slight increase.

Tian An sold 34,300 square metres in the first half of 2008, compared to 40,100 square metres in the first half of 2007. A total gross floor area ("GFA") of approximately 79,900 square metres (2007: 49,800 square metres) of residential and commercial property was completed during the period, representing an increase of 60%. By 30th June, 2008, a total GFA of approximately 362,000 square metres (2007: 335,130 square metres) was under construction, representing an 8% increase over the same period of last year. Tian An's GFA landbank currently stands at approximately 7,053,000 square metres.

Tian An is in a strong financial position with total bank balances and cash as at 30th June, 2008 of over HK\$3 billion which is expected to increase with proceeds from disposals. Barring unforeseen circumstances and excluding the effect of change in fair value of the derivative financial instrument as mentioned above, Tian An expects a significantly stronger second half profit contribution.

Investments

QHA

For the six months ended 30th June, 2008, QHA reported revenue of HK\$518.6 million, an increase of 12.5%, compared to HK\$460.9 million for the same period of last year. Profit attributable to equity holders of QHA was HK\$29.3 million, a decrease of 8.2%, compared to HK\$31.9 million for the corresponding period in the prior year. The reduction in profit was principally due to the reduction in interest income derived from QHA's bank deposits, the decline in contribution from the elderly operations and the absence of contribution of an associate which was disposed of in the second half of 2007.

QHA has adopted different strategies to actively manage inflationary pressures whilst continuing to develop business initiatives for further growth and development of the network and services. Through active negotiation with landlords, QHA has been successful in controlling rental costs inflation within its targeted range. Where appropriate QHA has introduced price adjustments for its services and offered alternative solutions for its clients.

QHA continued to expand its network of core medical centres during the reporting period, with the opening of a new centre in the central business district and the expansion of a medical centre in the Hong Kong East region into an integrated centre encompassing western medicine, Chinese medicine, dental, and physiotherapy services.

There was a 5.7% increase in client visits at QHA's medical network, 14.2% increase in fee for services income and a growth of 14.9% in cash revenues during the reporting period compared to the corresponding period of last year.

Yu Ming Investments Limited ("Yu Ming")

Yu Ming reported a loss attributable to its equity holders of HK\$165.5 million (2007: profit of HK\$53.9 million). This is mainly due to revaluation losses in its securities portfolio.

At 30th June, 2008, the major investments of Yu Ming included investment in listed equities, equity forward contracts, structured notes, investment funds, stock options and unlisted warrants. In April 2008, Yu Ming entered into an agreement with an independent third party to dispose of the investment in Grand China Air Company Limited for a consideration of HK\$110 million. Yu Ming received a HK\$30 million non-refundable deposit in cash, with the balance of HK\$80 million payable upon completion in September 2008.

Employees

The total number of staff of the Group at 30th June, 2008, was 3,514 (at 31st December, 2007: 3,444). The Group reviews remuneration packages from time to time. Besides salary payments, other staff benefits include contributions to employee provident funds, medical subsidies and a discretionary bonus scheme.

BUSINESS OUTLOOK

The US sub-prime mortgage crisis and increasing global inflationary pressures continue to pose challenges for the global and local economies. We expect that the global economic outlook will remain uncertain in the second half of 2008. The Mainland government's austerity control measures, aiming at reining in inflation and restricting investment in property by controlling fund inflows, is expected to generate some negative sentiments within the China investment market.

The management is cognizant of the impact of such adverse short term fluctuations and has prepared the Group for such challenges. The Group has often been described as being overly conservative. The advantage of this character is now evident as the Group's strong financial position should enable it to take advantage of any opportunities during this uncertain operating period.

CODE ON CORPORATE GOVERNANCE PRACTICES

During the six months ended 30th June, 2008, 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, 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 were 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.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the period under review, the Company made the following purchases of its own shares on the Stock Exchange:

Month of purchase	Number of shares purchased	Purchase consideration per share		Aggregate consideration
		Highest HK\$	Lowest HK\$	paid HK\$
January 2008	64,000	29.00	27.50	1,820,800
March 2008	12,000	33.10	33.05	397,100

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 six months ended 30th June, 2008.

AUDIT COMMITTEE REVIEW

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a general review of the unaudited interim financial report for the six months ended 30th June, 2008. In carrying out this review, the Audit Committee has relied on a review conducted by the Group's external auditors in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA, and on the interim results announcements of the listed associates, as well as obtaining reports from management. The Audit Committee has not undertaken detailed independent audit checks.

By Order of the Board
Allied Group Limited
Arthur George Dew
Chairman

Hong Kong, 17th September, 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.